

**HEARING TO REVIEW U.S. INTERNATIONAL  
FOOD AID PROGRAMS**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON AGRICULTURE**  
**HOUSE OF REPRESENTATIVES**  
ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

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JUNE 24, 2015  
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## HEARING TO REVIEW U.S. INTERNATIONAL FOOD AID PROGRAMS

WEDNESDAY, JUNE 24, 2015

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The Committee met, pursuant to call, at 10:01 a.m., in Room 1300 of the Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Committee] presiding.

Members present: Representatives Conaway, Lucas, Gibbs, Austin Scott of Georgia, Crawford, Gibson, Hartzler, Benishek, LaMalfa, Davis, Yoho, Walorski, Allen, Bost, Rouzer, Abraham, Moolenaar, Newhouse, Peterson, David Scott of Georgia, Walz, McGovern, DelBene, Vela, Lujan Grisham, Kuster, Nolan, Kirkpatrick, Aguilar, Plaskett, Adams, Graham, and Ashford.

Staff present: Bart Fischer, Caleb Crosswhite, Callie McAdams, Carly Reedholm, Haley Graves, John Goldberg, Matt Schertz, Mollie Wilken, Scott C. Graves, Andy Baker, Liz Friedlander, and Nicole Scott.

### OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

The CHAIRMAN. Good morning. This hearing of the Committee on Agriculture regarding a review of the U.S. international food aid programs, will come to order. I have asked David Scott, the gentleman from Georgia, to open us with a prayer. David?

Mr. DAVID SCOTT of Georgia. Thank you. Dear Heavenly Father, we come before your throne of grace to first of all give thanks. We thank You so much for the many blessings that You bestow upon us, so many blessings, dear Heavenly Father. We do not even know the blessings that You give to us every single day. We thank You for the gift of being able to be selected by the people of this nation to serve here in Congress, and we ask that You pour down your wisdom, your Spirit, that we keep humble hearts and open minds to do your will and the will of the people of the United States of America. And these are the blessings we ask in your Son, Jesus Christ's name. Amen.

The CHAIRMAN. Thank you, David. I appreciate our witnesses being here this morning. For over 6 decades, the United States has played a leading role in global efforts to alleviate hunger and malnutrition and to enhance food security through international food aid. Today's hearing marks the beginning of the Committee's work to review these efforts.

As we begin this process, it is important that we start off with an overview, so I am grateful that representatives from the respective agencies charged with implementing these programs are able to testify before us today.

By 2050, the world's population is expected to grow by 30 percent, from approximately seven billion to nine billion people. Likewise, demand for food is projected to grow by as much as 60 percent. A significant portion of this growth will occur in some of the world's poorest countries. These projections not only underscore the importance of reviewing the efficiency of these programs in achieving their stated objectives, but also the importance of maintaining broad support for the programs. While we rightly focus on trying to achieve world food security, ultimately eliminating the need for food aid altogether, the fact remains that hundreds of millions of people around the globe remain hungry, placing unlimited demand on food aid resources. On behalf of the people these programs are intended to help, it is critically important that we ensure that these programs are working as intended.

Agricultural commodities grown by our farmers here at home have been a core component of U.S. international food aid programs for over 60 years now. That said, I am aware of the continued calls for additional reform to these programs, Title II of the Food for Peace Act in particular. However, the balance struck in the most recent farm bill shows the agricultural community's recognition of those concerns. It is prudent that we monitor the outcome of these added flexibilities over the life of the farm bill to get a better sense of what is working and what needs to be improved.

I fear it is shortsighted to charge ahead with efforts to transition Title II into a program virtually indistinguishable from the cash assistance programs already provided for by the Foreign Assistance Act. This is especially the case given GAO's concern with the integrity of those cash-based programs, including vulnerability in counterfeiting, diversion, fraud, and misuse.

I also share similar concerns regarding negotiations that circumvent the traditional agricultural community, an instrumental part of the coalition responsible for the proud legacy of global food aid. Any additional food aid reforms should be debated in an open and transparent manner and should be debated in the context of developing the next farm bill. I hold the same view when it comes to discussions about whole-of-government approaches to global food security. Agriculture must be an integral part of those discussions. Those advocating reform often talk about the importance of having a variety of tools in the toolbox. It seems to me that the current slate of international food aid programs provides just that. Today I look forward to hearing from the agency witnesses on why that may or may not be the case, and I hope that each of us gains a better understanding of these important programs.

Again, thank you for being here today, and I look forward to continuing to work together on this review.

[The prepared statement of Mr. Conaway follows.]

PREPARED STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN  
CONGRESS FROM TEXAS

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Again, thank you all for being here today, and I look forward to continuing to work with you throughout this review process.

I now yield to the Ranking Member for any remarks he would like to make.

The CHAIRMAN. I now yield to the Ranking Member for any comments he would like to make.

**OPENING STATEMENT OF HON. COLLIN C. PETERSON, A  
REPRESENTATIVE IN CONGRESS FROM MINNESOTA**

Mr. PETERSON. Thank you, Mr. Chairman. For more than 60 years, the United States has been a leader in providing food for those in need around the world. Partnering with private organizations, mailers, and shippers, the United States has delivered more than \$80 billion in international food aid since World War II.

The 2014 Farm Bill continued our commitment to providing global food aid by making several improvements to U.S. food aid programs, specifically the farm bill increased flexibility in the use of section 202(e) funds including cash-based assistance and placed

special focus on the types and quality of agriculture commodities donated as food aid.

I look forward to hearing from today's witnesses on how these changes are being implemented, and while the 2014 Farm Bill made important improvements to food aid programs, some in Congress have proposed additional reforms. I have said repeatedly that reopening the farm bill is a bad idea, and I will oppose any effort to change the farm bill provisions outside of the reauthorization process.

I do think it is important for the Committee to continue oversight of the farm bill implementation, learn more about how these programs are working, and what changes if any may be needed in the next farm bill.

So again, thank you, Mr. Chairman, and I yield back.

The CHAIRMAN. Thank you, Collin. The chair would request that other Members submit their opening statements for the record so that the witnesses may begin their testimony and to ensure there is ample time for our questions.

I would like to welcome our witnesses to the table today. We have Mr. Phil Karsting, Administrator of the Foreign Agricultural Service, U.S. Department of Agriculture here in Washington, D.C., and Mr. Thomas Staal, Acting Assistant Administrator, Bureau for Democracy, Conflict and Humanitarian Assistance, U.S. Agency for International Development here in Washington, D.C.

Mr. Karsting, the floor is yours for your opening comments.

**STATEMENT OF PHILIP C. KARSTING, ADMINISTRATOR,  
FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF  
AGRICULTURE, WASHINGTON, D.C.**

Mr. KARSTING. Thank you, Mr. Chairman, and Members of the Committee. I am pleased to come before you to discuss USDA international food aid and capacity-building programs, and I am pleased to do so with my colleague and partner from USAID.

Our agencies, along with others, work side by side to combat global hunger and increased food security through the whole-of-government Feed the Future Initiative. My formal testimony has been submitted for the record, and I welcome an opportunity to discuss it later in the hearing. I would like to use the time you have given me right now to make a handful of points.

First, I want to acknowledge that the United States is the world's leading food assistance provider. In Fiscal Year 2013, the U.S. Government provided \$1.7 billion in food aid, which is the equivalent of 1.4 million metric tons to more than 46.2 million beneficiaries in 56 countries. My agency, the Foreign Agricultural Service, operates a number of key food aid and capacity-building programs that have been authorized by Congress, and I would like to describe them briefly.

First is the Food for Progress Program which was established in 1985. This is the cornerstone of USDA efforts to support sustainable agricultural markets in developing nations. Under Food for Progress, U.S. agricultural commodities have generally been donated and monetized. The proceeds are used to fund projects which improve market systems and trade capacity.



The second critical program is the McGovern-Dole Food for Education and Child Nutrition Program, otherwise known as McGovern-Dole. It provides commodities and technical assistance for school feeding programs and maternal and child nutrition. I have seen first-hand, most recently in Laos, in the Sekong Province, how these programs are making a difference.

Third is the Cochran Fellowship Program. This is one of our signature exchange programs. It helps emerging leaders in developing countries cultivate skills and expertise so they can improve trade linkages with the United States and other trading partners. Cochran Fellows study everything from agribusiness to zoonotic disease treatment and prevention.

Fourth, I want to mention the Norman E. Borlaug International Agricultural Science and Technology Fellowship Program. This program promotes food security and economic growth by educating a new generation of agricultural scientists from developing nations. And I should point out that the benefits run in both directions. A 2011 Borlaug Fellow from Morocco has played a key role in upgrading laboratories at home for better pest management and more effective control of viruses and bacteria. His Borlaug program colleagues and mentors at Texas A&M Kingsville are testing Moroccan water conservation and drip irrigation techniques to improve Rio Red grapefruit production in south Texas.

We are also preparing to implement at USDA new authorities included in the 2014 Farm Bill for which I thank you. This Local and Regional Procurement Program builds on a pilot from the 2008 Farm Bill. Under the pilot, USDA demonstrated and reported to Congress that food assistance could, in many cases, be provided more economically and faster with some combination of local and regional procurement. USDA's 2016 budget proposes \$20 million in funding for the new LRP program which we think would support three to four development programs.

My prepared testimony is packed with details and numbers. It points out, for instance, that FAS is currently overseeing nearly \$637 million in Food for Progress programming in 23 countries. It talks about what we are doing in Jordan to improve water conservation and help relieve the challenges presented by 620,000 Syrian refugees.

To pull all these programs together, I want to give you a quick example of how USDA programs operate in a unified approach to food security. In Honduras, the agricultural sector stands as the top source of income for the poor. More than 1.7 million Hondurans, or 65 percent of the population, live below the national poverty line with more than 20 percent living on \$1.25 a day. At the request of the Honduran Government under the Food for Progress Program, proceeds of 30,000 metric tons of corn and 18,000 of soybean meal will be used to improve agricultural productivity, enhance farmers' skills, and strengthen trade and agricultural products. A portion of the funds will go toward follow-on training and food safety and market information systems. This work dovetails with the 2014 Cochran program where we trained Honduran participants on methods of identifying foodborne diseases. Combined, the Food for Progress agreements and the Cochran training will help Hondurans apply appropriate sanitary and

phytosanitary measures to exports as well as imports, including those from the United States.

Cocoa and coffee are important for Honduras, and the Food for Progress Program has worked with both to help lead a renaissance in cocoa production. The combined effects of hurricanes, disease outbreak, and low prices brought cocoa cultivation in Honduras to the brink of extinction. Food for Progress advisors identified promising native plant varieties and trained farmers in grafting techniques to reproduce new trees. The program is supporting more than 2,500 acres of fine cocoa, and with USDA's support, there are plans for significant additional growth. The revitalized cocoa plantations are also replenishing deforested areas. Building on the success, the World Cocoa Foundation is now accepting applications under the auspices of the Borlaug Fellowship Program for a number of Latin American countries including Honduras. Borlaug's Global Cocoa Initiative supports participants with skills and knowledge to help their countries become more competitive in producing and exporting cocoa and cocoa products.

Finally, USDA's McGovern-Dole is at work in Honduras as well in assisting children in the Western Highlands. Nearly ½ of the children in this region are stunted by malnutrition, and because of a shortage of middle schools, only 63 percent of students continue to the seventh grade. Since 2012, this 3 year project has provided 17 million school meals to upwards of 53,000 students in over 1,000 schools. Our implementing partners report that student attendance is up to 98 percent, and reading competency has improved measurably. To complement our McGovern-Dole efforts, in 2013 USDA began a Cochran program enabling Honduran officials to determine which type of school feeding program best fits their individual circumstances.

From farm to port, from nutrition to food safety, from helping farmers to feeding children, USDA has used the full force of its resources to improve food security in Honduras and in developing countries around the world.

Thank you for the opportunity to testify. USDA appreciates the support of this Committee for our food assistance and capacity-building programs.

[The prepared statement of Mr. Karsting follows:]

PREPARED STATEMENT OF PHILIP C. KARSTING, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Members of the Committee, I am pleased to come before you today to discuss U.S. international food aid and capacity building programs with my colleague and partner, Thomas Staal, of the U.S. Agency for International Development (USAID). The U.S. Department of Agriculture (USDA) endeavors to strategically utilize our programs, in concert with programs of all U.S. agencies, in the Administration's efforts to combat global hunger and increase food security through the whole-of-government, Feed the Future initiative.

In addressing the global food security challenge, the United States is the world's leading food assistance provider. In Fiscal Year (FY) 2013, the U.S. Government provided \$1.7 billion of food aid, or 1.4 million metric tons (MT) of food, to more than 46.2 million beneficiaries in 56 countries.

#### **USDA Current Food Aid and Capacity-Building Programs**

I welcome the opportunity to talk about not only what USDA food aid and capacity building programs deliver, but how they can deliver more with modest, proposed change and the judicious use of the funding requested for Fiscal Year (FY) 2016.

USDA programs established by Congress include: the Food for Progress program (FFPr), the McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole), the Cochran Fellowship Program (Cochran), and the Norman E. Borlaug International Agricultural Science and Technology Fellowship Program (Borlaug). USDA also looks forward to implementing in FY 2016 the new Local and Regional Purchase (LRP) program. We appreciate the food aid reform in the 2014 Farm Bill, which included authorization of the new LRP program and flexibilities to the P.L. 83-480 Title II, Food for Peace program that provide USAID options to help achieve more sustainable results and reach about 600,000 more people annually.

If you have not done so already, I encourage Members to visit USDA and USAID project sites around the world to see the impact of providing U.S. food assistance, improving nutrition, increasing school attendance, and building agricultural and trade capacity.

The Feed the Future initiative has strengthened our programming and coordination among Federal agencies. Importantly, the collaboration is not just in Washington. As Administrator of the Foreign Agricultural Service (FAS), I see firsthand the benefit of FAS attachés collaborating in embassies around the world with colleagues from USAID, the State Department, the Department of Commerce, the Office of the U.S. Trade Representative, the Millennium Challenge Corporation, and numerous other agencies. Our implementing partners, including U.S. private voluntary organizations (PVOs) and the United Nations food agencies, bring expertise and talent that directly address global food security efforts. Drawing on the wealth of agricultural expertise throughout USDA and in U.S. land-grant universities, our programs assist developing countries around the world address agricultural productivity, malnutrition, and trade challenges.

#### **Food for Progress Program**

Since Congress established the Food for Progress program in 1985, it has been a cornerstone of USDA's efforts to support sustainable agricultural production in developing nations that are committed to free enterprise in the agriculture sector. USDA can enter into agreements with developing country governments, private voluntary organizations (PVOs), nonprofit agricultural organizations, cooperatives, and intergovernmental organizations.

In FY 2014, FFPr provided 195.9 MT of U.S. commodities valued at \$79.7 million. FFPr projects funded in previous years continue to operate throughout the world. Currently, FAS oversees \$636.69 million in programming in 23 countries that were funded in 2011-2015. For FY 2016, FAS expects to announce solicitations in the next few weeks for our agreements. We also have the ability to respond to requests by governments.

For example, at the request of the Government of Jordan, USDA announced last month an agreement to provide 100,000 MT of U.S. wheat, valued at approximately \$25 million. The Jordanian Government will use proceeds from the sale of the commodities to improve the country's agricultural productivity, specifically through water conservation (over 20 percent of Jordanians are water insecure). As one of our most steadfast partners in the Middle East, the Government of Jordan will be able to access the expertise of USDA to improve its agricultural productivity and therefore relieve some of the economic burden that it is facing as a result of nearly 630,000 refugees from Syria living in Jordan.

This latest 2015 agreement builds off a previous FFPr project, where \$10.6 million of proceeds from the sale of donated U.S. wheat are helping fund the construction of the Al-Karak Dam located in the southern region of the Jordan Valley. Once completed, this project will help support economic growth and job creation in the agricultural sector by increasing agricultural productivity through water conservation and stewardship.

In Liberia, FFPr is helping to revitalize the cocoa sector with funding through the sale of 11,900 MT of donated U.S. rice. Following Liberia's civil war, abandoned cocoa plantations were infected with black pod disease. In 2010, USDA began a FFPr grant with a PVO to help producers in Liberia establish sustainable cocoa trees to expand both production and market opportunities. The project established nurseries for farmers to access high-yielding hybrid seedlings and high-quality plants. In 2008, prior to the project, farmers produced 107 MT of cocoa, with sales of \$64,000. By 2013, farmers who participated in the USDA-funded project were producing 725 MT of cocoa, valued at \$1.2 million. USDA will also be implementing a follow-on regional program in Liberia and Côte D'Ivoire, which is the world's leading exporter of cocoa beans, so that Liberian farmers can learn best practices from its neighbor.

In Central America, we are helping to address the underlying factors that led to the spike in the migration of unaccompanied minors last summer. In Honduras, and throughout Central America, the agriculture sector stands as the top source of income for the poor. More than 1.7 million Hondurans, or 65 percent of the population, live below the national poverty line, with more than 20 percent living on \$1.25 a day or less. In April 2015, USDA signed, at the request of the Honduran Government, a second governmental FFPr agreement with Honduras for 30,000 MT of U.S. yellow corn and 18,000 tons of U.S. soybean meal, valued at approximately \$17 million. The Honduran Government will use proceeds from the sale of the donated U.S. commodities to implement projects aimed at improving agricultural productivity, enhancing farmers' access to information and market skills, building government capacity, and strengthening local, regional, and international trade in agricultural products. The proceeds of this program will fund follow-on training in market information systems and food safety certification. Honduras has, through our program and ancillary programs such as the Cochran Fellowship Program, become a leader in the region for collecting, analyzing, and disseminating agricultural data. The beneficiaries include small farms, businesses, and producer organizations, particularly those that support rural women and youth.

USDA Deputy Secretary Krysta Harden recently visited several of our programs in Central America, including programs that continue to be successful after completion. This to me shows we are making real contributions to the development of our neighbors and sound investments of taxpayer monies.

#### **McGovern-Dole Program**

The McGovern-Dole Program provides agricultural commodities and technical assistance for school feeding and maternal and child nutrition projects in low-income, food-deficit countries committed to universal education. If funding is maintained as requested at this year's level, the program is projected to assist three million women and children worldwide in 2016.

McGovern-Dole is making an impact in literacy and improved nutrition. In Nicaragua, USDA is supporting a \$14 million project using nearly 5,000 MT of U.S. commodities, including beans, soy protein, vegetable oil, dehydrated potato flakes, rice, and dry milk for school meals. The program is feeding approximately 70,000 children and funding infrastructure improvements. By installing latrines, hand-washing stations, kitchens and stoves, and purchasing school furniture, the project has transformed schools into functioning learning centers. Complementary education activities in hygiene and preventative health care are taking place in over 670 schools, often alongside parent-teacher organizations. More than 1,100 Nicaraguan teachers have been trained in reading and math. Nicaraguan children, who would normally attend rundown schools without learning materials, are now becoming literate and gaining knowledge in health and nutrition.

By statute, Congress identified a priority of awarding McGovern-Dole grants for programs that foster local self-sufficiency and ensure the longevity of programs in recipient countries. In Bangladesh, FAS is witnessing success in obtaining local support. The Government of Bangladesh pledged that from 2015 onward it will spend \$49 million annually for school feeding programs in poor areas. By 2017, the Government of Bangladesh will manage school feeding in 50 percent of the schools currently receiving food under McGovern-Dole.

Based on USDA's experience implementing the McGovern-Dole program, the Administration's FY 2016 Budget proposes modest reform that can lead to improved attendance, meals reflecting local diets, and, ultimately, sustainability of projects. The proposal is to amend the definition of an eligible agricultural commodity so that meals can be enhanced with locally produced foods. Through procuring local food such as fruits and vegetables, FAS will be able to offer nutritionally rich meals consistent with local diets, boost local farmer incomes, and build supply chains. These enhancements will maximize community support and increase the probability that local governments take ownership and maintain school feeding programs.

#### **New Local and Regional Program**

This year, we aim to implement an additional food assistance and food security tool that Congress provided in the 2014 Farm Bill; the Local and Regional Purchase (LRP) program, which is authorized through 2018. In implementing the LRP pilot program authorized in the 2008 Farm Bill, USDA demonstrated and reported to Congress that food assistance could in many cases be provided more economically and faster, while protecting and strengthening local markets. In emergencies, the report noted that WFP and PVOs participating in the pilot were systematically able to purchase more food aid and avoid pipeline breaks, thereby reaching more of those with urgent needs in an expeditious manner.

In a non-emergency situation, an LRP pilot implementing partner, Land O' Lakes, worked with local processors in Bangladesh who made cereal bars from chickpeas, peanuts, rice, and sesame seeds that supplemented a school feeding program. Land O' Lakes reportedly saw a 27 percent increase in overall school attendance. Today, this project is ongoing. According to Land O' Lakes, local processors have commercialized the cereal bar and are now sourcing from 15,000 farmers in Bangladesh, instead of importing ingredients. Reported production is up to 15 million cereal bars a month.

USDA's FY 2016 Budget proposes \$20 million in funding for the new LRP program. Funding is expected to support three to four development programs, such as the Bangladesh program and a pilot project in Nicaragua completed in 2012 where the addition of local fruits and vegetables in a school meals also correlated with increased attendance. The program will serve as a complementary tool to support existing food aid programs, especially for the McGovern-Dole school feeding program.

Unfortunately, the request for flexibility in operating the McGovern-Dole program and funding for LRP were not included in the FY 2016 agriculture funding bill marked up in at the appropriations subcommittee level last week. We ask that Congress examine ways to provide the requested flexibility and funding for these farm bill programs as the appropriations process continues.

#### **Borlaug Program Promotes Food Security**

Congress established the Borlaug Fellowship program to promote food security and economic growth by educating a new generation of agricultural scientists from developing countries. The program provides collaborative research opportunities with experts from U.S. land-grant colleges and similar universities, and organizations working in agricultural research. Often, the collaborative research extends beyond the typical, 6 month fellowship award in the United States because of the relationships built by Fellows and academic hosts.

An illustrative example is the Borlaug Fellowship of a 2011 Moroccan fellow trained in improved citrus orchard management at Texas A&M University-Kingsville. The Fellow has since implemented a new Moroccan Government laboratory for better citrus pest mitigation that utilizes training in technology to test for plant pests, bacteria, and viruses. Production of oranges and lemons contributes significantly to the local agricultural economy and stand to benefit from best practices employed in pest mitigation.

Importantly, the collaboration continues, with benefits flowing both ways. In South Texas, U.S. collaborators are testing water-conserving, drip irrigation techniques employed in Morocco to improve Rio Red grapefruit production. A production design applicable for all citrus and orchard-based agriculture in the United States, which would reduce water irrigation usage, reduce pest pressure, and increase per-acre profitability, is being investigated.

#### **Cochran Fellowship Program in concert with other programs**

The Cochran Fellowship program was established by Congress to assist eligible countries develop agricultural systems to meet food and fiber needs and improve trade linkages with the United States. One country example, that shows how the Cochran program meshes with other programs in a unified approach to food security, is Honduras.

In 2011, the Cochran Fellowship Program helped coffee producers develop a coffee waste biomass digester in Honduras to produce biogas to fuel coffee dryers. That success was a catalyst for a 2012 Food for Progress program that assisted coffee producers in improving their production.

In 2013, Cochran funded a program on capacity building in school nutrition to enhance Honduran officials' understanding of how both U.S. international food aid programs and domestic school feeding programs function. This program will enhance sustainability of McGovern-Dole school feeding program by helping Honduran Government officials determine which type of school feeding program best fits their circumstances.

In 2014, the Cochran program trained Honduran participants on methods of identifying foodborne diseases. This work dovetails with activities under the 2015 Food for Progress agreement that will strengthen the capacity of Honduran officials in sanitary and phytosanitary training. Combined, the training will help Hondurans apply appropriate sanitary and phytosanitary measures to imports, including those from the United States.

At USDA we coordinated with USAID, which helped identify opportunities and provided funding for training to meet a Cochran Fellowship goal of enhancing trade linkages. Nearly 1,400 Honduran Government and private sector officials received training in certification and inspection. Due to the training, Honduras is now home

to the only international supplier of Terra Chips, a snack food featuring a wide-variety of Central American vegetables.

From farm to port, from nutrition to food safety, from helping farmers to feeding children, USDA has used the full force of all of its resources to improve food security in Honduras.

**Conclusion**

Thank you for the opportunity to testify. USDA appreciates the support of the Committee for our food assistance and capacity building programs.

The CHAIRMAN. Mr. Staal, for 5 minutes.

**STATEMENT OF THOMAS H. STAAL, ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR DEMOCRACY, CONFLICT AND HUMANITARIAN ASSISTANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, D.C.**

Mr. STAAL. Thank you, Chairman Conaway, Ranking Member Peterson, Members of the Committee. Thank you for this opportunity to testify today, and thanks to your long-standing bipartisan support. The United States as you mentioned is the largest provider of food assistance in the world. And none of our work would be possible without our partners, America's farmers and mariners, NGOs, intergovernmental organizations, and I am also very proud of our partnership with our colleagues in the U.S. Department of Agriculture.

Last year USAID's Office of Food for Peace celebrated 60 years of bringing hope, opportunity, and dignity to those suffering from hunger. These efforts are driven by a moral imperative as well as our own national security interests to maintain America's leadership as a beacon of hope around the world. And I am especially proud of these efforts myself as a former Food for Peace Deputy Director. As the son of missionaries and with family who are farmers in the Midwest, I have dedicated much of my career to combating hunger. Today I would like to share with you an overview of our programs, how they have evolved, and importantly, how we ensure oversight of our efforts.

USAID's Office of Food for Peace is tasked with managing Title II programs which provide agricultural goods for relief and development, and last year in 2014, Food for Peace Programs reached over 40 million people in 50 different countries.

For instance, following April's shattering earthquake in Nepal, USAID sent emergency food assistance including pre-positioned U.S. foodstocks valued at \$4 million. In Yemen's current crisis, we have provided over 41,000 tons of food valued at about \$40 million to help feed six million people. In South Sudan this year we have sent over 130,000 tons of in-kind U.S. food to avert famine as the senseless violence rages on there. And in 2014 we have implemented development programs reaching over nine million people in 14 different countries to combat malnutrition and boost agriculture production.

Despite this progress, however, we are in a time of unprecedented need and stretched resources around the world. Tonight nearly 800 million will go to bed hungry: one in five children is stunted, meaning their development is impaired by malnutrition. Every 7 seconds a child dies from hunger-related causes. Nearly 60 million people, about the population of the U.S. Midwest, are displaced from their homes, the largest exodus in modern history.

We increasingly operate in environments of high insecurity and protracted conflict as well, making it more expensive to deliver our food. And so our programs have necessarily evolved to meet those growing demands. In partnership with USDA, we have added specialized food products to our in-kind food aid basket that have been transformative in treating and preventing malnutrition, especially among children, globally. Our highly regarded Famine Early Warning System, FEWSNET, allows us to project and prepare for food needs before they arise. Our forecasting data is coupled with pre-positioned resources in seven different sites that are quickly deployed to meet emergency needs.

And thanks to the important reforms in the 2014 Farm Bill, we have additional flexibilities in Title II programs to complement our in-kind food aid with local and regionally purchased food, cash transfers, food vouchers. Coupled with our International Disaster Assistance, IDA funds, these flexibilities help to ensure we get the right assistance to the right people at the right time.

The President's 2015 and 2016 budget proposals seek an additional 25 percent of Title II funding for flexible food assistance which would allow us to reach another two million people per year. And we take very seriously our decisions on what food assistance to use based on several criteria. Even as we seek additional flexibility, the majority of our Title II requests continue to be U.S. in-kind food, grown by American farmers which is still necessary and appropriate for many of our responses.

In our development efforts, we are focusing attention on building resilience to recurring shocks like drought and floods which drive the same communities into crisis year after year. In the Sahara, for instance, we are teaching farmers to grow drought-resistant crops, to conserve water, to increase yields during dry spells. And thanks to additional authorities first granted in the 2008 Farm Bill, we are better able to monitor and evaluate their food aid. We have more staff than ever monitoring assistance first-hand, and we are leveraging GPS technology to track our food aid.

We are very proud of being entrusted with the generous resources and honorable mandate afforded to us by Congress and the American people. As part of USAID's mission to end extreme poverty, we are committed to finding ways to effectively combat global hunger in partnership with the Committee and with our stakeholders.

Thank you very much for your time. I look forward to your questions.

[The prepared statement of Mr. Staal follows:]

PREPARED STATEMENT OF THOMAS H. STAAL, ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR DEMOCRACY, CONFLICT AND HUMANITARIAN ASSISTANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, D.C.

Chairman Conaway, Ranking Member Peterson, and distinguished Members of the Committee, thank you for inviting me today to testify on the United States Agency for International Development's (USAID) international food aid programs. I want to thank you for your longstanding, bipartisan support for our efforts to combat hunger worldwide.

Thanks to your generosity, the United States is the largest provider of food assistance in the world. With Congressional support, USAID's Office of Food for Peace has reached more than three billion of the world's neediest people in over 150 countries with life-saving food assistance—perhaps the largest and longest-running ex-

pression of humanity seen in the world. I want to also thank our partners—American farmers, mariners, and non-governmental organizations (NGOs) and intergovernmental organizations—for supporting USAID in our work. Our efforts would not be possible without them, and we look forward to continuing our strong partnership to make millions of people around the world more food secure. I am also pleased to testify alongside my colleague, Phil Karsting, of the U.S. Department of Agriculture's Foreign Agricultural Service, and am proud of the ongoing partnership between our two agencies.

Last year, the Office of Food for Peace celebrated 60 years of bringing hope, opportunity, and dignity to those suffering from hunger. These efforts have not only saved millions of lives, but have helped the world's most vulnerable progress from dependency to self-sufficiency. Today, some of our past recipients, like the Republic of Korea, have become food secure and international donors themselves. As we work towards USAID's mission of ending extreme poverty and promoting resilient, democratic societies, we strive to help many more countries eradicate hunger and get on a path of shared peace and prosperity. These efforts are driven by a moral imperative as well as our national security interest to promote American goodwill and maintain America's leadership as a beacon of hope for so many around the world.

I am especially proud of these efforts as a former Food for Peace Deputy Director. I began my career at USAID in the 1980s, compelled to action by the devastating famine in Ethiopia. As a son of missionaries, and farmers from the Midwest, much of my career at USAID has been dedicated to promoting programs that alleviate hunger and address the root causes of food insecurity. As Mission Director in Ethiopia, I oversaw several groundbreaking programs to promote agriculture-led growth, supported both by Food for Peace programs and through the U.S. flagship Feed the Future initiative; expand a productive safety net for the poorest communities; and build resilience among the most vulnerable farmers. I'm heartened to see the enormous progress underway in Ethiopia, one of the fastest growing economies in Africa, in large part due to these programs.

Today I would like to share with you an overview of our emergency and development food aid programs and how global trends are shaping the way our programs evolve to remain cutting-edge and reach the most people in need. I also want to highlight best practices we have instituted and how we ensure oversight of our efforts globally.

### **Overview of Programs**

USAID's Office of Food for Peace is driven by its mandate in the Food for Peace Act to combat world hunger and malnutrition and its causes, and is tasked with managing programs under Title II, which consists of providing agricultural goods for emergency relief and development. These programs are administered through grants to U.S. NGOs and intergovernmental organizations such as the United Nations (UN) World Food Programme (WFP). Title V Farmer to Farmer programs are administered by USAID's Bureau for Food Security.

#### *Title II. Emergency and Development Programs*

##### **Responding to Emergencies**

In FY 2014, Title II emergency programs, which account for over  $\frac{3}{4}$  of the Office of Food for Peace's base Title II funding, helped feed over 20 million food-insecure people in 32 countries. Complementing Title II emergency resources—a critical tool in our arsenal to fight hunger—USAID reached an additional 14 million people through International Disaster Assistance (IDA) funds through local and regional purchase, cash transfers, and food vouchers in 39 countries. This combined assistance was life-saving for many around the world in FY 2014, an unprecedented year of crisis in which USAID responded to five Level-3 emergencies—the UN's most severe emergency designation—and other protracted crises.

Following the shattering earthquake in Nepal on April 25, and subsequent aftershocks, U.S. food assistance provided a critical lifeline to those in need. USAID has provided almost \$7 million in emergency food assistance to Nepal. On April 29, we provided an initial contribution of \$2.5 million in IDA funds to help WFP jump start the response and buy 1,390 tons of regionally grown rice from India for 120,000 people for 1 month. By buying rice locally, we ensured emergency food was available in the crucial early relief stages. U.S. in-kind food was also critical. While shipping U.S. food to Nepal, a landlocked country, would have taken months, we were able to draw down on pre-positioned U.S. food stocks valued at \$4.4 million from our warehouse in Sri Lanka to meet ongoing food needs for 150,000 people for 1 month. The emergency food assistance complements ongoing Feed the Future and new Food for Peace development programs, which are helping Nepalese farmers get back on their feet and overcome key obstacles to growing and getting their crops to market.



In Yemen—where the recent outbreak of fighting has exacerbated already high levels of acute food insecurity—USAID has provided almost \$40 million in food assistance in FY15. This includes over 41,000 tons of in-kind food that is targeting over six million food-insecure people, including children under 5.

However, ongoing conflict has made it increasingly difficult to reach those in need. During an unprecedented 5 day humanitarian pause in May, partners were able to distribute food and re-stock health facilities with medicines and U.S. supplemental and therapeutic foods for children and mothers. On June 2, 5,700 tons of emergency food supplies—including more than 800 tons of food from USAID’s pre-positioning facility in Djibouti—were sent to Al Hudaydah Port to feed another 390,000 Yemenis this month. These shipments provide much-needed relief for the Yemeni people who have been cut off from regular food aid and commercial food imports for months.

#### Promoting Development

In FY 2014, our U.S. NGO partners implemented development food aid programs in 14 countries to benefit over nine million people. We are focusing our development food assistance programs in the most food insecure countries, where the rates of stunting—when a child’s physical and cognitive development is impaired by lack of proper nutrition—are highest and people live on less than \$1.25 per day. These programs address chronic malnutrition, boost agricultural productivity and incomes, and build resilience in communities that are locked in a cycle of recurring crises.

Before 2014, many development activities were funded by buying food in the United States, shipping it overseas, and selling it so that our partners had local currency on hand to run the projects, a process known as monetization. However, thanks to meaningful reforms in the 2014 Farm Bill, USAID was given new flexibilities that increased the amount of cash available under the Title II program by seven percent to reduce monetization, implement development activities, purchase food locally and regionally, and help disaster victims buy food in their local markets. The \$21 million saved as a result allowed us to reach an additional 600,000 people in 2014.

Our development programs under Title II are complemented by other USAID investments, including through the U.S. Government’s global hunger and food security initiative, Feed the Future. Launched in 2010, and targeting 19 countries spanning three continents, Feed the Future has a mission to sustainably reduce hunger and poverty through agriculture-led growth. It strives to increase agricultural production and the incomes of women and men farmers, by scaling up their production, expanding their access to markets, and increasing their resilience in the face of risk. Our Title II development programs complement and reinforce these efforts.

For example, in Bangladesh, the world’s eighth-most populous country with over 160 million people, about a quarter of the population is food insecure and nearly 17 percent is undernourished. Food for Peace partners are helping poor farmers increase their income by training them to manage fish farms, providing a nutritious food source and an entry point into the cash economy. One couple, Harun and Bina Majhay, first received training in nursery management and fingerling (young fish) production from Food for Peace. After the training, their income rose from \$90 to \$129 a month. A year later, they were trained through Feed the Future, on fish hatchery management so that they could produce higher-quality fingerlings at a larger scale and grow their business. Today, the Majhays not only manage a successful fish nursery, but also employ others in their community. As of 2014, more than 34,000 households and 150 commercial fish farms have benefited from these programs. Fish accounts for about 1/5 of the world’s animal protein and this proportion is expected to increase as a result of successful initiatives like these where food and income security are enhanced simultaneously. Other Food for Peace development programs in Bangladesh have brought down child stunting rates by 30 percent and increased pregnancy check-ups from 13 to 84 percent. This work is complemented by USDA’s McGovern-Dole program, which for 10 years has partnered with the World Food Program to provide daily meals to over 161,000 school children in Bangladesh annually, thereby improving basic nutrition and encouraging parents to keep their children in primary school.

#### *Title V. Farmer to Farmer Program*

The John Ogonowski and Doug Bereuter Farmer-to-Farmer Program (Title V of the Food for Peace Act) provides voluntary technical assistance to farmers, farm groups, and agribusinesses in partner countries to promote sustainable improvements in food security and agricultural processing, production, and marketing. The program relies on the expertise of volunteers from U.S. farms, land-grant universities, cooperatives, private agribusinesses, and nonprofit farm organizations to re-

spond to the local needs of host-country farmers and organizations. In FY 2014, implementing agencies fielded 296 volunteers from 44 states and the District of Columbia who provided technical support to farmers abroad in the areas of technology transfer, organizational development, business and enterprise development, financial services, and environmental conservation. In FY 2014, we also designed and launched new projects under this program, which will include 700 volunteer assignments a year for the next 4 years focused on 58 thematic areas in 28 core countries.

### **Current Trends**

As illustrated above, our food assistance programs have saved millions of lives and led to enormous progress in addressing the underlying causes of food insecurity around the world. Despite this progress, we are living in a time of unprecedented need and stretched resources. Tonight, nearly 800 million people will go to bed hungry; one in five children is stunted; and every 7 seconds a child dies from hunger-related causes.

Extreme weather events and rapid urbanization are putting more people at risk of natural disasters that disrupt farming and access to food markets. Conflict is driving up displacement, making it harder for people to feed their families. Nearly 60 million people are displaced from their homes right now; the largest global exodus in modern history. That figure is almost equal to the population of the American Midwest, or one in every 122 people worldwide.

The cost of implementing food assistance programs is rising, as we are increasingly operating in environments of high insecurity and protracted conflict. Roughly  $\frac{1}{3}$  of our food assistance budget goes towards feeding people caught in the crossfire of conflict. In South Sudan, one of the most food insecure countries in the world, we have had to resort to delivering food aid through air operations, which are approximately eight times as costly as delivering food by trucks.

Over the years, our food assistance programs have evolved to meet these growing demands and challenges more effectively and cost-efficiently. In the food price crisis of 2008, with millions facing hunger and civil unrest spreading following sudden food price spikes, Congress approved the Bush Administration's request for supplemental funds for USAID that allowed for local and regionally purchased food aid for the first time.

In 2010, the Obama Administration requested and received funding for emergency food assistance in the base appropriation of the IDA account, authorized through the Foreign Assistance Act. USAID used these funds to establish the Emergency Food Security Program (EFSP) to buy food locally and regionally and to provide targeted cash transfers or food vouchers so that people in food crises could buy food directly in local markets. EFSP has proven indispensable in our response to major crises, such as Syria, where U.S. in-kind food aid is not an appropriate option.

The 2014 Farm Bill gave us additional flexibilities to enhance Title II and other food aid programs. Thanks to this Committee and these reforms, we have several key food assistance tools we use and different ways they are applied to respond swiftly, effectively, and efficiently to combat hunger in a time of complex crises around the world.

### **Best Practices**

Our food assistance programs continue to evolve so that we can deliver the best possible results in fulfilling our mission and mandate under the Food for Peace Act to combat world hunger. In both our relief and development efforts, we leverage years of experience, evidence-based learning and a willingness to innovate to bring about positive change in the some of the world's toughest places. I would like to highlight several initiatives USAID has undertaken to ensure our food assistance is timely, responsive to local needs, and impactful.

#### *Improving the Quality of Food Aid*

USAID is applying the best of nutrition science to better target the special nutritional needs of vulnerable groups, especially women and children under 2, because we know that if a child does not receive certain basic nutritional requirements in the first 1,000 days of life, his or her brain may never fully develop. For older infants and young children at risk for malnutrition or already malnourished, USAID has added several U.S. products to our in-kind food aid basket, including Ready-to-Use Therapeutic Food (RUTF), Ready-to-Use Supplementary Food (RUSF), and Nutributter<sup>®</sup> through the International Food Relief Partnership (IFRP). These products have been transformative in treating and preventing malnutrition and preventing stunting globally. For example, when Typhoon Haiyan struck the Philippines in 2013, USAID airlifted 55 tons of nutrient-dense, meal replacement food bars, biscuits and pastes, which were a critical source of food for children and mothers in hard-hit Leyte province. Altogether, nine new or improved products came on-

line in the last 4 years, including better fortified vegetable oil, blended products, and milled foods. USDA has been a critical partner in this process, lending their expertise to help us improve the U.S. food aid basket.

#### *Early Warning Leads to Early Action*

Early warning systems have proven critical in ensuring that we are projecting food needs and preparing to meet them before they arise. USAID's Famine Early Warning System (FEWSNET)—the most highly regarded early-warning systems in the world—relies on a unique combination of advanced technologies and field-based data collection. It is increasingly accurate in its ability to predict weather-related anomalies. In the Horn of Africa in 2011, FEWSNET not only predicted the drought many months in advance, but also analyzed markets, crops, livestock production and livelihoods patterns to forecast how it would impact food consumption, malnutrition, and mortality. FEWSNET's new Food Assistance Outlook Briefing now allows us to forecast food assistance needs 6 months into the future for more targeted programming.

Our forecasting data is coupled with pre-positioned resources that can be quickly and accurately deployed to meet emergency needs. USAID has seven sites around the world with pre-positioned U.S. food. In the aftermath of Typhoon Haiyan, we shipped 1,020 tons of rice from our pre-positioning warehouse in Colombo, Sri Lanka. That same warehouse proved indispensable in our response to this year's earthquake in Nepal.

#### *Getting the Right Food to the Right People at the Right Time*

In every context, our Office of Food for Peace uses several criteria to determine what type of food assistance is most appropriate, including timeliness of delivery, local market conditions, and cost-effectiveness. We also take into consideration whether one type of assistance can reach more people than others, is preferred by beneficiaries, or will help us target vulnerable populations in need, like women and children. We also assess whether one type of assistance poses less security risks to aid workers or beneficiaries and will help us best meet our objectives.

For instance, in response to both Typhoon Haiyan and this year's earthquake in Nepal, we were able to provide cash grants for WFP to buy regionally grown rice to meet immediate food needs in the first few weeks of these crises, before our pre-positioned stocks of food were able to arrive to meet medium-term needs. This flexibility was critical to reaching people with food assistance in the immediate aftermath of a sudden onset crisis.

The President's FY 2015 and FY 2016 Title II budget proposals build on previous reforms and seek an additional 25 percent of the \$1.4 billion requested in Title II funding to be available for flexible food assistance programming. This will allow USAID to reach an additional two million emergency beneficiaries, due to an average cost-savings of 33 percent by buying food locally and regionally compared to shipping similar food items from the United States. This flexibility is essential as we strive to meet food assistance needs in ever more complex environments.

Even as we seek additional flexibility, the majority of our Title II request continues to be for U.S. in-kind food, which is still necessary and appropriate for many of our responses. Last year, a large-scale in-kind U.S. food response was exactly the right response in South Sudan when conflict cut off millions and markets were not functioning. In FY 2014, USAID provided nearly 120,000 tons of food to pull South Sudan back from the brink of famine. We tapped into the seldom-used Bill Emerson Humanitarian Trust to dramatically scale up food assistance during this extraordinary and unforeseen crisis, supporting a massive UN airlift operation to move that food, and shipping U.S. specialized food products to prevent and treat acute malnutrition. Just last week, we announced an additional nearly \$98 million in food assistance to South Sudan, which will include more than 44,000 tons of U.S. food that will be trucked, airlifted, and ferried by boat. We have provided over 138,000 tons of in-kind food to South Sudan in FY 2015. This aid will keep millions of hungry—mostly women and children—alive in South Sudan as the government and warring parties continue to engage in senseless violence that has devastated the country.

#### *Building Resilience*

As the number and duration of disasters we respond to continues to increase, our programs are focused on building resilience among the most vulnerable to sudden shocks and chronic stresses that drive communities into crisis food insecurity year after year. The devastating drought in the Horn of Africa in 2011, when I was in Ethiopia, was a collective wake-up call that more must be done to build resilience among the world's most vulnerable. Our food aid programs are a cornerstone of USAID's resilience efforts that combine our humanitarian and development invest-

ments across a range of sectors to build the capacity of communities to anticipate risks, and mitigate recurring shocks.

In the Sahel—an arid belt that stretches from Senegal through Niger and Burkina Faso to Chad—we are helping farmers, especially women, plant drought-resistant crops, like onions. In Ethiopia, we are working with some of the poorest communities to improve irrigation systems to reduce the time required for irrigation and diversify crops grown, particularly for women farmers. In Kenya, we provide U.S. in-kind food in communities that are cut off from markets. In exchange, we require recipients to take part in trainings where they learn skills to increase yields during dry spells, like creating sunken crop beds that retain water during irrigation.

We teach mothers how to cook healthy foods for their children and improve their access to nutritious foods to prevent malnutrition in the first place. These efforts are especially focused on reaching children in the first 1,000 days of life, when a child's brain and body is still developing. Complementing this work, USDA is active in Kenya with McGovern Dole programs that are feeding school children and teaching nutrition.

These programs empower communities to combat chronic food insecurity and be better prepared to bounce back from crises, so that they are less reliant on humanitarian food assistance.

### **Oversight**

Thanks to additional authorities granted in the 2008 Farm Bill, our efforts to better monitor and evaluate our food aid programs have evolved as well. We are grateful for the generosity of the American people who make these programs possible, and we take very seriously the need to be effective stewards of U.S. taxpayer resources. Today, we have more staff on the ground than ever before overseeing the delivery of our food assistance and making sure it reaches those who are most in need. In some countries, we use third-party monitoring to ensure effective programs and increasingly, we are leveraging GPS and other technology to track the transportation and arrival of packages of food aid, especially in conflict zones where security concerns may require remote monitoring. We also provide call-in hotlines where people on the ground can provide feedback on the programs and tell our partners what is working well and what needs improvement.

### **Conclusion**

At USAID, we are committed to maintaining our leadership role—to be the best at what we do—as the largest provider of food assistance globally. With your support, our programs have fed billions of the world's neediest people, averted famines, and helped countries lift themselves out of poverty and dependence.

These achievements would not be possible without our critical partnerships with NGOs and WFP. Their teams work tirelessly and fearlessly to feed those in need and to combat malnutrition, often at great personal risk. We recognize their commitment and their sacrifice, including the many humanitarian aid workers who have lost their lives while assisting others. We are also grateful for the work of our agriculture and maritime partners, including farmers, millers, grain elevator operators, truckers, bargemen, freight forwarders, port operators, carriers, and others who represent America's enduring goodwill and generosity.

As part of USAID's mission to end extreme poverty and promote resilient, democratic societies, we are committed to finding ways to most effectively and efficiently combat global hunger. We are proud of being entrusted with the generous resources and honorable mandate afforded to us by Congress and the American people. We look forward to continuing to work together to identify meaningful reforms and innovations to reduce hunger and eradicate extreme poverty in our lifetime.

Thank you again for this opportunity to testify on these important programs, and I look forward to your questions.

The CHAIRMAN. Well, thank you both for your opening statements. I would like to remind Members that they will be recognized for questioning in order of seniority for Members who were here at the start of the hearing. After that, Members will be recognized in order of arrival, and I appreciate Members' understanding of that. I recognize myself for 5 minutes.

Again, gentlemen, thank you for being here this morning. Mr. Staal, I want to ask my question in the broadest terms possible. We have recently heard that USAID and the U.S. Maritime Admin-

istration have signed an agreement, an MOU, an understanding, or something regarding cargo preference. Is that accurate?

Mr. STAAL. Thank you very much for that question, Congressman. We are in the government's, the President's Fiscal Year 2016. We have requested additional flexibility. And so we have been in dialogue with a variety of stakeholders, the maritime industry, Agriculture Committee, NGOs, the agriculture commodity providers. And so there is a discussion and dialogue going on. There is no finalized deal. There is no MOU. We certainly are in—

The CHAIRMAN. But particularly with—

Mr. STAAL.—dialogue.

The CHAIRMAN. Let me get to the Maritime Administration. No deal? Nothing's gone on that is in writing? No handshakes, nothing like that that we should be aware of?

Mr. STAAL. That is correct. We are definitely in discussion with them, and we have continued those discussions to find better ways to effectively use the resources we have. And in fact, we would love to have additional dialogue with your Committee, with the Members, with the staff to look, to get your input on how to reach these objectives.

The CHAIRMAN. I appreciate that. Thank you very much for that kind offer, and we will seek to take you up on that.

[The information referred to is located on p. 45.]

The CHAIRMAN. In the same regard, has there been some sort of a deal with the maritime industry regarding what we are told is in the amount of \$95 million in subsidies to the Maritime Security Program, ostensibly provided in exchange for Maritime's support for your request to convert 45 percent of in-kind aid to cash assistance? Have you done that?

Mr. STAAL. As I have said to your first question, Congressman, we are in dialogue with the maritime industry about how to better—

The CHAIRMAN. Have you offered them—

Mr. STAAL.—offer flexibility but we don't have any finalized deal—

The CHAIRMAN. Okay.

Mr. STAAL.—and we continue to dialogue, not only with the maritime but with—

The CHAIRMAN. Have you offered them \$1.5 million per ship, for the 60 ships?

Mr. STAAL. We have no specific offers. It is just a dialogue, a discussion that continues trying to find the best way to achieve the flexibility that the President has requested.

The CHAIRMAN. That is a pretty precise number, and I am curious how that number would come into existence if in fact your conversations are so broad-based and non-specific?

Mr. STAAL. There have been numbers put back and forth, but it is still an ongoing dialogue. We haven't made—

The CHAIRMAN. Okay. So the substance—

Mr. STAAL.—any finalized agreements.

The CHAIRMAN.—of the conversation with the maritime industry would trade cash support for the Maritime Security Program for their support for your position on converting in-kind aid to cash.

Mr. STAAL. No. Like I said, it is just a matter of dialogue and looking at the various options and trying to find best ways to utilize the scarce resources that are provided.

The CHAIRMAN. The GAO report had some generally complimentary things to say but also some negative things. You mentioned you have more people today looking at food assistance at your agency. Can you walk us through the levels of oversight on the cash programs, the monetization programs, where you are actually doing the internal controls and making sure that fraud, abuse, diversion is not happening, and where you are in that program in response to the study?

Mr. STAAL. Yes. Thank you very much for that question. It is an important aspect of everything we do to make sure that we monitor our resources to get them to the right people. In the GAO report, we welcomed that as well as our own IG. They did identify some weaknesses in our monitoring and oversight, although they also mentioned that there was no evidence of any large-scale diversion or, a systematic evidence of wrongdoing by our partners.

So based on their suggestions, we have already made improvements, and there is a variety of things. First of all we have tightened up our oversight. We have added staff as well as looking at third-party monitoring. Our partners are partners who have been doing this for years, even in conflict zones. And so they have also tightened up their oversight and monitoring. We have added technology with GPS, smart phones. You can take pictures now with bar codes on stuff and really be able to track food so that even in the GAO and the IG reports, we have seen that barely less than one percent of our assistance has been diverted or used wrongly.

The CHAIRMAN. Yes.

Mr. STAAL. So we feel like we are continuing to strengthen this, and it is actually a good-news story.

The CHAIRMAN. I am pretty confident we can track a hundred-pound sack of rice. It is hundred-dollar bills we have a difficult time tracking.

Ranking Member Peterson is recognized, for 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman. Following up, the discussions that are being had, there are agriculture people involved in those discussions, Mr. Staal?

Mr. STAAL. Thank you, Congressman. Yes, we have met with the maritime industry as indicated, with NGOs and with also agriculture commodity groups.

Mr. PETERSON. What is their involvement and who are they?

Mr. STAAL. I don't have the exact names of the organizations. I can provide that to you, but certainly we have met with them and continue to meet with them. And as I said, we would be very happy to meet with Members of the Committee, your staff, to get your input as well.

[The information referred to is located on p. ??.]

Mr. PETERSON. How has the shift to more cash-based assistance affected the operations of the private voluntary organizations that work with the USAID to implement the P.L. 83-480?

Mr. STAAL. That is an excellent question, Congressman. They have actually welcomed that because in many cases, they are on the ground and have capability to be more flexible to use the right

kind of resources, given the situation. So when we are able to use things like vouchers and mobile banking, mobile money, cash transfers, that sort of thing, the NGOs actually have the capacity, even more than the World Food Programme, in many cases to operate and do those things. So they have been very much a part of that and very supportive of our flexibility there.

Mr. PETERSON. How involved was your agency in formulating the U.S. negotiating position on food aid in the Doha Round and have there been any recent consultations on that issue?

Mr. STAAL. I think I will turn that—

Mr. PETERSON. No?

Mr. STAAL.—to my colleague from USDA. Thank you.

Mr. KARSTING. If I could jump in there, Congressman. Those consultations are still ongoing in Geneva. We have an attaché at post. We work a great deal with USTR, Ambassador Punke, Ambassador Vetter, on that. As you know, some countries are pushing toward cash-based to eliminate in-kind contributions. We think it is important from USDA's perspective to continue to have the full range of tools in our toolbox, and our focus is on ensuring the WTO disciplines guard against disruptions and allow us to appropriately use our programs.

Mr. PETERSON. The shift to using cash-based, does that put any limitations or what effect does that have on the other programs, if any? Has the fact that you are using cash limited what you normally do with commodities?

Mr. KARSTING. If you want to talk about the McGovern-Dole and our—

Mr. PETERSON. Yes.

Mr. KARSTING.—Food for Progress Program, we did have a pilot program that this Committee was generous enough to give us in 2008 on Local and Regional Procurement. I have seen in my travels—as I mentioned, I was in southeastern Laos. Our food aid is doing great things there. You have kids whose health and vigor and ability to learn is measurably improved by us being there. Those diets could be augmented in some ways under authority that we have asked for in the President's budget to allow some local and regional procurement. That is not the same as cash, *per se*. That is getting some local items into their diets, and we think that would be a valuable way to help improve local support for McGovern-Dole, and for helping them build value chains on the ground, to in country.

Mr. PETERSON. Is there any limit on the amount of locally produced food that can be purchased? Do you have any kind of limit?

Mr. KARSTING. The President's budget has two things in it. One is the request for \$20 million under the Local and Regional Procurement Program. We think we could do two to four programs in countries with that. The other part of the budget as far as McGovern-Dole is concerned is to redefine the use of eligible commodities, and that doesn't have a limit on it. Where I have seen with my own eyes, we wouldn't be talking wholesale shifts under that authority but rather augmentation of existing programs.

Mr. PETERSON. All right. Thank you. I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. Mr. Crawford, of Arkansas, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman. I appreciate that. Mr. Staal, I have to ask you a question or two about rice. Half the U.S. rice crop is growing in my district. The farmers are very concerned about the Food for Peace Program and I was just wondering if you can tell me how many metric tons of rice are currently being shipped through the Food for Peace Title II Program?

Mr. STAAL. Thank you, Congressman. Certainly rice is an important part of our assistance. I have to admit I don't have the exact number, but we can certainly get that to you.

[The information referred to is located on p. ??.]

Mr. CRAWFORD. Okay. I appreciate that. If you could get the information for the last 10 years, is that something you could also provide to the Committee?

Mr. STAAL. Sure.

Mr. CRAWFORD. I appreciate it.

Mr. STAAL. We can do that.

Mr. CRAWFORD. Let me ask you. Can you explain why \$300 million in emergency food security program USAID is not sufficient for your efforts?

Mr. STAAL. That is an excellent question, Congressman. With the increased needs in the world, it is just amazing. Right now there are five what they call Level-3 emergencies, yes, in the world, and there were never four before in history. So the needs are just huge. Of the \$300 million you mentioned that is being used in a number of countries, but the needs are way beyond that because of Afghanistan, Syria especially and the surrounding countries, South Sudan, a number of these huge emergencies in the world. And we are still getting increased requirements beyond what we are able to meet with our need. For instance, recently in Afghanistan, they needed additional resources, and we didn't have the cash to buy locally. So we had to ship U.S. food, and it cost 20 to 30 percent more than we would have if we had been able to buy it locally. And therefore, we were able to provide less unfortunately. So it is those kind of trade-offs unfortunately we have to look at.

Mr. CRAWFORD. Has there been an assessment of what kind of impact proposals to convert the Food for Peace Title II Program into a cash-based system might have on U.S. ag economy?

Mr. STAAL. I haven't seen an assessment of what would happen if the entire program were converted to cash, and certainly we are not requesting that. We are requesting just some additional flexibility. If we continue to believe that the in-kind U.S. food will be the majority of the needs, and in fact, there may be cases where with cash we will buy U.S. commodities and not only the grains but certainly also the specialized foods that are produced in some of your districts. And it is still less than 1/2 of one percent of ag exports are food aid. So it is a pretty minor impact on the entire industry.

Mr. CRAWFORD. We hear a lot about the cost of shipping in-kind food aid donations. In your written statement you said that the savings from eliminating shipping costs would translate into helping more people. But in cases of cash-based aid, that seems to ignore the fact that recipients are purchasing food from supermarkets and other sources at prices that, I would assume, include



processing, shipping, and profit margins for those supplying the food.

So my question then, Mr. Staal, is this. What is the difference between in-kind and cash-based food aid in terms of cost per calorie consumed?

Mr. STAAL. Yes, thank you. That is an excellent question, and we will have to do a little more digging. I will get you an answer on the cost per calorie. Certainly the cost per ton is significantly cheaper in a lot of cases. It varies a lot by country. The land-locked countries like Chad or Afghanistan, the cost for the shipping, handling, and so on is much higher. In some countries, Bangladesh for instance, it is less of a factor. So that continues to be an important thing. Basically overall, we figure it is about 30 percent less to purchase locally and regionally than it is to ship from the United States.

Mr. CRAWFORD. That is 30 percent less on a per-calorie basis?

Mr. STAAL. That is on a per-ton basis for the commodities. We will have to look into the per-calorie basis. That is a slightly different calculation.

[The information referred to is located on p. ??.]

Mr. CRAWFORD. Okay. Thank you, Mr. Stall.

Mr. STAAL. Thank you.

The CHAIRMAN. The gentleman yields back. Mr. McGovern, for 5 minutes.

Mr. MCGOVERN. Thank you, Mr. Chairman. First of all, let me thank you both for being here, and I have to say that I am most proud of our international food aid programs. I make it a point when I travel to other countries to try to see our international food aid programs. So I know what I am talking about when I say that they are impressive. And in 2003 I remember being in Colombia and visiting an internally displaced persons community outside of Bogota and visited a pilot project for the McGovern-Dole International Food for Education and Child Nutrition Program. This is again an area where there were tens of thousands of displaced, internally displaced Colombians. And I remember standing there and seeing hundreds and hundreds, if not thousands, of kids under a tent attending school and being fed and being approached by a mother of an 11 year old boy. She approached me and the U.S. Ambassador and said, "I want to tell you, please tell the people of the United States thank you because in this village, where I can't feed my son, every day, one of the armed men comes through here. Some days it is the FARC guerillas. Other days it is the right-wing paramilitaries." And they ask me, this mother of an 11 year old boy, to give up my son to them, and in exchange they will feed my son every day, which is something that I can't guarantee. And she said now, because of this, my son is being fed, and he is learning how to read and write and may get out of this slum. He has the chance to make something better of himself.

And I remember in 2007 I traveled to Africa specifically to see our food aid programs in all their diversity in remote Dire Dawa, Ethiopia, we saw a combination of USAID and USDA-supported programs diversify seeds and food crops, help support a milk cooperative, better manage water and the use of fertilizer, and benefit from targeted drip irrigation. This community was in the middle of

as desolate an area as I have ever seen, but the community was a sea of green and productive land. And the program was a partnership between U.S. Food for Peace, Catholic Relief Services, and the local Catholic archdiocese. Now these programs, as you know, in Ethiopia became models for what we now call resilience, helping communities become self-sufficient and better able to withstand both economic and the weather shocks that so afflict that region. And when the most recent famine hit the Horn of Africa, these villages did not fail. They did not fall into hunger and starvation. They did not lose their livelihoods. And these successful programs served as the models for the creation of Feed the Future and the strengthening of our Food for Peace developmental programs.

So I am grateful for the fact that I worked with USDA and USAID over the years to improve our programs, to make them more efficient, effective, more flexible, and better able to incorporate nutrition and resilience into every aspect of their program. And I admire how USDA and USAID now track and monitor our programs so that much more oversight is in place than in the past.

I also think these programs are an investment in our national security. You don't have to be a rocket scientist to figure that out. And I would just stay this. I mean, I always tell people hunger is a political problem. We have the resources and the ability to solve it, but we don't have the political will. We should be talking about how to expand some of these programs rather than to try to contract them in any way, shape, or form. Look, we need to have flexibility because these programs are designed to end hunger. So if it makes more sense to send direct food commodities to a hungry village, we ought to do that. If it makes more sense to buy the crops locally, to buy the food locally or regionally, we ought to do that. We ought to do whatever works, whatever feeds the most people, because first and foremost, these are programs designed to combat hunger.

I would ask you, we talk a lot in this Congress about national security. Talk to me a little bit about how our international food assistance programs complement our national security interests, either one of you.

Mr. KARSTING. I would say I don't want to swim in the Pentagon's lane too much, but I know that the National Security Council and the Pentagon and some really bright minds in national security have focused on this. In fact, there may be even a report on their website that speaks to the nexus between food security and national security and what it means for potential civil strife in the areas where there is real food insecurity. And so that is something we take very seriously in working with them.

I would just say you have had some great experiences going out to look at things. I would invite all the Members here if you are traveling internationally, and I realize sometimes that is not very popular, but it is really important for people to see on the ground how these programs are working. And if you ever do have occasion to travel outside the United States, I hope you will reach out to USDA, reach out to USAID, and give us a bit of your time so that we can demonstrate to you how we are working to make these programs work together in a complementary fashion.

When I talked about our Feeding Program and our Scientific Exchange Programs and our Capacity-Building Program, we want those all, and USAID has education programs. We are trying to make them all fit together on the ground in-country, and we would love to show that to you.

Mr. MCGOVERN. Well, thank you. Just please tell—

The CHAIRMAN. The gentleman's—

Mr. MCGOVERN.—tell the people—

The CHAIRMAN. The gentleman's time has expired.

Mr. MCGOVERN.—in the field that we are proud of the work—

The CHAIRMAN. The gentleman's time—

Mr. MCGOVERN.—that they do.

The CHAIRMAN. The gentleman's time has expired. Mr. Staal, if you have an answer for that, please provide it for the record for Mr. McGovern. Mr. Gibson, for 5 minutes.

Mr. GIBSON. I thank the Chairman and the Ranking Member for holding this hearing today because we are concerned about a potential policy shift away from in-kind to cash-based assistance. Towards that end, I appreciate the comments of the panelists today, and I thank you for being here today. I just want to share from the perspective of somebody who has been on the implementing end of this, some of my experiences and then raise a question.

So in addition to the obvious concerns of impacts on our farmers and impact on the shipping industry, which we have already covered that, and I will remind the panelists that Congress had a chance to consider a policy shift here during the farm bill process, and we rejected that.

I want to talk a little bit about what Mr. McGovern was pointing to as well, and that is the impact from a foreign policy perspective of this in-kind aid. I was the ground commander from the 82nd Airborne Division in the aftermath of that devastating earthquake in Haiti in January of 2010. This was a 7.2 on the Richter scale, and without a building code, Port-au-Prince lost about ¼ million people. And our paratroopers, when we were there, in addition to the rescue and recovery were involved in the distribution and helping organize the distribution of in-kind aid. And the world was watching. There were over 100 nations involved including China and Cuba, and when I would go to the U.N. cluster meetings, I heard before the meetings would begin what the talk was. And they were overwhelmingly impressed by our servicemen and women and what they were doing, everything that they could do to make a difference in trying to save lives, including the distribution of this aid.

I came away from this after four combat tours in a peace-enforcement mission to Kosovo. It really struck me that some of the work we were doing in Haiti was as important to our national security as anything else I had done over the course of my 29 years in uniform. And I just want to make sure that that point resonates. I suspect it does, but it is hard to quantify that in terms of dollars and cents, but it is real. I mean, they saw the sacrifices of our troops and what the generous taxpayer was doing to try to make a difference.

The other reality of Haiti was that candidly, we were dealing with gangs that were starting to take the food in the first couple

of days to such a degree that the Haitian Government made a decision, and we did everything we could to support them that only women would be able to get aid at the distribution points. And that provided other challenges because of 100 pound bags. So our troopers would try to help the women get it to a point where their children could get the bags. My point was just that they were already dealing with fraud with 100 pound bags. I can't imagine if we tried to go to cash assistance what that would have done in those moments.

So I guess I want assurances as you are considering all this that you understand in the nature of a crisis that we wouldn't want to go to some kind of shift in policy.

Mr. STAAL. Thank you, Congressman. Those are extremely important points, and as a former USAID director in Iraq, I know what you are talking about in some of those conflict situations.

When we are talking about cash, we are not talking about handing out bills on the street to people. We are talking about mobile money, electronic transfers, vouchers, systems where we can actually monitor it quite carefully, and we are using the same partners that we have been using for many years in these conflict situations to provide the right tool at the right time in some places like Syria for instance where it is difficult for us to get, then maybe a voucher program. We include that under the cash. It is a voucher program so that they are actually using a card then that can only purchase certain things, and then with modern technology, we have biometrics, things like fingerprints, iris scans, and so on to make sure that only the correct person is getting it. So in some ways we are actually able to monitor it and control it even more carefully than we can with bags of food.

Mr. GIBSON. I would also ask that we just keep in mind the value of that transaction, okay? Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Mr. Scott, for 5 minutes.

Mr. DAVID SCOTT of Georgia. Thank you very much, Mr. Chairman. World hunger is a world-wide issue now of staggering dimensions. And while yes, it is true the United States provides 51 percent of all of the food aid in the world, one nation, 51 percent, and that is followed by the European Union with 27 percent, Canada with nine percent, Japan with six percent, and Australia with five percent. But the big question is what about these other nations? What is going on in South America? What is going on in Africa which is the heartbeat of hunger? And yet we have the technology and the capacity now to grow food anywhere and everywhere, even in the desert.

I went to Israel and I saw in Israel in the desert, down from the Jordan River, where they are able to grow crops with the technology.

Our world is rapidly growing at an enormous rate. Literally thousands of new people are being born into the world every year, every day. Every day. The world's population is booming, which means the world's hunger problem is booming.

So the question we have to start asking ourselves is this and the question I would like for each of you to respond to is what are the other nations doing? Unless we have a world-wide collaborative ef-

fort pouring in the technology, it is a shame upon us having the technology, having the capacity that we do and yet have one in nine people, men, women and children going to bed hungry every night.

Ladies and gentlemen, that is 11 percent of the world's population. This is a crisis as Mr. McGovern articulated of national security but more than that, world security. And so I would like for you two gentlemen to please share with us, what is the rest of the world doing? What are the other nations doing?

Mr. KARSTING. I would say, and I will defer to you in just a second. The United States is a member to the Food Assistance Convention, and this is the forum where we try to encourage other countries to participate as well in international food assistance and development programs. We have been pushing to expand the membership to other countries including Brazil, South Korea, South Africa, Saudi Arabia, and Turkey to name a few, and the purpose is to get more donors to the table and better coordinate international assistance. Brazil is in the process of signing onto the Food Aid Convention. South Africa has participated as an observer but has not yet joined. So we are engaged in these multi-lateral fora to try to encourage participation.

Mr. DAVID SCOTT of Georgia. Let me ask you this. My time is short. But specifically, what is China doing? The major contributor to the world's population growth rests within China. Russia itself has the capacity, the land mass. Africa, the land mass. I mean, when you say join membership, are there any efforts, going forward, to plow our technology into these areas where the problem is persistent? It is in Africa. It is in Asia. It is in South America. What are we doing to get our technology and actually start growing crops, producing, and getting the aid to the people in those most critical areas?

Mr. STAAL. Thank you, Congressman Scott. And by the way, thank you very much for the work being done in your district. It is specialized foods, especially the ready-to-use foods.

Mr. DAVID SCOTT of Georgia. Yes, we are really proud of that.

Mr. STAAL. That is great. What you are addressing is a critical issue of how do we help these countries get out of the dependency on food aid and able to produce more on their own. And that is the central theme of the Feed the Future Initiative that we are working jointly with USDA on. The food aid in Title II is a piece of that, and it is a complementary piece dealing with the most vulnerable people and helping them to kind of stand on their feet so that then we can help them with greater technology and so on to be more productive. We have been able to do that in a number of countries. In Ethiopia, where I was the USAID Director—Mr. McGovern, thank you again for your continued advocacy and support. You mentioned Ethiopia. It is these countries where actually they could produce so much more—

Mr. DAVID SCOTT of Georgia. Yes.

Mr. STAAL.—with the Borlaug work and so many other things. And in terms of other donors, we are certainly working very closely with them, trying to not only encourage our traditional donors but to get some non-traditional donors. I have recently traveled to Saudi Arabia, to Kuwait, to encourage them to provide more assist-

ance in overall development but specifically in resources for food as well.

Mr. DAVID SCOTT of Georgia. Thank you.

Mr. STAAL. So that is a continuing challenge for us.

Mr. DAVID SCOTT of Georgia. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Mr. Austin Scott, for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. And Mr. Staal, I am the other Congressman Scott from Georgia. And MANA, the Mother Administered Nutritive Aid, is manufactured in Fitzgerald, Georgia, which is a part of my district and certainly from peanut paste and from vitamins and other things. That one organization, through their ready-to-use therapeutic foods, is estimated to have saved over a million children that were malnourished. Six weeks on that peanut butter and vitamin-enriched paste, it is amazing what you see and the difference that you see in the children, I mean, basically children who can't stand up because of the weakness. They almost look like stick figures in the pictures until they have been given this aid for 6 weeks.

And so I want to thank you for continuing to support that. I have shared that packaging with some of our military leaders. One bit of advice that some of our military leaders had would be that on these ready-to-use foods that if we displayed the American flag more prominently. While the USAID symbol incorporates the American flag, it is not exactly the American flag. And they felt like that might be a plus because of what the American flag means around the world with regard to food aid and that if possible, making sure that the language from the country, which is not always going to be possible, is on the instructions.

I would just like for you to talk further about the role of the fortified foods, the ready-to-eat foods, how they are funded. I know you gave the specific title, but then what steps are being taken to make sure that we get this particular aid which is extremely inexpensive to other parts of the world where it is needed?

Mr. STAAL. Yes, thank you, Congressman Scott. It is a critical part of our assistance and especially as you mentioned for children who are malnourished who can't just eat raw grains or even the cooked food that adults eat. They need some specialized food, and we have been working with MANA Industries in your district to develop some improved systems and made a lot of improvements in that. And it is about ten percent of our assistance, of our funding, goes to those kinds of specialized products. For instance, in the recent hurricane in the Philippines, we were able to very quickly fly in 55 tons of specialized food products for children and got there within the first few days. It is those kind of filling the gaps where it really helps and makes a huge difference. And that continues in so many places, especially in Africa and elsewhere where people are really malnourished. Children are on the edge, and it is a way to get them through. Thank you.

Mr. KARSTING. I would also just add, in 2010, the ag appropriations bill included money for a pilot program on micronutrients that USDA managed. We are now ready to go to the field with a micronutrient-fortified rice which will be used by McGovern-Dole in

Cambodia. It has led to better zinc and Vitamin A uptakes and diminished the incidence of diarrhea.

We have also worked creatively with some fortified poultry products with micronutrients, and they did some blood testing at Creighton University in Omaha, Nebraska, Congressman Ashford. And it showed real meaningful changes in kids' blood, not only in their blood uptake of these things but in their abilities and skills as well. It had impacts in the classroom and we are trying to be innovators as best we can.

Mr. AUSTIN SCOTT of Georgia. One of the key elements to that I would just, and I am sure you know this but remind you is the packaging of it to make sure that it is packaged in a manner where it is actually still safe to eat when it gets there. And that is one of the things that I think that we very much have the technology to do.

Before I go, I would express some of my same concerns about the ability to use cash or cash-type payments in areas. Many of the people that we are dealing with are doing the best that we can to help are subject to being taken advantage of because of being malnourished and because of a lack of education. So with that said, I want to thank you for what you do. I am very proud of MANA and what we have been able to do in Fitzgerald, Georgia. I say we. I shouldn't take credit for it. The people that work there do. And I am proud of our ag producers, especially our peanut producers, in helping provide the products for that. So with that said, Mr. Chairman, thank you.

The CHAIRMAN. The gentleman yields back. Thank you. Ms. Adams, from North Carolina, for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman, and thank you, gentlemen, for your testimony. The President's last three budget requests have asked for more flexibility in Title II funding which would allow a portion of the Food for Peace funding to be used for flexibility, to purchase U.S. commodities, local-produced commodities, or to provide vouchers. Given all the tools that you have at your disposal, why is this flexibility needed? And what would the role of U.S. farmers be under the proposed request for flexibility?

Mr. STAAL. Thank you, Congresswoman. That flexibility is critical, and what has already been provided has helped a lot. But there is still a need for additional flexibility just because of the huge demands around the world.

For instance, in the Central African Republic recently, when fighting broke out there, we needed some immediate assistance. So we started the process of bringing in in-kind food from the United States, but it was going to take several months. So with that flexibility in Title II that we received, we were able to do some local purchase to fill the gap until the U.S. commodities came in.

Also, we were able to provide sometimes some supplementary assistance to help the farmers while they are trying to produce more food. So you can maybe buy seeds and tools with some additional resources to enhance the Title II programs that we have. But the problem is that the needs are so huge that we are not able to do as much as we would like, and we could reach additional people if we had additional flexibility, up to two to three million more people at least we feel if we received these additional resources.

Ms. ADAMS. All right. Thank you. One recent innovation in food aid programming is the increased use of nutritionally fortified foods to prevent or to treat malnutrition. So what role do you see the U.S.-based producers of these products currently and going into the future?

Mr. STAAL. Yes, that is a critical aspect as we heard from Congressman Scott. That is something that the United States is a world-wide leader on these ready-to-use nutritional food and developing that. We have worked over the last several years to provide new products and improved products that we already had, especially for these malnourished children, whether they are in a feeding center or at home to target them with the high nutrition.

And then also we feel with a little additional flexibility in cash, sometimes the mother, even if the children are not really badly malnourished, but you want a more varied diet for better nutrition. And so if the mother has a voucher or like a mobile money type of financial transfer, she is able to buy some vegetables to supplement the in-kind food that she is getting. So it is those kind of flexibilities that we are looking at that we think would really help the women and children especially.

Ms. ADAMS. Thank you very much. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentlelady yields back. Mr. Rodney Davis, for 5 minutes.

Mr. DAVIS. Thank you, Mr. Chairman. Thank you to both witnesses. Over here, Mr. Staal. My colleague, Mr. Rouzer's head seems to get in the way sometimes. I think it is his hairstyle more than his head, but you know, I won't be the judge there. Hi, David.

First off, I want to say thank you. Food programs, obviously very important to a rural district like mine in central Illinois. Some of the challenges that both of you have mentioned in getting food to those who need it the most, is telling to us here in this institution. But I would also urge you and many of my colleagues to read the book by my constituent, Howard Buffett, called *40 Chances*, talking about some of the challenges that even an NGO, like the Buffett Foundation, runs into when trying to utilize more local capabilities in addressing food shortages.

So I found it interesting in the farm bill that we allowed for more flexibility. Some of your testimony has been enlightening and interesting, but I still have some concerns as to how do we balance the ability of our American farmer to grow an excess amount of food and get it to countries who need it the most, rather than the flexibility that both of you have said is needed to be able to utilize some local resources. And how do we keep that balance? That has been my concern during my 2 years here in Washington, and I have been very interested in hearing what each of you have had to say today.

I want to start with Mr. Staal. You mentioned something earlier about utilizing new technology, biometric scanning, other new types of monetization to allow for locals to purchase food products in certain countries. Now, the cost of those new processes and procedures, have your administrative costs then gone up substantially or are you saving money by instituting these new technologies?



Mr. STAAL. Thank you, Congressman Davis. By the way, I was just in central Illinois on Monday in Champaign-Urbana.

Mr. DAVIS. Well, that is my district.

Mr. STAAL. Is that right?

Mr. DAVIS. Why didn't you call?

Mr. STAAL. I should have called. I went to visit the Museum of the Grand Prairie there. It is excellent.

Mr. DAVIS. Oh, shoot. I have to admit, I have never been there.

Mr. STAAL. My niece is—

Mr. DAVIS. Wow. There goes my reelection.

Mr. STAAL. Oh. There you go.

Mr. DAVIS. How was it?

Mr. STAAL. It was excellent. Of course, my niece works there. So I have to give a plug for it. But it is great. I always feel at home when I am back in the Midwest.

You bring up an important point about the technology in making best use of the resources we have on the ground. It continues to be something we have to continue to target closely. The resources we provide, we could do more with more flexibility, okay, but the U.S. in-kind food we believe will continue to be the major resource that we will be using. But with modern technology, we are actually able to save money by using biometric scans and things like fingerprinting and so on, we have found actually we reduce the number of beneficiaries. A lot of people were getting food who shouldn't have been. There is certainly a cost of doing the biometrics, but the overall is a cost savings because you reduce the beneficiaries by targeting exactly on the people who need it. So it has been a cost savings.

So we are continuing to find ways to use technology, not only to improve our oversight and monitoring, but it actually reduces costs.

Mr. DAVIS. Well, thank you, Mr. Staal. And next time you are in central Illinois, give me a heads-up. I would love—

Mr. STAAL. Okay.

Mr. DAVIS.—to go visit the museum. Mr. Karsting, it is interesting to hear Mr. Staal talk about cost savings by utilizing new technologies. Do you happen to maybe think these new technologies might result in cost savings if they were used domestically, too?

Mr. KARSTING. Domestically? You mean for our nutrition programs here in the United States?

Mr. DAVIS. Yes.

Mr. KARSTING. That is a little bit outside of my area of expertise in the Foreign Agricultural Service, and I know that they are trying to employ technology to get error rates down. But I am not going to pretend to be an authority on that topic.

I would say, as he was describing sort of the technology that they use for fingerprinting or other sorts of things, USAID operates in a lot of environments that are frankly sometimes much more complicated than where USDA operates. Our area is development, McGovern-Dole, those sorts of things, and they do a lot more work in the disaster field. So for us, that additional flexibility, it really depends on the location where you are working and having a little bit of flexibility to have a school cook in rural Laos be able to add some bananas to the porridge or something like that could do two things: first, it makes a product more palatable and gain greater

cultural acceptance nearby. Second, it also begins to plant the seeds for value chains in countries so that when we try to graduate a country out of the McGovern-Dole program, there is continuous and ongoing support locally so that they can assume that program.

The CHAIRMAN. The gentleman's time has expired. Mr. Aguilar, for 5 minutes.

Mr. AGUILAR. Thank you, Mr. Chairman. Thank you, gentlemen, for joining us, and I share some of the sentiments that Mr. McGovern mentioned and as Mr. Davis just said. We need to ensure that our food programs offer the greatest assistance to the most people in need. And I know that that is the goal that you share as well.

There have been reports—and back to the vouchers discussion for non-food use, there have been reports that the vouchers are regularly diverted for non-food uses in Lebanon and Jordan and other places in connection to the Syrian refugee crisis. This has happened in other humanitarian crises like Iraq and Afghanistan, and I am concerned that the rush to convert our food aid programs into cash and vouchers will mean potentially fewer not more people are served. I am also concerned about the potential for fraud and corruption and abuse within that aspect of the program.

What is USAID doing to bolster the traditional P.L. 83–480 Program? And are there measures the agency is taking so that it doesn't have to use cash and vouchers to provide aid abroad?

Mr. STAAL. Thank you, Congressman Aguilar. That is an important issue. The proper use of our resources is a critical aspect of everything we do, and we continue to tighten up and refine our oversight and our partners actually as well because in many cases, especially the NGOs but also the U.N. organizations, their own reputation is on the line, and they want to make sure that those resources are properly used. And there have been instances where there are problems, but then they quickly refine that and address it. And as the GAO report mentioned, there is no systematic abuse of the resources that we have been providing. And that is true also of the vouchers and the cash mobile money kind of programs as well.

So not to say that it doesn't happen, but we continually track it as it happens. We clamp down. We refine. We make adjustments to make sure it doesn't happen again.

Mr. AGUILAR. Anything else to offer, Mr. Karsting? Thanks. How are audits performed to verify the resources are followed and tracked?

Mr. STAAL. Thank you. At USAID, we have our own Inspector General that is independent, and they do audits of all of our programs, both programmatic audits and financial audits. For instance, recently in the Syria crisis, they have stepped up to a higher level of oversight. We work with them very closely. We welcome that because anything that we can do to improve our oversight and making sure that that assistance gets to the right people is welcome to us. And we require additional reporting now from our partners working in the Syria crisis in Lebanon and Jordan and Turkey as well, and they have welcomed that. They have tightened up their own systems. But the Inspector General and the audits are a critical aspect of that.

Mr. KARSTING. In our programs, McGovern-Dole and Food for Progress, that monitoring and evaluation plan has to be submitted when our implementing partners make an application. So it is sort of baked into their process that they have to do monitoring and evaluation. That usually involves about five percent of the expenditures that they use. So they do that. We also do verification from USDA Washington and at the post as well.

Mr. AGUILAR. So they initially provide their own oversight but then that is verified?

Mr. KARSTING. They get oversight from USDA. I wouldn't say they provide their own oversight, but they have to submit reports on how many people they fed, how the products have been dispensed. That is sort of the monitoring and evaluation to make sure that we are having the impacts that we have been promised.

Mr. AGUILAR. Thank you, gentlemen. I could go on and offer Mr. Davis some travel tips, but we will refrain and I will yield back.

The CHAIRMAN. The gentleman yields back. Mr. Abraham, from Louisiana, for 5 minutes.

Mr. ABRAHAM. Thanks for being here, guys. I represent probably the largest rural crop district in the nation, northeast Louisiana and the southern part of the state. We grow corn, soybeans, a lot of rice. And I guess my concern is, dovetailing on Mr. Aguilar's questions, Mr. Staal, can you provide an explanation of how you will police the use of the cash vouchers for LRP and make sure that money is not being diverted some way to our competitors?

Mr. STAAL. Yes, thank you, Congressman. As I mentioned, that is a critical aspect of what we do. And there are several levels of that. First of all, our partners do a detailed assessment of the situation to find out what is the best resource to provide. If they determine that it is vouchers or some sort of mobile money, then they put that in place. But it is all done through financial institutions, like a bank, savings and loan.

Mr. ABRAHAM. Is that bank accountable then?

Mr. STAAL. Exactly.

Mr. ABRAHAM. Who is accountable for that money and that—

Mr. STAAL. It is our implementing partner, okay? The NGO in most cases or in some cases the World Food Programme. So they are accountable to us. So they have their systems in place, and as my colleague was saying, then they have to provide regular reports, and we provide very close oversight. We have people based in the region who travel out and visit the projects, look at their books. I used to do that as a Food for Peace officer myself back in the day in places like Sudan and Ethiopia and literally look at it, go to the beneficiaries, and ensure that they have received commodities. And really, it is the same whether it is a voucher or a mobile payment, whatever. The mechanisms are very similar in terms of ensuring that it gets to the individual that it was directed to.

Mr. ABRAHAM. Okay. Thank you. And I guess another question I have, the USAID logo, it says, "Gifts of the American people." Across the world, it is renowned for promoting goodwill, showing compassion of the American people that we have for those in need. I guess the question to kind of follow up that, the ATM cards or the cash vouchers that are going to be in place, is that going to

help convey that message worldwide to the people that need these supplies?

Mr. STAAL. We have a branding policy, and everything has to have that on that. And that includes the vouchers or the cards, whatever. They will also have the USAID logo, and we will look at improving upon that as your colleague, Congressman Scott, mentioned. Even the local purchase, when it is purchased from within the region, they have to use a bag that has the USAID logo on that. So it is not just food coming from here. When it is a program like food for work, yes. I even have a bag here. This is a local purchase bag, and you see it was purchased in Kenya, but it has the USAID logo on there as well.

Mr. ABRAHAM. Great.

Mr. STAAL. And then it has from the American people on there. Okay? So just to show you. If it is a program where like a food for work program, okay, where it is harder to show on a specific piece of merchandise, then we put up signs at the work site—

Mr. ABRAHAM. Okay.

Mr. STAAL.—that this is from USAID, a gift of the American people. So it is an important branding issue. The only exception is in cases where you have a really delicate conflict situation where it would actually put our partners in danger if they were seen. So that is the exception to this.

Mr. ABRAHAM. Okay. Thank you.

Mr. STAAL. Thank you.

Mr. ABRAHAM. Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back. Ms. Kuster, for 5 minutes.

Ms. KUSTER. Thank you very much, Mr. Chairman, and thank you to you. And I just want to recognize my colleague, Mr. Gibson, for his role in distributing aid and also Mr. McGovern and others that have been very involved in this issue.

My question relates to this dilemma about in-kind aid *versus* financial aid and the impact on the local community. I wonder if you could pick a specific example of whether this cycle of providing in-kind aid in some way exacerbates the problem of economic development and building up infrastructure for their own agricultural well-being, going forward, and whether we haven't created a situation that just perpetuates this cycle of dependence. Could you comment? Do you have any specific examples where we have been able to invest in infrastructure and had a more sustainable outcome for the population and then we can target our food aid for earthquakes or more severe situations?

Mr. STAAL. Yes, it is an excellent question, Congresswoman. As an example, I can talk a little bit about Ethiopia. As was mentioned before, I was the USAID director there, and we have a program there called the Productive Safety Net which does food for work and cash for work. And so it depends on the community that you are working with and what is available in the market. So we do what we call a Belmont assessment to look at the agricultural and market conditions, whether there is sufficient food in the market or not. If there is food and the ability of the farmers to grow but people just can't afford it or don't have access for one reason or another, then we can provide cash. If there isn't enough food in

the market, then cash isn't going to help them. So we provide food. But that dependency issue is critical.

Then as a part of that program, the work that they are doing under the food for work is to improve their capacity and capability to grow more food so they are less dependent. And we saw real gains over the last 5 years in Ethiopia, and it is amazing. I went to places that were just desert years ago, and now you are seeing crops being grown there. You are seeing water coming back in the wells because the food for work they were doing was things like terracing, tree planting, water catchment systems that then started to bring the agriculture back to the country. And then as you say, then we can use that food aid for the Nepal earthquake or elsewhere.

So that combination and that flexibility becomes very important so we can use the right tool at the right time, both to address the needs most effectively and efficiently but also so that we are not creating dependency as you mentioned.

Ms. KUSTER. So then also to further on that, Mr. Scott mentioned Israel, and I also saw in Israel the impact of the water treatment and how they went about that, planting trees you mentioned. How do we share best practices and what is the role of, whether it is USAID or whatever agency of the U.S. Government is actually taking best practices to these regions and trying to improve upon their capacity to grow food?

Mr. STAAL. That is an excellent question, and I have a very specific example, again from Ethiopia. We actually had a tripartite agreement with the Israeli Government Development Agency, MASHAV, USAID, and the Ethiopian Government, specifically on high-value fruit crops, everything from avocado to improved apples and oranges and so on.

So we provided some funding. The Israelis provided technical expertise based on the experience that they have as you mentioned. And then the Ethiopian Government provided the facilities and the people on the ground. And so over several years, we were able to really improve their ability, they were already growing these crops, but the quality wasn't very good, the yield was low, and with the Israeli technology and expertise, we were able to provide some significant improvements in their crops, especially in those high-value crops.

Mr. KARSTING. Congresswoman, I would say, too, that USDA's programs in this area, the McGovern-Dole or the Food for Progress and our Borlaug and Cochran exchange programs are really built around that whole notion of extension and exchange and research and getting technology transferred to the farmers who need it most.

The reason America has a really powerful ag sector is that 150 years ago, we started our land-grant university systems. And that same notion is something that is very much with us every day at USDA, and it colors the way that we do our development programs overseas. I mentioned in my opening remarks about programs in Honduras where we monetize a certain amount of American products in a way that didn't displace or upset local markets and use the proceeds of that to launch local extension programs so that farmers can get better at what they do. And we do that all around

the globe. And the benefits flow both ways. We have a Borlaug Fellow from Morocco who came to study horticultural issues. His mentors and peers went back to Morocco, and now they are implementing and testing Moroccan water efficiency technology in south Texas. So it is a cross-pollination process.

The CHAIRMAN. The gentlelady's time has expired.

Ms. KUSTER. Thank you.

The CHAIRMAN. Mr. Yoho, for 5 minutes.

Mr. YOHO. Thank you, Mr. Chairman. I appreciate you gentlemen being here and going over this. Mr. Staal, you were talking about, if I just kind of recap, the GAO reports that as of September 2013, 2.5 million people were receiving assistance in Syria. There are between six to seven million people displaced in Syria, and with the EBT cards you went over I thought very well about how that process works. And then you were talking about the metrics that you were using, the biometrics, to make sure they were being used properly by the right people. And then the question was asked to Mr. Karsting, would that improve the efficiency of the program here domestically? Just as a quick aside, what is your opinion on that?

Mr. STAAL. Well, I mean in the United States, of course, we are much more advanced already with our systems to track people and identify the right people and stuff. So it is a different situation, different context here. So it can be very difficult for me to tell you what—

Mr. YOHO. So that is fair.

Mr. STAAL.—would work in one area.

Mr. YOHO. I just thought it was interesting that you found it that effective over there. Going back to Syria with their infrastructure, and I have not been there, but we have definitely have a conflict area that has been going on, that is getting worse: 230,000 people have been slaughtered over there. Do they have the infrastructure where people can use an EBT card or is it very isolated where they can use that? And on top of that, do they have a productive agricultural sector where they can buy products that are efficient to meet the nutritional needs of what we are trying to resolve, and that is either malnutrition or food insecurity or just starvation?

Mr. STAAL. Yes, that is an excellent question, Congressman. It varies by location and that is why we have to be very sort of granular and directed. There are areas that the government controls where WFP is working where you can do some things. In the opposition-held areas, again, it varies. Is it an opposition that is friendly to the United States or an opposition area that is not friendly? We can do different things in different areas.

Mr. YOHO. In your experience in Syria, what are you finding? Are they friendly? Or there is strong opposition from the Assad Administration?

Mr. STAAL. No, in terms of our actual things like food aid and humanitarian assistance, we have good cooperation, both in government-held areas and in opposition-held areas and are able to monitor things. We have our implementing partners again who have good experience in this. They in turn work with local partners in the region. Some things can go across the border. There was a U.N.

resolution from the Security Council that allowed some commodities to be able to move across the border. That helps a lot.

Mr. YOHO. Okay. And then I want to pivot on what both Congressmen Scott brought up about the RUTFs, the ready-to-use therapy foods, and peanut butter is a great one. It has high protein, high energy, high nutritional content. Are we utilizing products like that in addition to like EBT cards?

Mr. STAAL. Absolutely, yes. This is what they were talking about, these ready-to-use products, whether it is for supplementary feeding or even for severe malnutrition. And the one is called Nutributter. So it is a peanut paste—

Mr. YOHO. Right.

Mr. STAAL.—product, peanut butter paste product—

Mr. YOHO. Coming from Florida, I hope we use a lot more of that.

Mr. STAAL. Okay. But it is supplemented with additional vitamins and minerals—

Mr. YOHO. Right.

Mr. STAAL.—specifically for malnourished children.

Mr. YOHO. It is a great product, and I would hope we would use a lot more of that. And I know my mom raised six of us on peanut butter and jelly.

Mr. STAAL. There you go.

Mr. YOHO. And a brown bag to take the lunch. And what I see is that you have conflict areas that we are trying to intervene and help with, and you have local, a lack of resources or knowledge, and we see Israel is a great example of how to grow in a desert area because of technology. And they have a stable government, and I know that is a big part of not being able to produce the foods that a country needs. And then we have the national disasters, or natural disasters, kind of like what happened in Haiti and the Philippines. And I would assume that your programs vary according to each type of situation, correct?

Mr. STAAL. That is correct.

Mr. YOHO. Okay. And then I just kind of want to wind up with over the course of decades, America has stood head and shoulders above every other nation when it comes to assisting those in need both domestically and internationally. That is no small part due to the labors of our farmer and our ranch community. We all must be good stewards of the money taxpayers send up to Washington. We must ensure the efficiency and effectiveness of these programs are maximized, and you guys are doing a great job doing that. At the same time, I would hope that these programs are analyzed and future changes are considered. All parties will be included in the process; especially are folks who labor to produce much of the world's food supply. I appreciate your time.

Mr. STAAL. Thank you.

The CHAIRMAN. The gentleman yields back. Mr. Ashford, for 5 minutes.

Mr. ASHFORD. Thank you, Mr. Chairman. A couple of comments. I am happy, Congressman Davis, was able to share Howard Buffett with you and central Illinois. I know that Howard's grandfather, Howard Buffett, who was a Member of Congress, Warren's father, was a Member of Congress after World War II, was quite a guy,

and obviously Warren is as well. So we are very proud of Howard and what he is doing in this area.

Thank you, Mr. Karsting, for your service to Nebraska, to the great Senator J.J. Exon who was a friend of mine, though I was quite a bit younger in those days. We miss him, and he was a force.

Obviously Nebraska is an annex state, and we are proud of what our industry, what our farmers and ranchers have done in our state, obviously. And one example of that is Valmont Corporation, Bob Dougherty, as you know, the inventor, really, of center pivot irrigation technology, and the Dougherty Foundation which was just set up at the University of Nebraska to deal with water issues, not only in the United States but globally. And I am familiar, was just made familiar actually, with a program that Valmont is, I believe it is on the nonprofit side, is doing in East Africa that has to do with the single-pivot technology, to be able to develop agricultural products with a single pivot in small farms. Ms. Kuster's comment was right on. I mean, at what point—and this is the question. At what point, following on with Ms. Kuster, do we get to where we can focus, utilize in those areas of the world, where that kind of technology will have the most benefit, like in East Africa, and then how do we pursue that into the future?

Mr. KARSTING. I would love to learn more about what Valmont is doing there because that is a process that I am not familiar with, but we would like to learn more. I think where our people work at posts overseas in implementing our Food for Progress Programs, it varies so much from region to region and how you transition an emerging economy where they don't have value chains, they don't have food systems in place. How do you design a program where you start feeding kids who are malnourished and stunted, and then follow on with our Food for Progress, our Cochran, our Borlaug programs to try to ramp up everybody's capacity for stability and resilience for their local food systems. Look at Vietnam. Vietnam is now our 13th largest agricultural market. They weren't always that way. And what we find over the long-term is that the more we enhance people's capacity to have good food systems, the more they have transparent rules-based trade, the likelihood they're going to become our customers someday. And that really reinforces and stabilizes their food systems, the more we have those sorts of systems in place.

So I don't have a one-pat answer for each area, but it is really exciting stuff to work on.

Mr. ASHFORD. It seems that this single-pivot technology is being utilized in Tanzania and Ghana maybe and parts of Nigeria. Or Kenya, I am sorry, parts of Kenya. And we will get you some information on it. I would like to get some feedback because it is very interesting because not only are they providing food for themselves, they are also selling it in almost sort of a mini-export kind of economy.

So I appreciate that. I appreciate your service, Mr. Staal's service, and thank you. Thank you, I yield back, Mr. Chairman.

Mr. STAAL. If I can just add, one of the important aspects of the U.S. assistance in the world is our technical expertise as you were mentioning, and we have a Farmer-to-Farmer Program, for instance, which brings volunteers, farmers, people from land-grant



universities and so on to developing countries. Last year we brought almost 300 people into 28 different countries. So that is an important aspect of helping them to utilize these new technologies around the world and build their resilience as you mentioned.

Mr. ASHFORD. Yes. Right. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. Mr. LaMalfa, for 5 minutes.

Mr. LAMALFA. Thank you, Mr. Chairman. For both you gentlemen: In a situation where a food supply might be limited in a foreign aid situation, the amount of intake certain folks might have, the idea of nutritionally fortified food is going to have a greater percentage of importance for someone's nutrition, getting those vitamins, getting those things they need.

So what is the balance of shipping U.S. food that has that nutritional fortified aspect to it *versus* the cash program of buying whatever is available locally that may not be of that quality or may not have that input in that? How do you quantify that balance in those decisions? I am concerned, too, on the cash side with the fraud. The Chairman mentioned early on that it is a lot harder to wrangle a 100 pound sack of rice than it is a hundred dollar bill and have to go to the wrong place, what have you. What is the nutritionally fortified angle as well on that as far as having higher food quality shipped from the U.S. in these aid situations *versus* whatever may be available locally? Both of you, please.

Mr. KARSTING. Our implementing partners overseas take a look at those issues all the time. Fortified products are often more expensive than bulk commodities. And so they need to come to an understanding of where the trade-offs are and where the benefits arise. We are—

Mr. LAMALFA. How are they fortified?

Mr. KARSTING. Well, actually we have just added two new products to the list. There is a micronutrient-fortified rice that we are going to be using soon in Cambodia in a McGovern-Dole program that in the trial runs has shown it increases the uptake of Vitamin A and Zinc and reduces diarrhea in the target populations.

Mr. LAMALFA. Yes.

Mr. KARSTING. So that is a good thing. We also have a micronutrient-fortified poultry-based product that people are exploring right now. So those products are going to cost more. And so you sort of have to go on a case-by-case basis to see if regular commodities or the fortified commodities make sense.

Mr. STAAL. And just to answer the question about cash-based aid, that is a very minor aspect. It may be about four percent of our assistance. But again, it is not cash in terms of hundred dollar bills. It is vouchers. It is working through financial institutions, not through governments, by the way, managed by our NGO partners, and then it is a card or some kind of—

Mr. LAMALFA. Well, I understood it is not—

Mr. STAAL.—financial transfer.

Mr. LAMALFA.—cash is cash, but certainly it is a medium that is much easier to move around. We have issues of that here domestically on how easy it is to—

Mr. STAAL. Sure.

Mr. LAMALFA.—misuse those credits. That is what I am getting to.

Mr. STAAL. Yes.

Mr. LAMALFA. Food is a lot harder for warlords to—they still manage but—

Mr. STAAL. They find a way. Yes. No, it is something we would target very carefully, the oversight. And we do find that the most needy people and especially as much as possible the cash and voucher assistance, we target to the women because we know women will use it to buy food for their children. And that is an important aspect of the way we work it.

Mr. LAMALFA. Well, thank you. I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. I apologize. Mr. Benishek, I skipped you out of order. Sorry about that. Mr. Benishek is recognized for 5 minutes.

Mr. BENISHEK. Thank you, Mr. Chairman. Well, it has been really interesting listening to you gentlemen talk this morning. I have a couple of specific questions that come to mind after listening to your testimony and that is I don't know what this biometric stuff that you were talking about for these cards, Mr. Staal. So you are telling me that Syria are identified by their thumbprint or their retinal scan in order to use this card? Is that what you are telling me?

Mr. STAAL. It is for the refugee populations that are—

Mr. BENISHEK. So the refugee has been identified—

Mr. STAAL.—in Jordan—

Mr. BENISHEK.—by their fingerprint then? And so when they go to the store, they have to fingerprint themselves and it identifies them as the person on this card?

Mr. STAAL. They use those biometrics to get the card to make sure that only people have it, and then the card can have their picture, similar to what we have here. And so using those biometrics, we are able to reduce the numbers of people because when it was just a name on a roll, then people were able to misuse that. Now—

Mr. BENISHEK. Well, no, it is really a photo ID then basically is what you are saying?

Mr. STAAL. Basically a photo ID—

Mr. BENISHEK. Okay.

Mr. STAAL.—but then it is verified with the finger scan and—

Mr. BENISHEK. Yes, but you don't have to put your finger scan on it when you use the card?

Mr. STAAL. No, not every time. But in order to get the cards—

Mr. BENISHEK. All right.

Mr. STAAL.—and to verify them on a regular basis.

Mr. BENISHEK. Yes. I just find that amazing. Where is this actually in use?

Mr. STAAL. We are using it in a number of countries. It is not rolled out—

Mr. BENISHEK. Name one.

Mr. STAAL.—anywhere yet.

Mr. BENISHEK. Name one where it is actually in use.

Mr. STAAL. In Kenya in the refugee camps there, and then we are starting to use it in Jordan as well.

Mr. BENISHEK. So it is not really widely used?

Mr. STAAL. It is not worldwide yet.

Mr. BENISHEK. Okay.

Mr. STAAL. It is rolling out now.

Mr. BENISHEK. I see. Let me ask you another question then, too. When we are using this cash-based aid, I noticed that Syria was a big part of the money that, there are refugees and all. I am sure all that kind of stuff is going on in Syria. But where does actually the food come from? Now we are spending as I understand like \$272 million in humanitarian crises in Syria. I am looking at this GAO report. So where does the food come from? I can't imagine they are growing that food in Syria. Where are we buying this food from?

Mr. STAAL. Yes, it is an important question, and I am glad you asked that because it is local and regional procurement.

Mr. BENISHEK. Like this bag of corn. Are they actually buying bags of corn in Syria from somebody else then?

Mr. STAAL. No, what they are is regionally and—

Mr. BENISHEK. What are they buying?

Mr. STAAL. So they are able to buy—

Mr. BENISHEK. What are they buying with the money?

Mr. STAAL.—say in Turkey or in the case of Malawi, they can buy it in Tanzania.

Mr. BENISHEK. What are they actually buying? Are they buying rice or corn? What is the majority of the—

Mr. STAAL. Usually we do an—

Mr. BENISHEK.—calories?

Mr. STAAL. Yes. Our partners do an assessment of what are the types of food that people prefer to eat and what is available and so on and then try to get a balanced diet. So it is a combination of—

Mr. BENISHEK. Well, there is \$272 million. I am just kind of wondering what are the two biggest commodities that they are buying?

Mr. STAAL. I can get that for you.

[The information referred to is located on p. ??.]

Mr. BENISHEK. You don't know?

Mr. STAAL. Off the top of my head I don't, but it is different in each country, okay? So for instance—

Mr. BENISHEK. I am just wondering because—

Mr. STAAL.—in South Sudan it is sorghum.

Mr. BENISHEK. I am just wondering because we spent \$272 million in Syria on cash-based food assistance. And I mean you kept saying that our NGO partners are overseeing that there is no fraud. It would seem to me that besides relying on the NGO partners to make sure there is no fraud, you should have some ability to answer a few questions about like what is the most common commodity bought in Syria with the \$272 million. You understand what I am saying? I don't like the answer where you say in cooperation with our NGO partners we are doing good oversight. You know what I mean? I don't like that answer, especially when I have this GAO report that says the U.S. aid cannot hold its staff or its partners accountable for taking all necessary steps to justify and document the modification of awards. That is the GAO report on what is going on.

I appreciate that you are here, defending the program, and it is worthwhile. But, we here are concerned that money is not going to the right places and that your own internal audit methods aren't really satisfactory. The answer you have given me repeatedly is the NGOs are dealing with the fraud part. So tell me about that a little bit.

Mr. STAAL. Yes, and obviously it is not just the NGOs. We provide strict oversight over the NGOs. In fact, we put out additional staff—

Mr. BENISHEK. I understand you say that but—

Mr. STAAL.—in Jordan and Turkey and so on.

Mr. BENISHEK.—you don't know the top two commodities that you purchased for the \$272 million.

Mr. STAAL. Yes. Well—

Mr. BENISHEK. That doesn't mean to me that you know what the oversight is. My time is up.

The CHAIRMAN. The gentleman yields back. Mr. Allen, for 5 minutes.

Mr. ALLEN. Yes, sir. Thank you, Mr. Chairman, and thanks to both of you for monitoring and implementing this program. A couple things, and it has been interesting listening to particularly this cash *versus* in-kind process. The challenges with the cash obviously is compliance, is to make sure that the food is appropriately disbursed. Do you have any feel for—okay. In-kind, I mean, that is food, and you disburse that I guess based on the needs of a family.

Mr. STAAL. Yes.

Mr. ALLEN. On the cash side, how do you know what to give a family and what they are able to purchase with that?

Mr. STAAL. Yes, that is a critical question, and in a similar assessment, we do an assessment of the needs, okay, and based on that, whether they need in-kind or cash, depending on what is in the market. And then the value is assessed to that, okay? For a family of four or five, they look at what they need on a calorie basis and determine how much it costs in the market to buy certain commodities. They agree, okay, in this particular instance, they need to get lentils and some oil and wheat, and you need this much for this many people. And then you are going to need this much cash to do that, okay? So it is—

Mr. ALLEN. Is that—

Mr. STAAL.—quite a detailed assessment.

Mr. ALLEN. Is it based on the currency in that country or our currency?

Mr. STAAL. Yes, based on the currency in the country and what they can buy with it there. You know, then of course that has to be translated back into dollars for us—

Mr. ALLEN. Right.

Mr. STAAL.—because we get dollars from—

Mr. ALLEN. But you have countries like Zimbabwe where the inflation rate—you can't even get through the grocery line before the price goes up.

Mr. STAAL. Yes, Zimbabwe is a special case where actually we are able to use dollars in the market there, and so it doesn't fluctuate like that.

Mr. ALLEN. So the dollars will buy a better value for that family?

Mr. STAAL. Although in Zimbabwe, a lot of it is in-kind there from local and regional purchased in neighboring countries.

Mr. ALLEN. Okay. Mr. Karsting, I was interested in the self-sufficiency programs that you mentioned in your testimony and trying to get countries in a position where they can actually feed their people if the government is interested in actually doing that. One of the things that I have recognized in my travels is that—and I have no idea what their spoilage is. But basically pretty much outside the United States you go and you buy at a market foods that are almost produced on a daily basis. And so I didn't see—in fact, some countries had a hard time finding a cube of ice. So refrigeration was non-existent in a lot of these countries. I think that in our country the invention of refrigeration probably was the largest single food production invention in our history because we were able to preserve foods and then eat them, as we needed. And we thought about changing how they do things over there from a preservation standpoint. And again, you may know some statistics on spoilage and that sort of thing. But obviously the more we can use the food and preserve it and use it on a long-term basis, obviously we are going to feed a lot more people.

Mr. KARSTING. Yes, that is another topic that would be really interesting to get into in some detail, the whole notion of food loss and food waste is a really a big topic right now. Groups like the Food and Ag Organization of the U.N. are working on it. It is important to the Secretary of Agriculture. It is important to USDA. What we see a lot of in developing countries is that it is food loss, getting food from farmers to consumers is where the waste occurs. In more developed countries, the higher incidence of food waste is post-consumer purchase. And so it is different problems in different regions of the world. Our fancy term for refrigeration and ice is cold-chain development. We do training through the Cochran program for people to help them implement ways of efficient cold-chain development. You have to have a reliable electricity grid. You have to have all those other things that are sort of nascent in more emerging democracies or emerging civil societies. But we are focused on—

Mr. ALLEN. Well, I am glad to hear that you are doing that, and we have to squeeze every nickel we can—

Mr. KARSTING. Yes.

Mr. ALLEN.—to make this food available. Thank you. I yield back.

The CHAIRMAN. The gentleman's time has expired. Thank you. Gentlemen, thank you very much for being here this morning. Mr. Staal, one final quick question. I appreciate your comments that you have made that there is no deal with the maritime groups. I am a little concerned that whatever dialogue or negotiations that are going on lack transparency. I also intend to take you up on your offer to keep agricultural groups at the table in these discussions. We are not seeing where that is happening, and we can't find out the folks that are participating. So, as we conduct this review over the next couple of years, I appreciate your openness to keeping all the players at the table so that we can have as broad of support as we can. I yield a couple of seconds to the gentleman from Georgia.

Mr. DAVID SCOTT of Georgia. Thank you very much, Mr. Chairman. It just occurred to me, since we have you here, this has been a very, very informative discussion, and as we have discussed back and forth, it is a profound, profound issue. So I feel we would be derelict in our duty if we didn't ask you two experts on this area, are you hopeful that this issue can be solved? Do you feel that it will be solved? And what do you see as the main forces if you don't feel it will be solved that are preventing that? Just briefly. I'd appreciate that. Give us some hope here at the end or tell us what we have to do to get that hope.

Mr. STAAL. Thank you, Congressman Scott. That is a critical question that we wrestle with every day. When I go to a camp or a place where people are really poor and I see children who are malnourished and suffering right there in front of me. And certainly, our food aid assistance is a stop-gap measure, and it is doing some great work. With additional flexibility, we feel we can do more, but the needs are huge and unfortunately getting worse right now with conflict around the world. And so it needs to be a combination of things, both political and military efforts. But the critical aspects of improving agriculture production—in so many countries, I mean, Ethiopia is sort of famous for unfortunately being a poster child for famine, yet with some relatively modest improvements, they could easily be self-sufficient.

Mr. DAVID SCOTT of Georgia. Yes.

Mr. STAAL. And the same is true in so many other countries. So the efforts being done by colleagues within USDA under Feed the Future will really help to change the world that way, and I do have a hope but unfortunately it is a longer-term hope that we have to continue to stay focused on. Thank you.

Mr. DAVID SCOTT of Georgia. Very good. Thank you.

Mr. KARSTING. Congressman, I work with farmers a lot, and farmers are by their very nature hopeful. They have to hope that rain comes and everything happens the way it should be. But hope is not a plan, and that is really what we need to focus on is how does our planning work. How do we get our hands dirty and actually deliver programs that work on the ground so we build strong partners all around the globe? That is what we focus on at USDA and USAID.

Mr. DAVID SCOTT of Georgia. Thank you. Thank you for your graciousness, Mr. Chairman, in letting me ask that question.

The CHAIRMAN. Well, thanks. I appreciate that. Mr. Staal, we will appreciate your efforts to keep a broad coalition of everybody at the table as you analyze the flexibility that we gave in the 2014 Farm Bill. There is a tension between feeding people and teaching them to grow food and the limited resources we have to try to do both at the exact same time. And then we add to the tension with the cash *versus* in-kind conversations. We will use this period as we do with the safety net programs that we put in place in the 2014 Farm Bill for U.S. production agriculture. We will use this timeframe to look at the changes we did make with respect to the program, going forward. I am a little uncomfortable giving you additional flexibility now. I want to make sure that the flexibility you have is being used appropriately as we walk forward.

A couple of us have mentioned that if you look at the last 100+ years, we would argue there has never been a country that has done as much good for the rest of the world and asked so little in return as the United States of America. And there are a lot of players, including our military certainly, but much of that high profile is from coming to other people's aid, feeding them when they are hungry or when they are starving. All those kinds of things happen. That charity, that heart for the folks that need help is based on broad support, and we have to keep everybody at the table, the folks who support the in-kind and the folks who want cash-based assistance. We have to keep them all there so that we can maintain this incredible heart for helping people in need around the world.

I had a really poignant experience. I was in Jalalabad, Afghanistan, one Sunday afternoon, and we had a group of 101st Airborne guys who were sitting around the table, at basically a chamber of commerce meeting. They had good production agriculture there, but they had no value-added chain. They had no refrigeration; electricity was intermittent; and they had customers they thought that they could arrange for in Kuwait to buy the food that was being grown there. But they were missing that middle piece. And these men who are warriors at heart didn't know really much about commerce, but yet they were focused on trying to make it happen. And they were really excited because the following month we were getting a bunch of real farmers from the Missouri National Guard who were coming there, and so they were excited about that opportunity to bring American expertise, American folks who do it for a living, to come there and to try to help these folks, take care of themselves. The poignant part of that is the day before, the Saturday before, they had been in an 8 hour run and gunfight with bad guys. So a warrior one day, and chamber of commerce guys the next. That is a good example of the incredible heart this country has for everything that is going on. But we have to maintain the broad support. So again, I appreciate both of you being here today. This is an issue that the Agriculture Committee has great interest in, keen interest in obviously, and I will continue to review the program, the new flexibility that you received under the 2014 Farm Bill as well as opportunities to improve it the next time we do the farm bill. So there is a theme here; you get the hint.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material, including anything else that you would like to supply us with to help us in this review. This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 11:50 a.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]





SUPPLEMENTARY MATERIAL SUBMITTED BY THOMAS H. STAAL, ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR DEMOCRACY, CONFLICT AND HUMANITARIAN ASSISTANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

**Insert 1**

The CHAIRMAN. Let me get to the Maritime Administration. No deal? Nothing's gone on that is in writing? No handshakes, nothing like that that we should be aware of?

Mr. STAAL. That is correct. We are definitely in discussion with them, and we have continued those discussions to find better ways to effectively use the resources we have. And in fact, we would love to have additional dialogue with your Committee, with the Members, with the staff to look, to get your input on how to reach these objectives.

The CHAIRMAN. I appreciate that. Thank you very much for that kind offer, and we will seek to take you up on that.

Since 2013, USAID has had conversations with a broad array of stakeholders, including Members of Congress, NGOs, maritime and agriculture representatives, about enacting food aid reform to reach additional beneficiaries more efficiently and with the same resources. Though there is not an MOU, USAID and maritime representatives have had conversations and agreed upon an approach. The potential compromise has not been finalized, and does not represent the Administration's position as it has not gone through a formal approval process. The elements of the potential compromise include: (1) additional flexibility for the Food for Peace Title II program (2) cargo preference efficiency reforms related to the implementation of the Cargo Preference Act and (3) transfer of a portion of the Title II funds out of the efficiency savings generated by Food for Peace reforms to MARAD to enhance national sealift capacity and provide support for non-Maritime Security Program (MSP) vessels that carry food aid cargoes. We would be pleased to continue to meet with Members and Congressional staff to provide further details of this potential compromise.

As mentioned, the potential compromise includes certain cargo preference efficiency reforms. Cargo preference reforms have been the subject of discussions between USAID and MARAD for years, and the ones under consideration as part of the current compromise have been reflected in written Terms of Agreement signed by the USAID Acting Administrator and the MARAD Administrator. Some of these proposed reforms could be implemented through rulemaking while others could be implemented through legislation, assuming the potential compromise is finalized and such legislation is introduced and enacted.

As USAID and other Administration officials have testified in a number of Congressional hearings, the Administration's current food aid reform proposal is included in the 2016 Budget proposal. We continue to consult with a broad array of stakeholders to solicit input and look for ways to achieve the Administration's proposed food aid objectives.

**Insert 2**

Mr. PETERSON. Thank you, Mr. Chairman. Following up, the discussions that are being had, there are agriculture people involved in those discussions, Mr. Staal?

Mr. STAAL. Thank you, Congressman. Yes, we have met with the maritime industry as indicated, with NGOs and with also agriculture commodity groups.

Mr. PETERSON. What is their involvement and who are they?

Mr. STAAL. I don't have the exact names of the organizations. I can provide that to you, but certainly we have met with them and continue to meet with them. And as I said, we would be very happy to meet with Members of the Committee, your staff, to get your input as well.

Since 2013, USAID has had conversations with a broad array of stakeholders, including Members of Congress, NGOs, maritime and agriculture representatives, about enacting food aid reform to reach additional beneficiaries more efficiently with the same resources. Food aid reform conversations have also been part of USAID's Food Aid Consultative Group meetings that occur twice a year.

U.S. agriculture has always been and will continue to be a key partner in our efforts to feed the world's most hungry. Representatives from the agriculture sector who have been engaged in recent food aid reform discussions include:

American Farm Bureau Federation  
American Peanut Council  
American Soybean Association  
Archer Daniels Midland

Cargill  
 Global Food and Nutrition, Inc.  
 National Association of Wheat Growers  
 National Corn Growers Association  
 National Farmers Union  
 National Oilseed Processors Association  
 National Potato Council  
 National Sorghum Producers  
 North American Millers Association  
 U.S. Dry Beans Council  
 U.S. Rice Producers Association  
 U.S. Wheat Associates  
 USA Dry Pea and Lentils Association  
 USA Rice Federation

We look forward to continuing this partnership as we seek the right mix of tools to respond most effectively to humanitarian crises. As the numbers of internally displaced persons and refugees grow and global humanitarian needs outpace limited resources, our ability to respond appropriately and efficiently has never been more critical.

**Insert 3**

Mr. CRAWFORD. Thank you, Mr. Chairman. I appreciate that. Mr. Staal, I have to ask you a question or two about rice. Half the U.S. rice crop is growing in my district. The farmers are very concerned about the Food for Peace Program and I was just wondering if you can tell me how many metric tons of rice are currently being shipped through the Food for Peace Title II Program?

Mr. STAAL. Thank you, Congressman. Certainly rice is an important part of our assistance. I have to admit I don't have the exact number, but we can certainly get that to you.

The amount of rice purchased in a given year fluctuates greatly depending on what crises emerge and the appropriate commodity for the populations being served. In FY 2014, USAID shipped 84,610 MT of rice through the Food for Peace program. From 2005–2015 the Office of Food for Peace purchased approximately 1.13 million metric tons of rice in the U.S., averaging 102,800 MT per year, to support its Title II food assistance programs valued at approximately \$576 million.

**Insert 4**

Mr. CRAWFORD. We hear a lot about the cost of shipping in-kind food aid donations. In your written statement you said that the savings from eliminating shipping costs would translate into helping more people. But in cases of cash-based aid, that seems to ignore the fact that recipients are purchasing food from supermarkets and other sources at prices that, I would assume, include processing, shipping, and profit margins for those supplying the food.

So my question then, Mr. Staal, is this. What is the difference between in-kind and cash-based food aid in terms of cost per calorie consumed?

Mr. STAAL. Yes, thank you. That is an excellent question, and we will have to do a little more digging. I will get you an answer on the cost per calorie. Certainly the cost per ton is significantly cheaper in a lot of cases. It varies a lot by country. The land-locked countries like Chad or Afghanistan, the cost for the shipping, handling, and so on is much higher. In some countries, Bangladesh for instance, it is less of a factor. So that continues to be an important thing. Basically overall, we figure it is about 30 percent less to purchase locally and regionally than it is to ship from the United States.

Mr. CRAWFORD. That is 30 percent less on a per-calorie basis?

Mr. STAAL. That is on a per-ton basis for the commodities. We will have to look into the per-calorie basis. That is a slightly different calculation.

USAID's Office of Food for Peace provides different ration sizes, food baskets, and transfer amounts specific to the context of each emergency response. The goal of emergency food assistance, regardless of modality, is to help beneficiaries meet their daily caloric needs. A full food basket provides an adult 2,100 kilocalories per day, or approximately 17 kilograms of food per month. Based on the context of the emergency response, USAID will often provide less than a full food basket, allowing beneficiaries to supplement food assistance with other sources. Commodity, transportation, and operational costs also vary by operation. For example, it is more expensive to program food assistance in war-torn South Sudan than in Guatemala. When compared to U.S. procured in-kind food, local and regionally procured food in FY 2014 was an average of 29 percent less expensive.

Cash and voucher programs propose cash transfer or voucher value in order to cover a proportion of a beneficiaries food needs, again assuming a full food basket of 2,100 kilocalories per day. Program beneficiaries often have the freedom, to select a wide variety of commodities—and commodity volumes—with that transfer. Operational costs also vary based on a number of factors, including local prices, market sophistication, and beneficiary targeting.

For example, USAID supported the U.N. World Food Programme's (WFP) provision of cash transfers and vouchers valued at \$10.35 a month to vulnerable populations in Senegal suffering from drought, a value equivalent to the cost of a daily ration meeting approximately 92 percent of kilocalorie needs. Thanks to a stable political and economic situation, established relationships between WFP, retailers, and financial institutions, as well as availability of diverse nutrient-rich foods in local markets, this program is approximately 46 percent less expensive than a comparable Title II in-kind contribution. In neighboring Mali, however, a more complex, conflict affected operating environment with less sophisticated retail and financial systems contribute to increased operating expenses for all programming, including cash transfers. A non-governmental organization managed cash-for-work program improving levees and irrigation systems in Mali is, therefore, less efficient than the example above, at only 10 percent less expensive than comparable Title II in-kind contributions in a food-for-work activity.

**Insert 5**

Mr. BENISHEK. I see. Let me ask you another question then, too. When we are using this cash-based aid, I noticed that Syria was a big part of the money that, there are refugees and all. I am sure all that kind of stuff is going on in Syria. But where does actually the food come from? Now we are spending as I understand like \$272 million in humanitarian crises in Syria. I am looking at this GAO report. So where does the food come from? I can't imagine they are growing that food in Syria. Where are we buying this food from?

\* \* \* \* \*

Mr. BENISHEK. Well, there is \$272 million. I am just kind of wondering what are the two biggest commodities that they are buying?

Mr. STAAL. I can get that for you.

In Fiscal Year (FY) 2014, USAID's Office of Food for Peace provided \$177.8 million to the U.N. World Food Programme's (WFP) emergency operation inside Syria. Funding for this operation supports the regional procurement of commodities to provide a monthly food basket to conflict-affected people in Syria. The top two commodities purchased with USAID resources are rice and wheat flour. From 2014 through the present, WFP has purchased nearly 73,000 metric tons of rice from India and more than 34,000 metric tons of wheat flour from Turkey.

USAID provided an additional \$272.5 million to WFP's regional operation providing food vouchers to Syrian refugees in Egypt, Iraq, Jordan, Lebanon, and Turkey. Refugees used electronic debit cards to purchase urgently needed food in local stores and markets, including rice, potatoes, oil, meat/chicken, eggs, yoghurt, and/or cheese.

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SUBMITTED QUESTIONS

**Response from Philip C. Karsting, Administrator, Foreign Agricultural Service, U.S. Department of Agriculture**

*Questions Submitted by Hon. K. Michael Conaway, a Representative in Congress from Texas*

*Question 1.* A recent GAO report states that, "Although LRP may have the added benefit of providing food that may be more culturally appropriate to recipients, evidence has yet to be systematically collected on LRP's adherence to quality standards and product specifications, which ensure food safety and nutritional content." How does USDA plan to ensure food safety on such a large scale without the legal requirements and technology that exist in the U.S. food system?

*Answer.* USDA plans to continue practices that successfully ensured food safety in operating the Local and Regional Procurement Pilot Program authorized under the 2008 Farm Bill. Contracts with LRP pilot program implementers specified that all commodities purchased must meet national food safety standards or *Codex Alimentarius* standards, and also be tested for aflatoxin. There is considerable experience with these standards. For example, these are the standards that the World Food Program (WFP) and the U.S. Agency for International Development (USAID)

use in their LRP programs. The independent evaluation of the LRP Pilot<sup>1</sup> also reported that “Since each of the participants tested food quality, there is little risk that the project distributed food that threatened human health. The evaluation team found no evidence that anything distributed by the field projects ever threatened human health.”

*Question 2.* What is the approximate share of U.S. food aid funding spent on actual commodities? What are the tonnages (and associated costs) of food purchased, and what are the trends in the tonnage of food that the U.S. is able to deliver over the last several decades? Where possible, please include a breakdown of the raw commodity cost and any associated transportation (or other non-commodity) costs.

*Answer.* The table below highlights the commodity purchases completed under P.L. 83-480 Title I, II, and III, Food for Progress, McGovern-Dole International Food for Education and Child Nutrition, Section 416(b), and Bill Emerson Humanitarian Trust (BEHT) programs between fiscal years (FY) 1997 and FY 2014.

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<sup>1</sup>USDA Local and Regional Food Aid Procurement Pilot Project, Independent Evaluation Report available at: <http://www.fas.usda.gov/sites/default/files/lrp-report-12-03-12-to-print.pdf>

**Food Assistance Purchases and Program Costs—All Programs: Fiscal Years 1997–2014**

| FY   | Metric Tons Purchased | Commodity Cost     | Commodity % of Total Cost | Ocean and Inland Freight Cost | Freight % of Total Cost | ITSH             | ITSH % of Total Cost | 202(e)           | 202(e) % of Total Cost | Administrative Costs | Administrative % of Total Cost | Total Cost      |
|------|-----------------------|--------------------|---------------------------|-------------------------------|-------------------------|------------------|----------------------|------------------|------------------------|----------------------|--------------------------------|-----------------|
| 1997 | 3,873,624             | \$1,025,081,804.12 | 64.62%                    | \$459,088,008.17              | 28.94%                  | \$78,416,879.00  | 4.94%                | \$23,348,000.00  | 1.47%                  | \$381,681            | 0.02%                          | \$1,586,316,372 |
| 1998 | 4,526,435             | \$1,145,917,828.82 | 62.92%                    | \$529,233,303.10              | 29.06%                  | \$115,298,852.00 | 6.33%                | \$25,000,000.00  | 1.54%                  | \$2,825,051          | 0.16%                          | \$1,821,275,035 |
| 1999 | 7,879,628             | \$1,564,751,063.92 | 62.97%                    | \$784,682,403.56              | 31.58%                  | \$122,063,226.00 | 4.91%                | \$12,887,100.00  | 0.51%                  | \$790,484            | 0.03%                          | \$2,484,974,267 |
| 2000 | 5,456,450             | \$1,064,002,679.32 | 58.02%                    | \$615,253,781.76              | 33.55%                  | \$140,725,902.07 | 7.67%                | \$11,720,700.00  | 0.64%                  | \$2,148,058          | 0.12%                          | \$1,833,851,121 |
| 2001 | 4,983,130             | \$1,006,411,932.76 | 60.55%                    | \$696,518,624.27              | 29.87%                  | \$131,757,888.00 | 7.83%                | \$25,700,000.00  | 1.55%                  | \$1,832,748          | 0.11%                          | \$1,662,221,193 |
| 2002 | 4,542,956             | \$1,048,084,151.86 | 58.34%                    | \$516,340,420.18              | 28.74%                  | \$187,449,024.09 | 10.43%               | \$32,800,000.00  | 1.83%                  | \$11,826,962         | 0.66%                          | \$1,796,500,558 |
| 2003 | 4,696,563             | \$1,196,952,211.58 | 52.96%                    | \$678,656,600.65              | 30.03%                  | \$305,201,000.32 | 13.50%               | \$72,800,000.00  | 3.22%                  | \$6,545,486          | 0.29%                          | \$2,260,155,299 |
| 2004 | 3,630,749             | \$1,085,009,310.44 | 51.18%                    | \$591,719,669.12              | 27.91%                  | \$355,026,662.00 | 16.75%               | \$80,500,000.00  | 3.80%                  | \$7,887,451          | 0.37%                          | \$2,120,143,092 |
| 2005 | 3,786,115             | \$939,830,736.70   | 44.13%                    | \$674,846,626.87              | 31.70%                  | \$420,649,123.36 | 19.76%               | \$85,100,000.00  | 4.00%                  | \$5,684,299          | 0.41%                          | \$2,128,610,786 |
| 2006 | 2,837,370             | \$725,001,664.32   | 37.39%                    | \$625,502,532.14              | 29.01%                  | \$542,662,469.36 | 27.89%               | \$94,800,000.00  | 4.89%                  | \$13,805,238         | 0.71%                          | \$1,988,771,843 |
| 2007 | 2,496,411             | \$847,965,201.38   | 44.74%                    | \$813,907,228.25              | 27.11%                  | \$441,695,100.00 | 23.30%               | \$85,680,900.00  | 4.52%                  | \$6,134,996          | 0.32%                          | \$1,895,376,426 |
| 2008 | 2,840,479             | \$1,315,557,683.94 | 47.66%                    | \$722,880,719.58              | 26.19%                  | \$555,281,400.00 | 20.11%               | \$159,178,300.00 | 5.77%                  | \$7,668,652          | 0.28%                          | \$2,760,566,756 |
| 2009 | 2,806,341             | \$855,058,794.36   | 38.62%                    | \$660,805,329.04              | 26.72%                  | \$640,077,600.00 | 25.88%               | \$203,434,400.00 | 8.23%                  | \$13,577,906         | 0.55%                          | \$2,472,954,029 |
| 2010 | 2,338,405             | \$828,309,710.29   | 39.80%                    | \$552,006,030.92              | 26.53%                  | \$482,927,900.00 | 23.21%               | \$210,467,300.00 | 10.11%                 | \$7,270,228          | 0.35%                          | \$2,080,981,169 |
| 2011 | 1,808,624             | \$954,479,601.50   | 45.57%                    | \$665,402,757.80              | 26.99%                  | \$383,262,700.00 | 18.30%               | \$180,750,300.00 | 8.63%                  | \$10,820,879         | 0.52%                          | \$2,094,716,138 |
| 2012 | 1,736,961             | \$789,927,112.70   | 44.49%                    | \$400,608,148.06              | 22.56%                  | \$405,165,600.00 | 22.82%               | \$169,901,100.00 | 9.57%                  | \$10,025,229         | 0.56%                          | \$1,775,627,190 |
| 2013 | 1,452,312             | \$743,317,044.22   | 44.27%                    | \$366,458,820.90              | 21.82%                  | \$374,253,300.00 | 22.29%               | \$184,218,600.00 | 10.97%                 | \$10,901,396         | 0.65%                          | \$1,679,149,161 |
| 2014 | 1,333,971             | \$562,218,487.73   | 35.22%                    | \$362,173,223.89              | 22.69%                  | \$398,378,400.00 | 24.96%               | \$265,465,900.00 | 16.63%                 | \$8,061,365          | 0.50%                          | \$1,596,277,377 |

ITSH = Internal Shipping and Handling costs for all programs (USAID and USDA).

202e = Allowable implementation costs by USAID partners under Food for Peace programs (USAID Only)

Administrative Costs = Allowable implementation costs by USDA food assistance program partners (USDA Only).

Bill Emerson Humanitarian Trust (BEHT) = Drawdowns made against BEHT in 2002; 2003; 2004; 2005; 2008; and 2014.

*Question 3.* What is the biggest constraint on being able to increase the impact of in-kind food aid?

*Answer.* The impact of in-kind food aid depends upon the specific program. For example, when segments of the local population cannot afford food but the local supply is sufficient, in-kind food aid can adversely affect local farmers and worsen the situation; so in-kind food aid is not appropriate in these cases. This is one reason that USDA and USAID are required to assess the impact of in-kind food aid on local markets. There are logistical, cost, and other constraints that are inherent in the current in-kind system that often limit the ability of the programs to reach the largest number of beneficiaries in the most appropriate way and in the timeliest manner.

Both the McGovern-Dole and Food for Progress Program (FFPr) programs were oversubscribed in the FY 2015. FFPr relies on monetization, and sales of commodities being monetized typically incur a loss. McGovern-Dole has the authority to use cash for administrative and other program costs to address educational and other objectives. In addition, the Administration has requested the authority to use local and regional procurement (LRP) for McGovern-Dole in order to provide complementary programs that can, among other things, improve nutrition by procuring foods that cannot be provided through an in-kind program, such as fresh fruits and vegetables.

The maximum volume of food aid delivered under the Food for Progress program is governed by the authorized funding limit of \$40 million for transportation, which has been subject to sequestration in recent years. In FY 2015, the number of applications exceeded the level of projects that were able to be funded.

Unlike USDA development food aid programs, USAID addresses mainly emergency needs in increasingly complex situations. For many crises, like South Sudan, in-kind food aid can address much of the need. Even in those cases, logistical and cost issues constrain the impact of our in-kind food aid funding. However, the flexibilities provided through the 2014 Farm Bill allow USAID to augment in-kind food with cash-based assistance for timelier and/or more market appropriate food assistance. For example, as Ebola spread across West Africa in the summer of 2015, USAID provided funds for local and regional procurement of commodities—allowing the World Food Programme to quickly provide life-saving assistance to Ebola patients and quarantined communities while mitigating the market impacts of the Ebola crisis.

The USDA FY 2016 Budget included a proposal to address a constraint in the definition of “agricultural commodity” under the McGovern-Dole program. A goal of the McGovern-Dole is for projects to achieve sustainability and host governments continue the school feeding programs using their own resources. With this outcome, McGovern-Dole resources are freed up for new, additional projects. The Budget proposes to amend the definition of an eligible agricultural commodity for McGovern-Dole programs so that meals can be enhanced with locally produced foods. Through procuring local food such as fruits and vegetables, FAS will be able to offer nutritionally rich meals consistent with local diets, boost local farmer incomes, and build supply chains. The FY 2016 Budget also proposed \$20 million in funding for the Local and Regional Procurement (LRP) program authorized in the 2014 Farm Bill. USDA’s FY 2016 Budget proposed \$20 million in funding for the newly authorized LRP program. The program will serve as a complementary tool to support existing food aid programs, especially for the McGovern-Dole school feeding program. LRP, when used in conjunction with McGovern-Dole, will maximize community support and increase the probability that local governments take ownership and maintain school feeding programs.

USAID’s 2016 Budget Request included a request for an additional 25 percent flexibility for interventions such as purchasing food locally and regionally or providing food vouchers or cash transfers for food within the Title II account. This flexibility will, among other benefits, help to ensure that U.S. food assistance is part of the immediate response to natural disasters and other humanitarian emergencies and will allow USAID to reach about two million more emergency beneficiaries per year without additional resources.

*Question 4.* As you well know, monetization is the process by which U.S. commodities are shipped overseas and sold locally to generate funds to be used for development purposes. Across all programs, how much of U.S. food aid does monetization account for? What are the pros and cons of monetization in terms of efficiency of delivery, impacts on markets, and U.S. contributions to food aid?

*Answer.* In Fiscal Year 2014, total funding for U.S. international food aid was \$1.881 billion, including funding for Food for Peace (\$1.466 billion), FFPr (\$230 million) and McGovern-Dole (\$185 million) programs. In Fiscal Year 2014, monetization totaled to approximately \$ 253.7 million, or 13.5 percent of total food aid.

At certain times, monetization can facilitate opportunities for recipient countries to procure sufficient quantities of necessary staples due to low financial resources, poor credit, or other market conditions and use the proceeds to further develop the agriculture sector. For example, the Government of Jordan, a member of the World Trade Organization, requested that USDA donate 100,000 metric tons of wheat in 2015 to address a shortage caused by the influx of over 600,000 Syrian refugees. USDA was able to respond and will use the sale proceeds to work with the Government of Jordan to address water and trade facilitation issues to strengthen Jordan's agriculture sector.

By providing an appropriate commodity in the recipient country and generating funds for development activities, monetization can build the capacity of local producer groups and cooperatives. An FFPr project in Honduras helped local coffee producers improve their agricultural productivity and quality and the success of the project was highlighted when the producers won a prestigious coffee award. Monetization can also assist in supporting the creation of new market inputs that channel into existing domestic industry. For example, the monetization of soybean meal has been coordinated with in-country development projects in the livestock sector and provided the basis for supporting long term access to quality feed ingredients.

Several GAO and academic studies have pointed out the negatives of monetization, including that the inefficiency of the monetization process reduced funding available to the U.S. Government for development projects. For example, a GAO report in 2011 found that monetization lost between 24¢ and 42¢ per dollar spent (GAO report no. 11-636: Published: Jun 23, 2011). Further, the report noted that monetization programs risk disrupting local markets and production if not employed correctly. Monetization requires additional time, money, and staff invested in the procurement and shipping of in-kind food.

*Question 5.* We are trying to identify ways to make U.S. food aid programs more effective and to stretch our dollar further to meet the nutritional needs of more people. Where are the areas where we can improve efficiencies in the system? Procurement? Transportation? In-country delivery? What specific actions have been taken to implement these ideas for improving efficiency?

*Answer.* The Administration's FY 2016 Budget request proposed changes to make U.S. food aid programs more effective and to meet the nutritional needs of more people.

The proposed changes included providing authority for some local and regional procurement in the McGovern-Dole program, which can lead to increased sustainability and, in effect, stretch our financial investment as host countries invest in the school feeding projects. As mentioned previously, funding at the 2016 President's Budget requested level for the Local and Regional Procurement program, authorized in the 2014 Farm Bill, would enable USDA to take steps to implement the complementary tool to support and increase sustainability of existing food aid programs, especially for the McGovern-Dole school feeding program.

The Administration's request for USAID's Food for Peace program (P.L. 83-480 Title II) is for \$1.4 billion, including \$270 million to be used for development programs in combination with an additional \$80 million requested in the Development Assistance account under USAID's Community Development Fund, bringing the total funding for these types of programs to \$350 million. Together, these resources support development food assistance programs' efforts to address chronic food insecurity in areas of recurrent crises using a multi-sectoral approach to reduce poverty and build resilience. The balance of the Food for Peace request, \$1.13 billion, will be used to provide emergency food assistance in response to natural disasters and complex emergencies. The request also includes new authority to use up to 25 percent (\$350 million) of the Food for Peace appropriation in emergencies for interventions such as local or regional procurement of agricultural commodities near crises, food vouchers or cash transfers. The additional flexibility makes emergency food aid more timely and cost effective, improving program efficiencies and performance and increasing the number of people assisted by about two million annually with the same level of resources.

*Question 6.* What impact does the shipping cap have on the number of Food for Progress projects that FAS is able to carry out?

*Answer.* The annual budget for transportation costs for FFPr programs is \$40 million. In recent years, sequestration has reduced the FFPr budget by roughly seven percent. Available transportation funds have also been reduced by Congress' elimination of reimbursements from the Maritime Administration that partially offset the cost of complying with cargo preference requirements on the use of U.S.-flagged ships. Both of these factors negatively impact the number of Food for Progress projects FAS is able to carry out. In FY 2014, USDA awarded nine programs under

FFPr, whereas in FY 2012 (prior to sequestration and the elimination of reimbursements from the Maritime Administration), USDA awarded 18 projects. Other factors impacting the number of projects are varying destination costs for selected projects and fluctuations in shipping costs.

*Question 7.* What impact has the lowering of cargo preference from 75% to 50% had on shipping commodities used in the Food for Progress program?

*Answer.* The lowering of cargo preference from 75 percent to 50 percent for commodities used in the Food for Progress (FFPr) program has had a minimal impact on the shipment of commodities, in large part because the amounts of commodity that USDA ships under FFPr is in relative terms, low in tonnage. USDA makes multiple year awards—to coincide with the length of the projects and the absorptive capacity of the market. As such, the approved commodity quantities are split into several shipments, which reducing the number of metric tons shipped at given time. Although both U.S.- and foreign-flag steamship companies submit offers for the entire quantity to be shipped, U.S. companies offer volume premiums. (For example, a U.S.-flag carrier may offer \$100 per metric ton to ship 10,000 metric tons, but if that carrier is only awarded 50 percent, or 5,000 metric tons, the rate could increase to \$300 per metric ton due to the volume premium.) In many instances FFPr commodities are forced to be shipped 100 percent U.S.-flag vessel because the volume premium makes awarding 50 percent of the commodities cost prohibitive.

*Question 8.* What is the process for approving a commodity for use under Food for Progress? How long does that process take? Please provide a list of any products that have been requested for approval over that past 3 years and the result of those applications.

*Answer.* USDA and USAID have developed and implemented a “New Commodity and Supplier Qualification Policy” to establish a framework to identify and assess the suitability of new commodities or new suppliers for their utilization by USDA and USAID. When approached by a potential supplier, USDA and USAID discuss standard requirements. If USDA and USAID agree that the product is suitable for food aid, then USDA asks the potential supplier to submit a formal proposal. Upon receipt of the proposal, a Technical Evaluation Committee (TEC) is formed, comprising representatives from the USAID, USDA and possible implementing partners. The TEC has 30 days to evaluate the proposal. If the TEC deems the proposal sufficient, then the standard documentation is developed. When the process is complete, the Food Aid Consultative Group issues a notice that the new product is available. The process takes between 6 to 9 months to complete.

In the past 3 years USDA and USAID have approved two new products which have been added to the approved commodity list. These products are fortified milled rice and fortified poultry-based spread, both products that tested successfully in USDA’s Micronutrient-Fortified Food Aid Products Pilot Program. Also, the supplier of a lipid-based ready-to-use supplementary food product is in the process of completing the application to add this product to the approved commodity list.

*Question 9.* We understand that FY 2015 McGovern-Dole funding allocations have been released. Have FY 2015 proposals for Food for Progress been approved? If so, please provide a list of the approved proposals. If not, please provide the reasons for the delay.

*Answer.*

#### FY 2015 Approved Proposals

| Country            | Participant                               | Estimated Value |
|--------------------|---|-----------------|
| Benin              | Technoserve                               | \$35,980,000    |
| Benin              | Partners for Development                  | \$15,631,458    |
| Dominican Republic | International Executive Service Corps     | \$18,948,664    |
| Dominican Republic | National Cooperative Business Association | \$21,033,087    |
| Ghana              | ACDI/VOCA                                 | \$36,555,573    |
| Ghana              | American Soybean Association              | \$20,465,000    |
| Honduras           | Government of Honduras                    | \$16,998,000    |
| Jordan             | Government of Jordan                      | \$25,100,000    |

*Question 10.* Can you provide an update on the status of the report required by Section 407(f) of the Food for Peace Act that was due on April 1st?



*Answer.* The International Food Aid Report (IFAR), drafted by USDA and USAID, is in Administration clearance.

**Response from Thomas H. Staal, Acting Assistant Administrator, Bureau for Democracy, Conflict and Humanitarian Assistance, U.S. Agency for International Development**

*Questions Submitted by Hon. K. Michael Conaway, a Representative in Congress from Texas*

*Question 1.* 1. Please provide a listing by commodity of purchases through Food for Peace of U.S. commodities for in-kind food aid, as well as a listing by commodity of locally and regionally procured commodities. Please provide both of these information sets for the most recent 10 years that are available.

*Answer.* Below are details on U.S. commodities purchased for food assistance programs between FY 2005–2014, as well as information on commodities purchased locally or regionally from FY 2010–2014.



|                           | Crude De-Gummed | 60,810    | 47,485    | 23,270    | 8,470     | 8,280     | 14,670    | 12,010    | 7,850     | 5,720     | 188,565   |            |
|---------------------------|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| <i>Subtotal</i>           |                 | 228,990   | 184,241   | 148,150   | 159,750   | 127,230   | 222,140   | 113,030   | 74,670    | 63,210    | 49,140    | 1,270,551  |
| Other                     |                 |           |           |           |           |           |           |           |           |           |           |            |
| A20 Paste Pouch           |                 |           |           |           |           |           |           |           |           |           | 30        | 30         |
| A28 Rice Bar              |                 |           |           |           |           |           |           |           |           |           | 10        | 10         |
| A29 Wheat L Bar           |                 |           |           |           |           |           |           |           |           |           | 20        | 20         |
| Potatoes (Flakes)         |                 | 230       |           | 140       | 70        | 120       |           |           |           |           |           | 560        |
| Rice, Bagged              | 65,170          | 47,430    | 54,230    | 71,850    | 43,290    | 48,020    | 158,710   | 67,370    | 48,020    | 34,980    | 37,195    | 628,245    |
| Rice, Bagged (Par-Boiled) |                 |           |           |           |           |           |           |           |           |           |           | 21,070     |
| Rice, Bulk bnt            |                 | 5,460     |           | 4,800     |           |           |           |           |           |           |           | 182,480    |
| RUSF                      |                 |           |           |           |           |           |           |           |           |           |           | 1,110      |
| RUTF                      |                 |           |           |           |           |           |           |           |           |           |           | 9,320      |
| Defatted Soy Flour        |                 | 150       |           | 90        |           | 70        | 510       |           | 990       | 3,700     |           | 820        |
| Soybeans                  | 6,000           |           |           |           |           |           |           |           |           |           |           | 6,000      |
| Soybeans, Bulk/Bags       |                 |           |           |           |           |           |           |           |           |           |           | 5,060      |
| Soybeans, Bagged          |                 |           |           |           |           |           | 80        |           |           |           |           | 80         |
| <i>Subtotal</i>           |                 | 71,170    | 53,270    | 54,460    | 81,780    | 43,460    | 159,300   | 113,750   | 125,660   | 79,010    | 72,925    | 854,805    |
| <i>Total</i>              |                 | 3,395,256 | 2,333,805 | 2,127,804 | 2,629,630 | 2,415,110 | 2,152,940 | 1,461,660 | 1,426,520 | 1,107,940 | 1,177,186 | 20,228,151 |

**USAID/Food for Peace Local & Regional Procurement FY 2010–FY 2014**

| Commodity                               | Metric Tons (MT) |                |                |               |                |
|---|------------------|----------------|----------------|---------------|----------------|
|   | FY 2010          | FY 2011        | FY 2012        | FY 2013       | FY 2014        |
| CSB (Corn Soy Blend)                    | 1,344            | 8,059          |                |               |                |
| CSB+ (SuperCereal)                      |                  | 2,938          |                | 548           | 5,942          |
| CSB++ (SuperCereal Plus)                |                  |                |                | 1,208         | 1,132          |
| High Energy Biscuits (HEB)              |                  | 2,395          | 2,102          |               | 178            |
| Maize                                   | 47,388           | 27,899         | 50,151         | 27,032        | 52,148         |
| Millet                                  |                  |                | 3,084          | 2,694         | 4,131          |
| Lipid-based Nutrient Supplement (LNS)   |                  |                | 122            | 337           | 896            |
| Palmolein Oil                           |                  |                |                |               | 85             |
| Pulses/Beans                            | 12,508           | 13,639         | 7,135          | 13,466        | 16,353         |
| Rice                                    | 3,555            | 5,254          | 7,051          | 8,295         | 21,964         |
| Ready-to-use Therapeutic Foods (RUTF)   |                  | 977            | 238            |               | 1121           |
| Ready-to-use Supplementary Foods (RUSF) |                  |                | 1,025          | 192           | 401            |
| Salt                                    |                  |                |                | 170           | 617            |
| Sorghum                                 | 12,396           | 0              | 26,125         |               | 30,457         |
| Soybean Oil                             |                  |                |                | 90            |                |
| Sunflower Oil                           |                  |                |                | 145           |                |
| Vegetable Oil                           | 932              | 5,862          | 2,355          | 55            | 2,030          |
| Wheat Flour                             | 217,190          | 305,114        | 19,500         |               | 1,981          |
| <b>Total</b>                            | <b>295,313</b>   | <b>372,137</b> | <b>118,888</b> | <b>54,232</b> | <b>139,435</b> |

Note: The majority of local and regional procurement for the Syria regional crisis is provided through monthly food baskets and is measured in terms of number of baskets *vs.* tonnage. Therefore it is not included in this data set.

*Note: A sample is provided below because the content of food parcels may vary slightly based on the implementing partner.*

**Sample of Locally & Regionally Procured Commodities in Monthly Food Baskets for Syria Regional Crisis FY 2010–FY 2014**

Bulgur Wheat  
Canned Beans  
Canned Fish  
Chickpeas  
Lentils  
Pasta  
Raisins  
Rice  
Salt  
Sugar  
Sunflower Oil  
Tahini  
Tomato Paste  
Vegetable Oil  
Wheat Flour

**Syria Wheat Flour † for Bakeries Program FY 2013–FY 2014**

| Fiscal Year (FY) | Commodity        | MT ‡          |
|------------------|------------------|---------------|
| FY 2013          | Wheat Flour      | 28,147        |
|                  | Dry Active Yeast | 130           |
| FY 2014          | Wheat Flour      | 23,120        |
|                  | Dry Active Yeast | 29            |
| <b>Total</b>     |                  | <b>51,426</b> |

† Locally and regionally procured flour

‡ Metric tonnage based on planned procurement

*Question 2.* Please provide detailed information on which countries are the top recipients of U.S. food aid? Also, what is the total split, across all U.S. food aid programs, of emergency versus non-emergency food aid?

*Answer.* In FY 2014, the following countries were the top recipients of Title II emergency food aid. Title II emergency food assistance totaled \$1.0702 billion in FY 2014. These totals do not include any International Disaster Assistance funds or

funds from the Bill Emerson Humanitarian Trust contributed towards emergency activities.

| Country     | FY 2014 Value   |
|-------------|-----------------|
| Sudan       | \$155 million   |
| South Sudan | \$138.8 million |
| Ethiopia    | \$135 million   |
| Kenya       | \$86 million    |
| Somalia     | \$78.7 million  |
| Afghanistan | \$65.9 million  |
| Chad        | \$65 million    |
| Pakistan    | \$61 million    |
| DRC         | \$60.9 million  |
| Yemen       | \$52.8 million  |

The following countries were the top recipients of Title II non-emergency (development) food aid. Total Title II development food assistance in FY 2014 was \$254.6 million. These totals do not include any Community Development Funds (which are Development Assistance funds appropriated by the State, Foreign Operations, and Related Programs Appropriations Act under the Foreign Assistance Act) contributed towards development activities.

| Country      | FY 2014 Value  |
|--------------|----------------|
| Ethiopia     | \$82.7 million |
| Bangladesh   | \$34.5 million |
| DRC          | \$29 million   |
| Zimbabwe     | \$19.4 million |
| Uganda       | \$16 million   |
| Liberia      | \$15.4 million |
| Madagascar   | \$11.5 million |
| Sierra Leone | \$11 million   |
| Niger        | \$10.6 million |
| Burundi      | \$7.5 million  |

The following countries were the top recipients of Food for Progress food aid (note that Food for Progress is implemented by the U.S. Department for Agriculture).

| Country              | FY 2014 Value |
|----------------------|---------------|
| Guatemala            | \$30,380,000  |
| East Africa Regional | \$26,435,032  |
| Tanzania             | \$19,588,775  |
| El Salvador          | \$15,851,605  |
| Republic of Senegal  | \$14,349,278  |
| Nicaragua            | \$13,902,921  |
| The Philippines      | \$11,970,100  |

The following countries were the top recipients of McGovern-Dole school feeding programs (note that McGovern-Dole is implemented by the U.S. Department for Agriculture).

| Country             | FY 2014 Value |
|---------------------|---------------|
| Laos                | \$26,799,831  |
| Burkina Faso        | \$21,601,854  |
| Nepal               | \$19,358,326  |
| Benin               | \$19,016,535  |
| Bangladesh          | \$16,167,145  |
| Nicaragua           | \$12,245,078  |
| Republic of Senegal | \$11,253,142  |
| Guatemala           | \$5,452,120   |

In total, across all USAID Title II food assistance programs approximately 81 percent of the funding went towards emergency responses in FY 2014. Approximately 19 percent went towards development (non-emergency) food assistance programs.

For all U.S. food aid programs funded through the Farm Bill in FY 2014 (Title II, McGovern-Dole and Food for Progress), 34 percent went towards development (non-emergency) programming, and 66 percent towards emergency responses.

*Question 3.* Can you describe the process of transitioning from a Title II emergency feeding program to a Title II development program? Over time, what percentage of emergency programs have been replaced with development programs? Who is charged with overseeing the process and how long does it usually take?

*Answer.* USAID's Office of Food for Peace (FFP) selects countries for development and emergency food assistance programs based on distinct sets of criteria.

USAID/FFP responds to an emergency when one or more of the following occur: the U.S. Embassy declares a disaster; the United Nations issues an emergency appeal for funding; verification is made that a humanitarian need exists for external food assistance; and/or a request is made by local authorities for assistance because they do not have the capacity to respond. Additionally, USAID/FFP takes into consideration input from staff in the country or region and relies on food security analysis from the USAID-funded Famine Early Warning Systems Network (FEWS NET). USAID/FFP emergency food assistance programs decline or end when the conditions for intervention ameliorate, are no longer present, or needs elsewhere are prioritized.

For development food assistance programs, USAID/FFP weighs countries of potential operation based on stunting, poverty and undernourishment rates, and then further narrows the list based on: where there has been a high humanitarian assistance caseload over the last decade; U.S. Government foreign policy priorities; potential security and access constraints; where there might be monetization or in-kind distribution constraints; and the strength of the enabling environment. The high humanitarian caseload is particularly of interest when looking to establish development food assistance programs, as the chronic recurrence of crisis is indicative of the need for longer-term interventions designed to reduce the need for emergency assistance.

In some countries—such as the Democratic Republic of the Congo and Ethiopia—USAID/FFP provides both emergency and development food assistance. However, the programs target different beneficiaries and are often located in different geographic areas.

USAID is working to better bridge the gap between emergency and development programs through a stronger resilience-oriented approach so communities can better resist, recover from, and adapt to shocks. In Ethiopia, for example, USAID supported the Productive Safety Net Program which prevented 7.5 million chronically food insecure people from needing emergency food assistance in 2011 through the provision of seasonal food transfers in exchange for public works that advance the livelihoods of the community (*e.g.*, reversing soil degradation to improve farming). The Productive Safety Net Program helped both improve community assets and prevented people from migrating or selling off their belongings to survive during the drought.

*Question 4.* Who decides that a program has served its purpose or that world food needs have evolved and there are now other priority needs to be served? How is that decided, and how often is this re-evaluated?

*Answer.* Emergency food assistance resources, whether from the Title II or International Disaster Assistance (IDA) accounts, are programmed on a contingency basis to meet emergent food needs throughout the year. To guide these decisions, USAID continuously monitors food insecurity levels globally through various tools and prioritizes its responses based on needs and resources. Food for Peace officers around the world are the first line of defense, monitoring local conditions and changing environments. The Famine Early Warning System Network (FEWS NET) allows us to compare depth and scale of food need across food insecure countries and predicts conditions 6 months out. In addition, the United Nations, implementing partners, and other governments also conduct annual or semi-annual assessments to determine food insecurity in many countries.

*Question 5.* We hear about concerns with U.S. food aid disrupting local markets. Yet, the Bellmon requirements have been in place since the 1970s to ensure that we have done the market research necessary to ensure that we do NOT disrupt those markets. So, for those who argue that U.S. aid disrupts local markets, are they wrong? Or are U.S. Bellmon estimates incorrect?

*Answer.* USAID's food assistance is guided by a "do no harm" principle—which is the core of the Bellmon legislative requirement. To ensure our assistance reaches those in need without undermining the local private sector, USAID routinely engages an array of technical experts who specialize in understanding how the local markets work to guide our programming decisions. USAID also works with our part-

ners at USDA, technical partners such as Famine Early Warning Systems Network (FEWS NET), as well as ministries of agriculture and our USAID Missions around the world to ensure we have the highest quality information about evolving market conditions.

USAID Missions are responsible for issuing Bellmon Determinations. The preparation of the Bellmon Estimation Studies for Title II (BEST) analysis by an independent third party has informed Bellmon Determinations for USAID development food assistance programs in recent years. This analysis guides USAID decision making on whether in-kind commodities, monetization, or other modalities are appropriate in a given development context.

The Bellmon Determinations are an accurate reflection of current market conditions and dynamics at a specific point in time but cannot account for market changes over a prolonged period. In addition, in emergency settings, data informing a Bellmon Determination by a USAID Mission can be more limited. Evidence suggests that in-kind food aid's damaging effects on markets can take place when: food arrives or is purchased at the wrong time; when food distributions are poorly targeted; and when markets are poorly integrated at the local, national and regional level (Barrett, 2006). While imperfect information can sometimes lead to less than optimal results, USAID makes every effort to avoid such market disruptions. Historically, there was only one option for response-U.S. in-kind food aid-which provided less flexibility for programmatic adjustments to best meet market conditions. This may also account for unintended impacts in the past, since responses could not evolve or quickly adapt to meet changing circumstances on the ground.

*Question 6.* Should cargo preference requirements be changed? If so, how and why?

*Answer.* At this point in time, USAID is comfortable with the current 50 percent cargo preference requirement for U.S. flagged vessels carrying U.S. food aid. This level is adequate for providing logistical flexibility to meet program demands for shipping food aid around the world. However, USAID is proposing changes to the cargo preferences regulations being updated by the Maritime Administration that would ease logistical burdens and increase efficiencies, saving USAID time and money when using U.S. flagged vessels. These discussions are ongoing.

*Question 7.* A recent GAO report states that, "Although LRP may have the added benefit of providing food that may be more culturally appropriate to recipients, evidence has yet to be systematically collected on LRP's adherence to quality standards and product specifications, which ensure food safety and nutritional content." How does USAID plan to ensure food safety on such a large scale without the legal requirements and technology that exist in the U.S. food system?

*Answer.* USAID's Food for Peace (FFP) Annual Program Statement (APS) states that local and regional procurement (LRP) should meet recipient country food standards, and in their absence awardees must adhere to World Health Organization/Food and Agricultural Organization *Codex Alimentarius* standards for food hygiene, to Hazard Analysis and Critical Control point (HACCP) guidelines, or International Standards Organization (ISO) 22000 food safety management standards. Awardees must contract established food safety testing and inspection services that meet *ISO-17025* standards (similar to U.S. laboratory accreditation organizations such as the American Association for Laboratory Accreditation). Cereal and cereal product commodities as well as locally-manufactured lipid nutritional spreads must be tested for aflatoxin with an upper limit of 20 parts per billion and have moisture content certified. Organizations are referred to USAID's *Commodity Reference Guide* and to the *USDA Aflatoxin Handbook*. The APS indicates that potential awardees should include the costs of food safety assurance in their budget.

Most countries receiving U.S. food aid already have established food safety standards that meet international norms. USAID/FFP is part of an internal food safety working group along with the USAID Feed the Future Innovation Labs, looking at improving host country capacity to apply and monitor food safety as part of the roll-out of the USAID Multi-Sectoral Nutrition Strategy and the U.S. Government coordinated plan for multi-sectoral nutrition capacity building. The current multi-donor (Gates Foundation, World Bank, USAID) Partnership for Aflatoxin Control in Africa (PACA), which is working to improve food safety standards, grew out of a sensitization process that began only when the UN World Food Programme, USAID/FFP's largest partner, began testing for aflatoxin in grains that were being locally procured. PACA is leading to a much more aggressive approach to pre-harvest and post-harvest control of this deadly fungus-derived toxin in a number of African countries.

*Question 8.* The 2008 Farm Bill authorized a Local and Regional Procurement Pilot Project. The LRP program was authorized in the 2014 Farm Bill as a perma-

ment program, but was never funded. It seems that there is a lack of will by the Appropriators to fund the USDA's LRP program. Do you think that is because the program would be duplicative of those already made possible by EFSP funds? Given this lack of political will, how do you plan on ensuring continued support for food assistance programs if you succeed in moving towards increased funding for cash-based assistance and LRP?

*Answer.* The authorizing language for the USDA Local and Regional Procurement (LRP) program notes that, "Preference for funding may be given to eligible entities that have, or are working toward, projects under the McGovern-Dole International Food for Education and Child Nutrition Program established under section 3107 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 1736o-1)."

While USDA's final regulations are still pending, based on the statutory framework established in the Agricultural Act of 2014, it is expected that the USDA LRP Program will support development activities aimed at strengthening the trade capacity of food-insecure developing countries and to address the causes of chronic food insecurity. The objectives of the USDA LRP program are expected to be to support the consumption of locally produced food and to strengthen local value chains and all associated procurement activities. The initial phase of the program is expected to focus primarily on development programs, although if a need arises, emergency programs may be approved.

By contrast, USAID's Emergency Food Security Program, funded through the International Disaster Assistance account and authorized under the Foreign Assistance Act (FAA), is an emergency response program which takes advantage of USAID's strong field presence and responds to hunger needs created by conflict and natural disasters. In some cases, it is implemented in countries where local and regional procurement is not appropriate. If USDA succeeds in implementing local procurement activities to complement or increase the sustainability of McGovern-Dole school feeding programs, such activities would not be duplicative of USAID's EFSP programs or its mandate to save lives and protect livelihoods.

U.S. Government humanitarian programs funded through the Foreign Assistance Account have historically had strong bipartisan support from Congress. These programs, along with the USAID food programs supported by the Agricultural Committees, collectively demonstrate the compassion and goodwill of the American people and contribute to the national security interests of the United States. We believe that strong bipartisan support for a food program that offers flexibility to improve the efficiency and effectiveness of operations while maintaining our goals of combating global hunger and contributing to U.S. national security interests can be maintained.

Under a further reformed food assistance program, USAID will continue to purchase significant quantities of commodities and enhanced nutritional products in the United States. We hope that farmers, ocean carriers and other stakeholders can maintain pride in knowing they still play a key role and that the U.S. program is evolving to reflect the changed world in which we live. As food assistance is less than one percent of all agricultural exports from the United States, American commodity groups have noted that it is indeed pride and not profit that drives their enthusiasm for the program. That abundance of pride should continue both for the role in-kind food has played in the past and the part it will play in the future.

*Question 9.* In the Syria region where EBT-type cards are used, what controls are in place to ensure benefits are not misappropriated?

*Answer.* In the case of the EBT-type cards used for Syrian refugees, monthly funds for food are deposited directly on a beneficiary's card, which they can then use in designated local markets across the country to buy food. Each beneficiary has a unique pin code that must be entered at the point of purchase and funds are limited to the purchase of essential food items. At each point of purchase the cashier compares the identification information from the e-card to the UN High Commissioner for Refugees (UNHCR-issued refugee registration identification to ensure the voucher is being used by the correct person. The use of biometrics, which allows partners to identify beneficiaries using photographs, fingerprints, or iris scans, helps ensure benefits are not misappropriated. The use of iris scanning is also being piloted within the Syrian regional response as a further safeguard to ensure the resources are going to the appropriate people.

In addition, oversight has expanded to include monitoring the usage of vouchers through the participating banks' electronic systems, receipt comparisons, and reconciliations to ensure receipts are accurate; regular in-person and unannounced visits to supermarkets and shops taking part in the program; a hotline for program participants to report problems; and periodic re-verification of beneficiaries to ensure that they are still in need of food assistance and are using the cards. In instances where misuse of resources has been suspected or evident, the UN World



Food Programme (WFP) has taken action to remove participating shops from the program and recover losses. It is important to note that weaknesses have been identified through WFP's own monitoring systems and audit process, made public, and addressed. Effective monitoring systems by both partners and USAID are critical to reducing misuse of funds.

USAID receives regular reporting from its implementing partners, and USAID staff based in Jordan and Turkey meet regularly with partners (including those in Lebanon). USAID staff visit shops serving the refugees and conduct refugee house visits and focus groups to hear first-hand how the system is working from the beneficiary perspective. USAID requires immediate reporting by partners if fraud is suspected. In Syria and beyond, USAID continues to seek ways to further assure that assistance is reaching intended beneficiaries, including the use of mobile phones for data collection and surveys and expanded use of third-party monitoring.

*Question 10.* GAO reviewed 13 different grants awarded across four countries through the Emergency Food Security Program. After 20 grant modifications, costs ballooned from \$91 million to \$626 million, a 591 percent increase. One concern with cash-based assistance is the ability to contain costs. What is being done to contain those costs?

*Answer.* USAID makes every effort to contain costs in individual awards and across the Emergency Food Security Program as a whole. The 2015 Government Accountability Office (GAO) report on International Cash Based Food Assistance reviewed a sample of cash-based emergency food assistance interventions in Kenya, Niger, Somalia, and the Syria refugee response. From January 2012 to June 2014, the period studied by the GAO, the food security context in these four countries, but especially in the Syria response, changed dramatically. Costs grew because the number of people in need of assistance increased rapidly, not because spending on an original caseload of beneficiaries grew.

Today, largely due to conflict, more people are displaced than at any time since World War II. Refugee outflows from Syria had just begun in 2012. USAID's initial contribution to the UN World Food Programme's (WFP) Syria Refugee operation was just \$8 million and targeted 120,000 refugees. By 2014, the same operation was targeting over 2.6 million refugees. This operation was modified eight times during the period reviewed by the GAO. The voucher based program for food assistance expanded to meet growing numbers of people in need, and the modifications allowed WFP to rapidly scale-up operations as millions of highly vulnerable people fled conflict in Syria. As the numbers of people in need of assistance grew, WFP improved targeting and took other efficiency-related measures that reduced the overall program costs by 25 percent in 2014.

Cash-based food assistance in Kenya and Niger remained stable across the GAO review period, allowing beneficiaries to buy food in local markets in the areas where markets remained functional. Modifications of awards in these countries allowed activities to be extended because assessments revealed persistent drought situations and continued high levels of need. Cash-based programming in Somalia in 2012 was necessary to prevent famine in an operating environment where in-kind food assistance was not feasible. Modifications to cash-based assistance awards in Somalia were likewise to support beneficiaries due to a prolonged need and recovery period that lasted beyond the life of the original awards.

USAID closely examines the budget of every application before any program is approved or modified. The process for award modifications was clarified by USAID's Office of Food for Peace (FFP) as a result of a related GAO recommendation. It is now clearly articulated in the FFP Annual Program Statement guidance. Awardees are also required to submit quarterly financial and programmatic reports, allowing USAID staff to monitor spending as well as program progress. USAID staff also work closely with implementing partners to improve targeting, leverage economies of scale, and reduce operational costs as much as possible. This is true for both in kind and cash based food assistance.

*Question 11.* Much of USAID's spending on the Emergency Food Security Food Program (EFSP) has been in assisting Syrian refugees. GAO reports that as of September 2013, 2.554 million people were receiving assistance. As of September 2014—the last period included in their report—GAO reports that 2.554 million continue to receive assistance. What procedures does USAID have in place for transitioning individuals off of cash assistance?

*Answer.* As UN Secretary General Ban Ki Moon recently observed, humanitarian aid is becoming increasingly prolonged because the disasters generating the need for it have become protracted. This is true of relief operations responding to conflicts in Africa and the Middle East, as well as for those established to address recurrent or long-term natural disasters like drought. The Syrian refugee caseload has re-

mained high as conditions have not improved inside Syria, and because many refugees left Syria without resources or depleted what resources they had while living in exile for many years. Most are not legally allowed to work in their refugee-hosting countries, thereby limiting their access to additional income. Street begging and early child marriage are among the ways that families are coping with lack of income. The migrant crisis now unfolding in Europe is also a reflection of the acute needs of the Syrians and other conflict-affected populations.

The UN makes a determination as to when refugee assistance ends, including food assistance, whether it be delivered through a cash transfer, food voucher or in-kind food aid (note: in FY 2014 only four percent of USAID's total food assistance was provided as a cash transfer for food). Programs close when people can return home, are integrated into the host community, or are resettled in another country. The United States does not make this determination, although it does decide when and how much to support food assistance for refugee populations based on a variety of factors, including global requirements and assessed level of vulnerability of the refugee populations being supported.

Because more people are now displaced than at any time since World War II, and because crises are becoming increasingly protracted, food assistance resources are insufficient to meet global need. The United States, in cooperation with the UN and other donors, are looking to improve registration systems, refine vulnerability targeting, and identify other efficiencies to assure the neediest are served.

Other disaster affected groups that are non-refugee populations are transitioned off of food assistance-be it with in-kind aid, food vouchers or cash transfers-based on the pace of recovery. For example, USAID food assistance to victims of the 2013 Philippines typhoon ended within 1 year. Responses to floods are likewise usually short-term. Level of need and pace of recovery are assessed through regular field assessments by USAID staff, the UN, non-governmental organizations and the affected host nation, as well as through independent analysis such as the Famine Early Warning Systems Network (FEWS NET).

*Question 12.* In your written testimony you mention savings of "\$21 million" as a result of the changes in the 2014 Farm Bill by allowing more flexibility. How does cash flexibility in Food for Peace actually save money and allow you to reach more people? What metrics are used to estimate these figures? How do you know how many people would have been served with the equivalent amount of in-kind food aid to make these comparisons?

*Answer.* Cash flexibility can be used to save the U.S. Government money in several ways. The first is monetization replacement. The monetization process involves buying food commodities on the U.S. market, shipping them overseas, and then recouping a portion of the procurement and shipping costs through sale of the commodities on markets in developing countries. For every dollar spent to buy, ship, and sell the food, the U.S. only recovers about 75¢, thus losing money in the process. Implementing partners then use the proceeds of the sales to fund development food assistance activities. When USAID provided funds directly to partners to implement programs rather than asking them to monetize food, it eliminated the process of selling commodities for less than it cost the government to buy and transport them. The project budgets could then be revised downward to include only the amount of money that would have been generated by monetization. The \$21 million figure in the written testimony in part reflects the difference between the development programs' budgets with food and the related costs of a monetization process and their revised budgets without monetization.

The second way that flexible funding is used to generate savings is by enabling additional options for emergency response. When USAID's Office of Food for Peace (FFP) receives applications under the Emergency Food Assistance Annual Program Statement, applicants are expected to provide justification of cost efficiency relative to Title II in-kind food assistance. Applicants can download a commodity calculator worksheet from the USAID website which is updated quarterly with U.S. commodity price estimates provided by USDA and ocean freight estimates provided by the USAID Office of Acquisition and Assistance. Implementing partners who want to procure food commodities on local or regional markets must identify the current market price in the locations in which they would like to procure, and then they can use the commodity calculator to generate an estimate of the cost to procure and transport the same or nearest substitutable commodities available in the United States. This process helps USAID decision-makers objectively compare and evaluate the amount of food that can be procured (and consequently the number of people who can be fed) with a finite amount of resources through local and regional procurement and Title II U.S. procurement respectively.

For cash and voucher programs, USAID relies on a minimum expenditure basket (MEB) developed by implementing agencies in the field, which identifies the cost of

basic food and non-food items needed for survival in a specific geographic area. Once the Agency receives information from its partners or the Famine Early Warning Systems Network (FEWS NET) or both about the cost of the food component of that minimum expenditure basket on the local market, the Agency can compare that cost to the nearest equivalent ration of foods from the United States in order to determine whether there are opportunities to achieve cost efficiencies. If the Agency can provide the same level of assistance to do the same kind of intervention in the same country at a lower cost per person than it would cost to use Title II in-kind resources, this can help the Agency reach as many people as possible within the same budget.

*Question 13.* There has been a long-running debate on the balance between in-kind and cash-based assistance for as long as Food for Peace has been in existence. An interesting statement was made by the then-acting Assistant Administrator of USAID before the then-Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture back during the 2012 Farm Bill audit hearings. Ms. Lindborg explained how commodities from pre-positioned warehouses were used to quickly meet the needs of the flood survivors in Pakistan and, similarly, how pre-positioned stocks of food aid from Texas were delivered to earthquake survivors in Haiti within **1 day**. We constantly hear about 2 or 3 month lag times in moving commodities as justification for moving away from in-kind aid to cash-based assistance. Does pre-positioning solve a lot of these problems? In your response, please provide an overview of current prepositioning efforts including locations where aid is being prepositioned.

*Answer.* Prepositioning has been incredibly useful in improving USAID's response time to emergencies by storing food strategically around the world so that it can be deployed more easily in times of crisis. However, maintaining secure, safe warehouses for food around the world is very expensive, so USAID limits its number of prepositioning warehouses to key locations closest to regions where there are recurrent crises.

Prepositioning does not eliminate shipping expenses to the various programming sites, and there are additional costs incurred when prepositioned food has to be moved again from warehouse to the crisis location. A recent study completed by USAID indicates that costs were 31 percent higher for delivering prepositioned commodities due to warehousing and second-leg ocean freight costs as compared to commodities delivered directly from the United States. We also do not want to unnecessarily subject larger volumes of commodities to the risk of spoilage or damage during warehousing. As certain commodities age faster than others, USAID is limited in the types of commodities that it can effectively store.

There is typically one domestic prepositioning site in the Gulf region, one in East Africa, one in Southern Africa and one in Asia. Additional sites may be added in West Africa and Central/East Africa as well. In combination, the warehouses can store approximately 100,000 MT of commodities. USAID generally maintains rotating stocks of up to 50,000 MT of commodities at any given time. USAID stocks the most commonly used commodities so that when an unanticipated emergency strikes, a complete ration basket appropriate for most countries can be provided quickly.

Critically, prepositioning also does not change the fact that in some cases, like Syria, due to security concerns or other constraints, U.S. commodities are just not the most appropriate tool. In other cases, purchasing food locally and regionally will still be more cost effective and reach the crisis in a shorter time frame than prepositioned food. There are other interventions that USAID and other international donors can now use to refine and improve our response.

*Question 14.* In a recent GAO report on USAID cash assistance, GAO found that although USAID requires partners to monitor market conditions which may trigger award modifications, USAID does not provide guidance on how and when to respond to changing market conditions. This ability to respond to changing conditions is one of the stated reasons for going to cash-based assistance. What is USAID doing about this?

*Answer.* USAID's emergency food assistance programs operate in complex market environments, often suffering from price shocks due to natural disaster or conflict. The 2015 Government Accountability Office (GAO) report on International Cash Based Food Assistance noted that implementing partners are required to monitor food prices and often build a response to food price fluctuations into program design. USAID staff review implementing partners' price monitoring submissions and will discuss changes in market conditions and recommend adjustments to programming, as necessary. USAID staff also rely on the Famine Early Warning Systems Network (FEWS NET) price and food availability data, which has grown increasingly sophis-

ticated in recent years, to triangulate information. Determining when and how to shift programming is highly context specific, as the case studies in the report show.

USAID has entered into an agreement with the Cash and Learning Partnership (CaLP) to support shared learning. CaLP will also support USAID's markets team as they develop guidance for implementing partners on appropriate adjustments to adapt food assistance programming in response to changing market conditions. Sharing learning from implementing partners in varied and dynamic operating environments will allow both implementing organizations and USAID to make better, more evidence-based programming decisions.

*Question 15.* GAO reports that USAID's "country-based assessments . . . do not address financial vulnerabilities that may affect cash-based food assistance projects, such as counterfeiting, diversion, and losses." Why is this the case, and what is USAID doing about it?

*Answer.* USAID takes its oversight role extremely seriously and has very low loss rates on both in-kind and cash based assistance. In its numerous reviews of USAID's food assistance programs, the Government Accountability Office has found very few irregularities. Even so, based on GAO recommendations, in the Food for Peace Annual Program Statement (APS) for 2015, USAID included tougher guidelines relating to this issue. For cash transfers and food voucher proposals, applicants provide information on the proposed distribution modality and frequency of distribution. The guidance asks partners to "provide an assessment of risk of fraud or diversion and controls in place to prevent any diversion of cash, counterfeiting of food vouchers and diversion of food voucher reimbursement of funds." The guidance encourages partners to include a separate annex on this information relating to risk assessment and controls, as annexes are not subject to a page number limit and allow for thorough presentation of the approach. USAID is also expanding training for USAID and implementing partner staff on managing and monitoring cash-based programming.

Post distribution monitoring by USAID and partners can identify problems if targeted beneficiaries are not receiving the intended support. Post distribution monitoring can happen in a variety of ways including household visits, hotlines that allow beneficiaries to register complaints, and spot checks on merchants and markets involved in the program. Proper targeting to assure that the truly vulnerable are receiving aid is also important, as they are least likely to try to en-cash in-kind food or vouchers for other items. Data shows that poor households in countries where USAID works spend the majority of their income on food.

There are a variety of controls that mitigate fraud and provide oversight in cash-based food assistance programs. In the Syria refugee program, oversight has expanded to include monitoring the use of vouchers through the participating banks' electronic systems; receipt comparisons and reconciliations to ensure receipts are accurate; regular in-person and unannounced visits to supermarkets and shops taking part in the program; a hotline for program participants to report any problems; and periodic re-verification of beneficiaries to ensure they are still in need of food assistance and still using the cards. The UN World Food Programme will soon begin using iris scan technology at points of sale as a further safeguard.

In other places, cash transfers are usually distributed at a bank or other financial institution so resources will be secure until they are transferred. Vouchers, if not electronic, often have holograms, watermarks or serial numbers to prevent fraud and in some cases, the vouchers are printed on a different color of paper each month, so they cannot be copied and have limited redemption periods. Vouchers allow us to track exactly what foods are purchased. Biometric identification systems are also an important tool, allowing partners to identify beneficiaries using photographs, fingerprints, or iris scans. In some instances where access to beneficiary populations is not possible, USAID has been making increasing use of third party monitors to provide up to date information on food assistance programs.

*Question 16.* Whether it is in the President's budget submission or any variety of materials provided by USAID, you have advocated for additional cash-based aid. Yet, in the cash-based assistance you already provide, GAO recently noted that "USAID relies on its implementing partners to oversee and ensure the financial integrity of cash-based assistance . . . [but] does not provide its partners with essential operation policy guidance on how they should conduct financial oversight . . . [and] several instances of malfeasances have already surfaced in this program." How is USAID addressing those issues?

*Answer.* USAID implements both in-kind and cash-based emergency food assistance programs in extremely challenging operating environments and will continue to do so in order to provide life-saving food to populations in need around the world. One modality is not inherently riskier than another, and USAID and its imple-

menting partners use past performance, risk analysis, market indicators, and food security analyses to make informed decisions regarding what food assistance modality is most appropriate for a particular emergency context. All USAID programs, including those funded through the Office of Food for Peace, expect partners to conduct financial oversight over their activities and comply with audit requirements set forth in 2 CFR 200 as well as meet the standards outlined in USAID's Automated Directive System (ADS) 303.3.9 and Procurement Executive Bulletin 2005-12.

The Government Accountability Office's (GAO) recent report on International Cash-Based Food Assistance did note several instances where implementing partners—through their existing monitoring and risk mitigation efforts—identified limited instances of diversion or loss during the transfer process and subsequently were able to correct the factors that led to these losses and strengthen controls in the program. It is important to note that the GAO did not uncover any previously unreported or unaddressed fraud, misuse, or diversion of resources in cash-based food assistance programming.

As part of continual efforts to improve the effectiveness and efficiency of cash-based food assistance, USAID has entered into an agreement with the Cash and Learning Partnership (CaLP) to build the knowledge, skills, and practice of cash-based food assistance for both USAID staff and implementing partners. A component of this award is to engage in the development and dissemination of policy and guidance relating to cash-based food assistance. These activities complement existing knowledge-sharing and training for in-kind food assistance facilitated through the Technical and Operational Program Support (TOPS) program; both initiatives allow implementing partners to build the knowledge base and reduce the risks inherent in providing food assistance in high-risk emergency situations.

*Question 17.* The 2014 Farm Bill increased the percentage allocation of funds available for Sec. 202(e) from 13 percent to 20 percent. As described in law, these funds can now be used for a variety of purposes beyond administrative costs. Can you explain how much flexibility was gained through these changes in the 2014 Farm Bill? What specific activities are you currently using those additional Sec. 202(e) funds for? How, if at all, has the increase in Sec. 202(e) funds changed the use of monetization?

*Answer.* The 2014 Farm Bill increased USAID funding for Section 202(e) from 13 to 20 percent and expanded the funding purposes beyond administrative costs. In FY 2014, the increase meant approximately \$100 million in additional flexibility for Food for Peace. The expenses covered with the base 13 percent remained relatively the same, and USAID has used the additional seven percent for purposes outlined in the legislation: to implement development activities (and thereby allow USAID to reduce monetization or the sale of food overseas to fund development projects) and to enhance ongoing Title II food programs. USAID has enhanced programs in a variety of ways including supplementing Title II in-kind food with locally or regionally procured food or with cash transfers or food vouchers.

USAID saved \$21 million by ending monetization in all but one of its 19 development program countries. On average, the Office of Food for Peace lost 25¢ on the dollar in every monetization transaction. That is, the funds for development generated by the sale of the food was on average 25 percent less than what it cost the U.S. to buy, ship and sell the food abroad. By providing money directly to partners rather than selling food to generate development dollars, the U.S. saved \$21 million. These savings were reinvested in food assistance programs.

USAID enhanced Title II programs with Section 202(e) funds by providing critically needed locally or regionally procured in-kind food when it was needed most. For example, when food needs were greater than expected in Malawi, USAID complemented its large in-kind U.S. food assistance basket with some additional regionally-procured food to allow for more beneficiaries to be served. This food was both timely and 26 percent less costly than the Title II equivalent, generating \$1.5 million savings for the program.

USAID has also used Section 202(e) resources to support food insecure beneficiaries with food voucher or cash transfer programs where markets are working. This has enabled USAID to prioritize Title II in-kind aid for nutrition interventions or where markets were less functional. Drought-affected Haitians and Ethiopians have benefited from these approaches.

In addition, USAID has used Section 202(e) funding to pay the modest costs of tools and other supplies for community-based asset building programs. In food-for-asset programs, communities are paid in food for implementing public works activities that mitigate the impact of drought or other shocks on the community.

In FY 2014, USAID used the over \$100 million of enhanced Section 202(e) funding in the following countries and territories: Burkina Faso, Burundi, Central African

Republic, Côte d'Ivoire, Ethiopia, Haiti, Kenya, Liberia, Malawi, Niger, Sierra Leone, Somalia, South Sudan, the West Bank and Gaza, Yemen, and Zimbabwe.

USAID will continue to document and report to Congress how programming is evolving as a result of changes in the 2014 Farm Bill.

*Question 18.* One of the adjustments in the farm bill is a requirement that between 20 and 30 percent (and at least \$350 million) of Food for Peace Title II funds be used for non-emergency development. As you know, this fund is known as the safebox. Is USAID counting Community Development Funds toward safebox funding levels in order to meet the minimum requirements? From which accounts do Community Development Funds originate?

*Answer.* USAID is not utilizing Community Development Funds (CDF) to meet the safe box funding level required by the Food for Peace Act. In 2014, FFP exercised the emergency notwithstanding authority in section 202(a) of the FFP Act to allow it to not meet the safe-box requirement in order to respond to urgent and unprecedented emergency food aid needs around the world. At no time has FFP utilized non-Title II funding to meet the statutory requirement found in the FFP Act.

While in 2014 FFP's exercise of notwithstanding authority enabled it to fund the safe box at an amount less than required by the FFP Act, the Agency recognized the important objectives of the non-emergency food assistance program. As such, USAID relied on its independent authority in section 103 of the Foreign Assistance Act of 1961 (FAA), and utilizing Development Assistance (DA) funding provided by the Department of State, Foreign Operations and Related Programs Appropriations Act, supported activities that furthered these same objectives. The DA funds used for these purposes are made available to USAID's Bureau for Food Security (BFS), and a portion is then programmed by FFP on behalf of BFS. Both offices refer to these DA funds as "Community Development Funds."

CDF may support all activities normally funded with monetization of FFP Title II nonemergency funding, as well as those carried out pursuant to section 202(e) of the FFP Act. CDF resources are provided to partners eligible for FFP Title II funding and are targeted to vulnerable communities in areas with high concentrations of chronic hunger, helping to bridge humanitarian and development objectives through expanded support for productive safety nets, livelihood diversification, microfinance and savings, and other programs that reduce vulnerability to production, income, and market disruptions. FFP follows the Congressional direction embodied in section 103(f) of the FAA to link programming of Title II and CDF grants to assist developing countries enhance their national food security and achieve the broader development goals of the FAA.

USAID has previously sought express statutory authority to count a specified amount of DA funding toward meeting the nonemergency requirement. Were such legislation to be enacted, in years in which FFP could not meet the non-emergency funding level with FFP Title II funds, FFP would not have to rely on the use of notwithstanding authority but, instead, could use DA to meet any shortfall.

*Question 19.* Do you think the safebox strikes the appropriate balance in funding between emergency and non-emergency assistance?

*Answer.* USAID prioritizes meeting the non-emergency safe box level each year. Non-emergency (development) food assistance programs are a foundational component of USAID's work on resilience and key to addressing the underlying causes of chronic hunger and poverty. However, USAID/Food for Peace resources are stretched each year to adequately respond to new and ongoing crises around the world. Since non-emergency programs are funded out of the Food for Peace appropriation, robust funding for Food for Peace overall is critical to ensure both emergency and non-emergency needs are adequately met.

*Question 20.* How does the Administrator's ability to waive the minimum tonnage requirements for non-emergency aid affect the required minimum funding for non-emergency food aid within the safebox?

*Answer.* Section 204 of the Food for Peace Act sets a minimum requirement for non-emergency programming of not less than 1,875,000 MT. The average cost per metric ton in FY 2014 was \$1,273. Therefore, purchasing and programming 1,875,000 MT for development food assistance programs would require a development program budget of nearly \$2.4 billion—\$1 billion more than recent Title II appropriations for development and emergency food assistance combined.

The Administrator's ability to waive the minimum tonnage requirements does not have any impact on USAID's ability to meet the required funding levels for non-emergency food aid. Rather, waiving the requirement allows USAID to focus programming the safebox funding levels for development food assistance toward activities that tackle chronic under nutrition and help the most vulnerable break the cycle of poverty and hunger through agriculture and livelihoods support, rather than

simply distributing commodities. Evidence shows that such development interventions, which improve beneficiary access and utilization of food, are needed to address the underlying causes of food insecurity.

*Question 21.* Please provide specific examples of projects that are being counted towards the safebox minimum.

*Answer.* USAID currently has development food assistance projects in 15 countries; a few of those examples are below. In each case, conditional Title II food rations are provided to mothers in exchange for their participation in nutrition classes and weight monitoring of their children. USAID often provides conditional rations to farmers in exchange for their participation in farmer field schools and to community members for participation in public works programs that build community assets and reinforce the resilience of communities to withstand future shocks.

- **Guatemala:** Three USAID/Food for Peace (FFP) partners work on a variety of development activities in Guatemala. These programs address chronic malnutrition in children and pregnant and lactating women, improve and diversify agricultural production, generate micro-enterprise activities, and improve water and sanitation issues.

Under one project, Guatemalan mothers learn to build home gardens filled with chard, spinach, carrots and other crops, and practice improved health and nutritional behavior to ensure their children will grow up healthy and strong. Before the project, mothers throughout the community had struggled to grow many crops and mainly spent their money on staple rice foods. Since the project began, mothers have seen significant improvements in their home gardens, including increased access to nutritious foods and improved soil conservation. The program, which runs from 2012 to 2018, aims to sustainably improve food security for approximately 23,500 rural families living in poverty in San Marcos and Totonicapan.

- **Bangladesh:** Three USAID/FFP partners implemented multi-year development projects which ended in 2015. The projects were designed to improve agriculture, livelihoods, maternal and child health, disaster risk reduction and community resilience, climate change and adaptation, and women's empowerment in multiple regions throughout the country.

As a specific example from Bangladesh in FFP's recent publication, "Voices from the Field," highlighted the story of Harun and Bina Majhy, who have co-managed a fishing business in rural Bangladesh for years. To take their small-scale operation to a commercial level, the couple needed training and equipment. Before training from USAID, Bina earned the equivalent of about \$90 every month. Using her newfound skills, she now brings in about \$129 per month through her family's business. Equally important, she plays a vital role as a service provider, acting as a local facilitator for other aspiring women aquaculture entrepreneurs and providing quality fingerlings to her community. Her husband Harun also benefited from Food for Peace's partnership with Feed the Future (FTF). He received FTF training on fish hatchery management. As a couple, the Majhys could begin producing even higher quality fingerlings at a larger scale. USAID trainings on nursery management and fingerling production benefited more than 34,000 households and 150 commercial fish farms over the course of the project.

- **Niger:** USAID/FFP supports three integrated development food assistance programs to reduce food insecurity and malnutrition and improve community resilience among rural households in the Maradi and Zinder regions of Niger. The programs target over 500,000 individuals and aim to promote positive behavior change in nutrition, health, hygiene, sanitation, and agriculture, as well as diversify livelihoods through livestock, savings and lending, and literacy activities.

In Niger, it is common for girls to get married as young as 14 years old and miss out on the opportunity to attend school and learn essential life skills such as good health and nutrition practices. Through one of the projects, more than 2,400 adolescent girls in the Maradi and Zinder regions are learning proper health and nutrition practices through an activity called "safe spaces". In safe spaces, adolescent girls meet regularly to discuss early marriage, nutrition and livelihood practices, and are taught by female mentors selected by their communities as positive role models. The safe spaces activity is improving educational prospects and livelihoods among girls by helping them gain the confidence to advocate for themselves and work toward a more positive future, which in turn makes them more food secure.

- **Malawi:** Through a consortium of non-governmental organizations, a development food assistance project that ended in 2014 targeted close to 230,000 food-insecure households. The program specifically targeted the most vulnerable in eight districts in southern Malawi, including children under the age of five, pregnant and lactating women, orphans and vulnerable children, people living with HIV, and chronically ill people. Activities included agricultural and small business development, village savings and loan projects, community health outreach, and safety net food rations for vulnerable households. To challenge the notion that the poorest individuals can't help themselves out of hunger and poverty, this program helped communities establish Village Savings and Loan (VSL) groups, a group of people who save together and take small loans from those savings. VSL groups in Malawi have succeeded in helping people build a better life for themselves and their families. While the consortium initially designed the VSL groups only for USAID program beneficiaries, in 2011 it began allowing non-beneficiaries in the communities to join. Today, an estimated 15 percent of VSL members are not directly affiliated with the program. Across all VSL groups started by consortium partners, members have saved a cumulative total of \$1.6 million since 2010, growing from the initial 696 groups to 7,400 groups today, or more than 92,710 Malawians—65,470 women and 27,240 men—saving on a regular basis.

*Question 22.* How often does the Food Aid Consultative Group meet, and how is the input from the meetings utilized? When was the group last consulted in advance of the issuance of regulations or guidelines to implement Title II of the Food for Peace Act? Was the group consulted prior to the issuance of the latest Sec. 202(e) guidelines?

*Answer.* Convened by USAID and USDA, the Food Aid Consultative Group (FACG) holds semi-annual meetings in the spring and fall. An Executive Committee made up of representatives from food assistance stakeholders—including commodity suppliers, maritime industry, private voluntary organizations, the Maritime Administration, USDA and USAID—gather agenda items for discussion ahead of each semi-annual meeting. Meetings consist of a plenary session for all members and multiple, voluntary break-out sessions built around specific issues facing the food assistance community. Feedback from the semi-annual meetings is recorded and compiled for use in creating guidance for upcoming projects.

In addition to in-person meetings, USAID and USDA both use the FACG email listserv extensively to solicit feedback on related policy and guidance. For example, USAID shares all Food for Peace Information Bulletins (FFPIBs) through the FACG listserv to communicate announcements of or modifications to Food for Peace policies. As required by Sec. 205(d), any new FFPIB must undergo a 45 day comment period by the FACG, after which a final version of the new FFPIB will be issued on USAID's website. USAID shared the FFPIB related to the new uses of Section 202(e) funds in this manner and issued it for comment in May 2014. USAID last consulted the FACG group in August 2015 in advance of issuance of new guidance on FY 2015 annual results reports submissions. The group was asked to comment on this draft guidance.

The FACG is integrated into the process of creating guidance for all food assistance projects. Both USAID's Requests for Applications for development food assistance and International Food Relief Partnership projects and its Annual Program Statement (APS) for emergency projects are sent to FACG members for a comment period lasting 45 days. Questions and comments from partners are carefully considered before updating and releasing the final version directly to FACG members.

*Question 23.* GAO recently reported that with respect to the Farmer-to-Farmer program, implementing partners do not systematically share negative volunteer assessment information with USAID and each other. Is that the case? If so, what is being done about it?

*Answer.* Farmer-to-Farmer volunteers have a strong track record and reputation for providing practical, high-quality technical assistance and training services to farmers and agriculture sector organizations in host countries. They are consistently flexible and generous with their time, go out of their way to secure significant resources for their hosts, and make their depth of expertise and technical assistance available both during and long after their assignments. Volunteers act as ambassadors of American culture and generosity overseas. Of the thousands of Farmer-to-Farmer volunteers, there have been very few instances of negative volunteer performance or behavior, despite the fact that volunteers often serve in very challenging environments. We know of only three assignments that were terminated early for performance issues over the past 10 years. Sharing information on such



volunteers among implementing partners had been the norm, but had not been formalized.

Since the GAO Recommendation, USAID has taken actions to strengthen the existing systems for sharing information on poor volunteer performance by: requesting implementing partners to immediately share any very negative volunteer experiences with USAID; issuing a memo to all implementing partners on information sharing relating to volunteer performance; updating the Farmer-to-Farmer volunteer manual on this matter; and retaining this topic for discussion in annual implementing partner meetings.

A meeting held on May 13, 2015 with all implementing organizations provided an opportunity for joint review of current and proposed procedures for sharing information on negative volunteer performance. Following the meeting, USAID issued a letter to all implementing organizations requiring them to inform USAID immediately of any negative volunteer experience and encouraged implementing partners to share such experiences among the other Farmer-to-Farmer implementing partners. All implementing partners have replied confirming their agreement to inform USAID immediately of any negative volunteer experience and share such experience with other Farmer-to-Farmer program implementing partners. New guidelines for reporting and sharing information on negative volunteer experience have been incorporated into the Farmer-to-Farmer Program Manual.

*Question 24.* USAID has delivered substantially less P.L. 83-480 commodities so far in fiscal year 2015 compared to prior fiscal years despite relatively static funding and generally lower commodity prices. According to industry information, the shortfall is almost 400,000 metric tons. What is the cause of this shortfall and what is USAID doing to increase the tonnage in the program?

*Answer.* According to USAID's projections, USAID plans to buy more than 1,083,000 MT by the end of FY 2015. This is approximately 95,000 MT less than FY 2014. This lower number is due to several factors. First, USAID purchased a greater quantity of commodities in FY 2014 in anticipation of the need for a large emergency response to the crisis in South Sudan. Secondly, USAID scaled back the number of prepositioning sites from six to five, so, consequently, purchased less to go into those warehouses. Tonnage also likely decreased because USAID now only monetizes commodities in one country.

USAID purchases commodities based on programming needs. The tonnage can fluctuate from year to year depending on the type of programming, the type of commodities required, and other factors. For example, associated costs of programming food can grow when fuel prices are high, warehouses are in short supply in project areas, or security costs are high due to insecurity, which can also affect tonnage. Agricultural commodities shipped from the U.S. will continue to play a critical role in Food for Peace programming.

*Question 25.* What role, if any, does USAID play in the selection and approval of Food for Progress and McGovern-Dole programs?

*Answer.* The USDA Foreign Agricultural Service (FAS) invites USAID staff to review and comment on new McGovern-Dole and Food for Progress proposals during each annual proposal review cycle. Food for Peace staff in Washington and the field review and provide feedback on proposed activities, considering the potential for complementarity or overlap with existing USAID food security programs. USAID and USDA now have a memorandum of understanding that outlines new collaboration to create stronger synergies between the USAID Office of Education literacy programs and FAS McGovern-Dole programs.

*Question 26.* Can you provide an update on the status of the report required by Section 407(f) of the Food for Peace Act that was due on April 1st?

*Answer.* The International Food Assistance Report to Congress for FY 2014 is in final clearances at both USDA and USAID. The report is delayed because USAID does not get final budget actuals from the prior fiscal year completed until the 2nd quarter of the new fiscal year (ending March 2015). Two federal agencies are then required to write and clear on this report, making it consistently difficult to meet an April reporting deadline. USAID apologizes for this delay and makes every effort to get this report completed as quickly as possible.

*Questions Submitted by Hon. Bob Goodlatte, a Representative in Congress from Virginia*

*Question 1.* In general, from the time that a grant is awarded by USAID's American Schools and Hospitals Abroad (ASHA) program, how long does it take for the funds to be released so that work on the ground can begin?

*Answer.* As soon as a USAID/ASHA agreement is signed, funds can be released. For capital improvement and hazardous commodities projects, however, grantees

must perform an initial environmental examination before construction or procurement can begin. Environmental examinations typically take between one and three months to approve. Construction can only begin once the initial environmental examination has been approved by USAID.

*Question 2.* A recently released GAO report indicates that USAID has invested over \$2 billion in Haiti for reconstruction purposes. This report also cites delays in some of these reconstruction efforts due to “lack of staff with relevant expertise, unrealistic initial plans, challenges encountered with some implementing partners, and delayed or revised decisions from the Haitian Government.” In light of these delays and the investment made by the United States Government, what plans does USAID have to work more closely with implementing partners who have the expertise necessary to accomplish the goals of reconstruction and be sustainable in doing so?

*Answer.* First and foremost, we welcome external audits, such as the recent GAO report, which captured progress to date on the projects examined, as well as some of the ongoing challenges we continue to face in Haiti. In addition, USAID has internal mechanisms in place to monitor how well our programs and our implementers are performing. These mechanisms include portfolio reviews, field visits, results tracking, performance audits, independent evaluations, and cost-benefit analyses. These types of monitoring and evaluation practices help us as we review progress, plan, and make mid-course corrections.

Due to a combination of unrealistic initial planning, inadequate staffing, and other unforeseen challenges, some of the initial targets are taking longer to achieve or will not be reached. We are constantly evaluating our performance and taking corrective action where obstacles are standing in the way of real results. As a result of this regular feedback, we have adapted our programs based on lessons learned, as evidenced, for example, by important changes in our shelter, ports, and energy investments.

In the shelter sector, we have shifted from an original emphasis on building houses to a new approach that is helping Haitians build and improve their own homes through access to finance and technical support, while also building the capacity of Government of Haiti (GOH) entities to deliver better community services. This approach is proving to be more sustainable and cost-effective.

In the ports sector, we redirected our assistance to rehabilitation of the existing port at Cap Haitien to meet the near- to medium-term demand for port services in the northern part of Haiti in response to a request from the GOH after our research showed that a new port would not be economically viable. In order to ensure sustainability, we are working with the GOH to structure a public-private partnership to manage port operations at Cap Haitien.

We have also refocused our goals in the energy sector. As part of the post-earthquake strategy, USAID had a program in place to help the national electric utility improve its operations. However, we were disappointed with the reversal of progress in some instances and an overall lack of political will to carry out reforms that would improve efficiency and reliability of service. As a result, USAID stopped this program and, going forward, will not support the national utility absent concrete progress in achieving unambiguous targets and milestones.

The sustainability of our programs in Haiti depends ultimately on the capacity of the Haitian people and their government to maintain them. Central to the USG strategy to enhance sustainability is shifting from the current approach of providing services primarily through non-Haitian intermediaries. This shift includes a greater focus on strengthening the capacity of state institutions to deliver sustainable, quality service. While this approach will be a long-term endeavor, this new partnership model with the GOH will better ensure the sustainability of our investments over time.

An example of strengthening the capacity of GOH institutions is the USAID’s work with the *Entreprise Publique de Promotion de Logements Sociaux (EPPLS)*, the unit in charge of the country’s affordable housing program. In newly built communities, EPPLS is responsible for items such as collecting lease fees, solid waste management, cleaning drainage systems and maintenance of common areas. EPPLS’ performance is beginning to improve, with fee collection rates at one USAID-funded site far exceeding those at other GOH locations. In the food security sector, USAID is working with the U.S. Department of Agriculture to strengthen the Haitian Ministry of Agriculture to strengthen policymaking, institute market information systems, and conduct crop production and soil surveys.

The United States is committed to supporting the long-term efforts of the Haitian people to build a more prosperous and secure nation. Recognizing that development progress in Haiti will ultimately depend upon sustainability of our investments, USAID will continue to incorporate rigorous sustainability plans into our projects.

*Question 3.* What portions of the U.S.'s reconstruction investment in Haiti was allocated through U.S.-based organizations and through Haitian-based organizations?

*Answer.* The USG has made a long-term commitment to helping Haiti recover and rebuild. Integral to our assistance is a strong effort to help build the capacity of local NGOs, businesses, and the GOH so that the country can lead its own development. Our ultimate goal is to help Haiti develop beyond the need for international assistance.

A key part of USAID's strategy is to improve the capacity of local Haitian institutions and organizations, while at the same time ensuring rigorous oversight of our assistance funds. In Fiscal Year 2014, 11 percent of all funding was directly implemented by the Haitian Government and local organizations. In addition, USAID works with a significant number of local organizations through sub-grant or sub-contract mechanisms. From 2010 to 2014, USAID has provided more than \$84 million to more than 500 local organizations through sub-contracts and sub-grants.

As our strategy in Haiti has shifted from recovery to long term development and reconstruction, USAID has increased direct funding to local organizations. To help achieve this goal, USAID established a local solutions office within the Mission to lead this effort, released annual program statements targeting local organizations, and has several capacity building mechanisms designed to assist local organizations in complying with USAID's reporting and accountability requirements. With these measures in place, USAID aims to increase direct funding to local organizations in the coming years.

*Questions Submitted by Hon. Eric A. "Rick" Crawford, a Representative in Congress from Arkansas*

*Question 1.* How many metric tons of rice are currently being shipped through the Food for Peace Title II Program? Please provide data for the last 10 years.

*Answer.* The amount of rice purchased in a given year fluctuates greatly depending on what crises emerge and the appropriate commodity for the populations being served. In FY 2014, USAID shipped 84,610 MT of rice through the Food for Peace program. From 2005 to 2015 the Office of Food for Peace purchased approximately 1.13 million metric tons of rice in the United States, valued at approximately \$576 million. This is an average of 102,800 MT per year to support Title II food assistance programs.

*Question 2.* We hear a lot about the cost of shipping in-kind food aid donations. In your written statement you said that the savings from eliminating shipping costs would translate into helping more people. But in cases of cash-based aid, that seems to ignore the fact that recipients are purchasing food from supermarkets and other sources at prices that, I would assume, include processing, shipping, and profit margins for those supplying the food. What is the difference between in-kind and cash-based food aid in terms of cost per calorie consumed?

*Answer.* USAID's Office of Food for Peace provides different ration sizes, food baskets, and transfer amounts specific to the context of each emergency response. The goal of emergency food assistance, regardless of modality, is to help beneficiaries meet their daily caloric needs. A full food basket provides an adult 2,100 kilocalories per day, or approximately 17 kilograms of food per month. Based on the context of the emergency response, USAID will often provide less than a full food basket, allowing beneficiaries to supplement food assistance with other sources. Commodity, transportation, and operational costs also vary by operation. For example, it is more expensive to program food assistance in war-torn South Sudan than in Guatemala. When compared to U.S. procured in-kind food, local and regionally procured food in FY 2014 was an average of 29 percent less expensive.

Cash and voucher programs propose cash transfer or voucher value in order to cover a proportion of beneficiaries' food needs, again assuming a full food basket of 2,100 kilocalories per day. Program beneficiaries often have the freedom to select a wide variety of commodities—and commodity volumes—with that transfer. Operational costs also vary based on a number of factors, including local prices, market sophistication, and beneficiary targeting.

For example, USAID supported the UN World Food Programme's (WFP) provision of cash transfers and vouchers valued at \$10.35 a month to vulnerable populations in Senegal suffering from drought, a value equivalent to the cost of a daily ration meeting approximately 92 percent of kilocalorie needs. Thanks to a stable political and economic situation, established relationships between WFP, retailers, and financial institutions, as well as availability of diverse nutrient-rich foods in local markets, this program is approximately 46 percent less expensive than a comparable Title II in-kind contribution. In neighboring Mali, however, a more complex, conflict affected operating environment with less sophisticated retail and financial systems contributes to increased operating expenses for all programming, including

cash transfers. A non-governmental organization managed cash-for-work program improving levees and irrigation systems in Mali is, therefore, less cost efficient than the example above, at only ten percent less expensive than a comparable Title II in-kind contribution for a food-for-work activity in Mali.

*Questions Submitted by Hon. Dan Benishek, a Representative in Congress from Michigan*

*Question 1.* I understand that cash-based food assistance has increased to the Syrian region by 440% from 2010 to 2014, and for FY 2014, 67% of the EFSP grants awarded by USAID went to the Syrian region. Given the ongoing political turmoil in the area, and the large number of refugees flooding camps (over two million), why is the focus on cash assistance?

*Answer.* USAID provides cash transfers for food assistance only in those very specific instances in which we believe cash transfers are the best way to meet the food needs of vulnerable households that have been hit by a shock. Hence, cash transfers represent a small fraction of our portfolio—only four percent in FY 2014. It is a mischaracterization to say that the focus in the Syria response is on cash assistance. In FY 2014, Local and Regional Procurement (LRP) constituted 49 percent of FFP's overall assistance to the region. Food vouchers accounted for approximately 51 percent. Within Syria itself, 1.5 percent of the assistance in FY 2014 was voucher-based, and the remainder was LRP.

However, there are some instances where responding with cash-based assistance makes the most sense. If it is difficult for our partners to deliver in-kind food or establish relationships with vendors to program food vouchers, cash may be the best tool to meet food needs. In these cases, we can confidently program cash when we know food is available in the local markets but people just do not have the cash to buy it. Before receiving funding for cash and voucher programs, market analysis is required—cash is not automatically the first choice option. USAID food assistance partners are required to submit information on market analysis and a monitoring and evaluation plan when applying for a grant from USAID. Independently, USAID uses FEWS NET analyses—evaluations of food assistance needs, and markets and trade conditions and anomalies—to inform our programming decisions. These analyses help us determine when cash is most appropriate.

*Question 2.* What steps are being taken to increase oversight and reduce fraud in such an unstable environment?

*Answer.* USAID takes its oversight role extremely seriously, and we have very low loss rates on both in-kind and cash-based assistance. In its reviews of USAID's food assistance programs, the Government Accountability Office (GAO) has found very few irregularities with respect to diversion and loss. Even so, USAID has released tougher guidelines including on the depth of risk analysis required with regard to potential for fraud or misuse of funds. We are also expanding training for USAID and implementing partner staff on managing and monitoring cash-based programming.

Regarding cash-based assistance, there are a variety of controls in place for oversight and fraud prevention. Vouchers, if not electronic, often have holograms, watermarks or serial numbers to prevent fraud; in some cases, paper vouchers are a different color each month so they cannot be copied and have limited redemption periods. Vouchers allow us to track exactly what foods are purchased. Biometrics are also an important tool, which allow partners to identify beneficiaries using photographs, fingerprints, or iris scans. The very limited cash transfers we use are usually distributed at a bank or other financial institution so resources will be secure until they are transferred.

For the Syrian refugee program, oversight has expanded to include monitoring the usage of vouchers through the participating banks' electronic systems, receipt comparisons and reconciliations to ensure receipts are accurate; regular in-person and unannounced visits to supermarkets and shops taking part in the program; a hotline for program participants to report problems and issues; and periodic re-verification of beneficiaries to ensure that they are still in need of food assistance and are still using the cards. The UN World Food Programme (WFP) will soon begin iris scan technology at points of sale as a further safeguard. In those instances where misuse of vouchers has been suspected or evident, WFP has taken swift action to remove participating shops from the program and to recover losses.

Inside Syria, where in-kind food is distributed, the USAID non-governmental organization partners are triangulating information to mitigate misuse of resources using a variety of means, including: GPS-tagged photos and, in some cases, videos to confirm delivery occurs where and to whom it should; signing for receipt by beneficiary households or bakeries; barcoding of individual food parcels with tracking to the household delivery level; telephone hotlines and e-mail addresses that bene-

ficiaries can utilize to report issues; and follow up by field monitors in person and by phone. Any and all losses, whether fraud or not, are reported to USAID, which includes notification to the Office of the Inspector General. USAID requires immediate reporting by all partners if fraud is suspected.

For its part, USAID prioritizes placing field staff, both international and local staff, in countries with large food assistance programs. These in-country monitors are supported by a Food for Peace five-person global monitoring and evaluation team that provides support to staff in bilateral USAID Missions. USAID/Food for Peace is also increasing use of third party monitoring for locations where its staff cannot access project sites.

*Question 3.* In an environment like Syria, how does a cash assistance program compare to a more traditional program that would offer food aid only?

*Answer.* USAID's Office of Food for Peace (USAID/FFP) determines the best means of responding to food security emergencies—whether that assistance be provided with U.S. in-kind commodities, locally and/or regionally procured commodities, food vouchers, or cash transfers for food—based on the context of each individual humanitarian response. This decision making process is based on the timeliness for each modality; local market conditions; cost effectiveness; feasibility and scale; beneficiary preferences; beneficiary targeting and gender; security; and program objectives.

In the case of the Syria crisis, analysis has led USAID/FFP to support two types of programming—food vouchers in the neighboring countries and an in-kind program inside Syria that provides locally and regionally procured (LRP) food parcels and flour. In FY 2014, this LRP program constituted 49 percent of USAID's overall food assistance to the region. USAID/FFP is also providing funds to WFP to support an electronic voucher program in five refugee hosting countries for Syrian refugees and to NGOs to implement very small scale voucher activities inside Syria. Food vouchers accounted for 51 percent of the Syria operations in FY 2014.

In the Syria context, the voucher program is an efficient and effective way to reach millions of refugees across five countries, many of whom are living in cities and towns with functioning markets. The approach is different from in-kind aid programs because it does not require a large logistics operation to buy, transport, warehouse, and distribute food which would not be feasible in this particular context. Refugees have more diversity of choice, enabling preparation of meals with more nutritious, micronutrient rich and perishable commodities. Given the availability of food in the surrounding countries that are hosting Syrian refugees, the food voucher program enables USAID to support these local host economies and brings in other private actors such as banks, and credit card companies (including American Express and Visa). Their oversight systems allows USAID to track where purchases are made, and the type and quantity of foods purchased. The use of a voucher system is also different from an in-kind program because it reinforces and benefits local economies in new ways by creating demand for goods. Delivery costs are usually lower for such programs since the shipping, handling, storage and distribution of large amounts of commodities is not required.

The program inside Syria is predominantly a commodity based program but it is funded through grants to UN and NGO partners. Import constraints, concerns that the Syrian Government could block or tamper with U.S. goods, and fears that recipients or aid workers might face security threats if found using U.S. food has limited the use of U.S. commodities. Cost and appropriateness are also factors since canned goods and processed commodities make up part of the monthly family rations.

*Question 4.* Regarding cash-based assistance in Syria, where does the food being purchased actually come from? What are the top two commodities that this funding is buying?

*Answer.* In fiscal year (FY) 2014, USAID's Office of Food for Peace provided \$177.8 million of International Disaster Assistance (IDA) funding to the U.N. World Food Programme's (WFP) emergency operation inside Syria. Funding for this operation supports the regional procurement of commodities to provide a monthly food basket to conflict-affected people in Syria. The top two commodities purchased with USAID resources are rice and wheat flour. From 2014 through the present, WFP has purchased nearly 73,000 metric tons of rice from India and more than 34,000 metric tons of wheat flour from Turkey. WFP does not implement cash transfer programs inside Syria, and WFP has only implemented a very small food voucher pilot program inside Syria (less than .01% of the operation).

USAID provided \$272.5 million to WFP's regional operation providing food vouchers to Syrian refugees in Egypt, Iraq, Jordan, Lebanon, and Turkey in FY 2014. Refugees use electronic debit cards to purchase urgently needed food in local stores and markets, including rice, potatoes, oil, milk, meat/chicken, eggs, yoghurt, canned

goods and/or cheese. Given the high number of refugees, the developed market systems in the hosting countries, and that many refugees are not situated in camp settings, an electronic voucher system is the most efficient and effective way to distribute food assistance.

*Questions Submitted by Hon. Ralph Lee Abraham, a Representative in Congress from Louisiana*

*Question 1.* 1.A November 2014 internal audit (<http://documents.wfp.org/stellent/groups/public/documents/reports/wfp269800.pdf>) of World Food Program operations in Syria and neighboring countries reveals significant diversion of assistance through the WFP's cash and voucher process, which I understand is similar to USAID's LRP program. The audit also found flaws in the procurement process. Doesn't this internal report reveal the inherent flaw in voucher assistance over "in-kind" donations? As a key partner of WFP, is USAID worried that the mismanagement of cash vouchers by their partners will also expose you to the same fraud and abuse? Why does USAID believe the results of LRP will be any more successful in preventing encashment of vouchers? What specific processes will be in place to ensure a transparent and systematic approach to procurement? How could USAID effectively prevent fraud and abuse of vouchers with a substantial increase in flexibility if you and your partners can't effectively do so with your current allotment?

*Answer.* The World Food Programme (WFP) audit report makes no comparison between voucher assistance and in-kind donations and does not demonstrate that one is inherently better than the other. As pointed out in the Government Accountability Office and USAID Inspector General testimony before this Subcommittee in July 2015, the "right" modality depends on the context, and there is the potential for mismanagement if any modality is not carefully managed and monitored. Indeed, as was noted in that testimony, there are more recorded challenges to date relating to "in-kind" assistance. USAID takes the loss and diversion of assistance—no matter the modality—very seriously. The monitoring and evaluation of all programs is a high priority. With regard to the WFP regional audit for Syria, it is notable that WFP first detected the diversions of some of the program vouchers through its own monitoring system, which allowed it to take quick corrective action. The encashment was later noted by the internal audit, whose findings WFP made public. The audit, covering the period July 2013 through March of 2014, noted WFP offices had already "initiated a number of measures to mitigate the risk. These included increasing the number of shops and stronger monitoring." Both the monitoring and the audit process implemented by the partner are the kinds of measures that identify misuse and allow for rapid action to address weaknesses.

WFP and its partners conduct monthly monitoring of shops to ensure controls are in place and are being followed. In 2015, WFP is further enhancing monitoring capacity by recruiting additional WFP field monitors and increasing the number of third-party monitoring service providers. In addition, it is instituting an "iris scan" procedure at point-of-sale that will validate the card-holder is indeed the refugee intended to receive the food support.

With regard to encashment, the audit found that in some cases, households were making the difficult decision to feed their families less, "selling" some of their food to buy critical non-food items or meet other basic needs, like doctor expenses. This "encashment" of food assistance can also happen with in-kind food and is more often a reflection of the desperation of the recipients to meet household needs than anything nefarious. Over the past 17 months since the end of the period that audit covered, WFP refined its targeting and worked with other partners to ensure that the value of vouchers intended for food was used in this way.

The debit card approach used for Syrian refugees allows us to track exactly what foods are purchased and eliminates the need for logistics operations to buy, move, and warehouse food. The high risks for diversion of in-kind food are usually associated with transportation and warehousing of the food. An electronic system avoids these risks and in many ways is more secure than the large-scale movement of food.

*Question 2.* I understand that USAID representatives invited stakeholders from the agriculture community to meet with them just 1 day before the hearing and after what some of them described as three years of silence from the agency. During that particular meeting, several USAID representatives outlined a large payout planned for the U.S. Maritime Administration (MARAD) and part of the maritime industry that has so far been anything but transparent. It was indicated to the stakeholders that the deal will involve an annual Sec. 302(b) transfer of \$95 million from the Title II budget to the U.S. DOT to be merged with an additional \$34 million in transportation money to provide an additional \$1.5 million per vessel for those participating in the Maritime Security Program (currently about 60 vessels). In response, the maritime industry would not oppose USAID's requests for 45% ad-

ditional flexibility on top of the 20% authorized in the farm bill. Please verify whether this report has merit and explain why the agency has not brought the agriculture industry to the table for nearly 3 years. Do you anticipate the agriculture industry would remain a vital partner in your cause if the in-kind contribution is decreased from 80% to 35%? And how do you plan to further engage the industry and attempt to garner their support for this plan?

*Answer.* USAID has been engaging with the agricultural industry on increased flexibility in food assistance since 2013. Following the introduction of the first food aid reform proposal by the Administration, representatives from a variety of agricultural stakeholder groups met with former USAID Administrator Rajiv Shah to discuss the proposal and the need for increased choice in food assistance modalities. Since then, food aid reform has been a recurring topic at the biannual Food Aid Consultative Group (FACG) meetings, to which all agricultural stakeholders are invited. Several key commodity groups also sit on the executive committee of the FACG and help to determine the meeting's agenda. Additional outreach has also been done over the past several years to engage various agricultural groups in discussions on food aid reform, including attending and having an information booth on the Food for Peace (FFP) program at the National Farmers' Union Convention in 2014.

The specific meeting in question did take place on the day before the hearing; however the timing was unintentional as planning for this meeting with agricultural stakeholders had been in process for some time and a final date was set before a hearing date was determined.

During that meeting, details of a potential compromise between USAID and the maritime industry were shared and feedback from the agricultural groups present was requested. USAID asked for additional ideas from those present at the meeting to help further support additional food aid flexibility to meet growing and changing needs while also acknowledging the important role of the agricultural community in the FFP program. However, it is important to note that the potential compromise has not been finalized and no legislation has been introduced to codify any changes into law.

Food aid reform efforts continue to be focused on providing USAID with enough flexibility to always use the right tool at the right time to respond to food insecurity around the world. U.S. food is a lifesaving tool that USAID will continue to need as part of this evolving toolbox, and we believe that our partnership with the U.S. agriculture community will continue to be a critical part of our life-saving efforts around the globe. Our hope is that U.S. farmers will see the value USAID places on U.S. commodities within the Food for Peace program, as well as appreciate the other tools available to respond to food insecurity effectively and the benefits these modalities can play in helping farmers in developing countries become more self-sustaining.

After meeting with agricultural community stakeholders, USAID indicated a willingness to meet again to continue a discussion on the future of food assistance. We welcome and look forward to ongoing engagement and partnership with agriculture community stakeholders.

*Question Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota*

*Question.* Regarding negotiations with the maritime industry, NGOs and with agriculture commodity groups about an increase in the Maritime Security Program (MSP) subsidy, what is their involvement and who are they? Please provide exact names of the organizations and when you met with them.

*Answer.* Since 2013, USAID has had conversations with a broad array of stakeholders, including members of Congress, non-governmental organizations (NGOs), maritime and agriculture representatives, about enacting food aid reform to reach additional beneficiaries more efficiently with the same resources. Food aid reform conversations have also been part of USAID's Food Aid Consultative Group meetings that occur twice a year.

U.S. agriculture has always been and will continue to be a key partner in our efforts to feed the world's most hungry. Representatives from the agriculture sector who have been engaged in recent food aid reform discussions include:

- American Farm Bureau Federation
- American Peanut Council
- American Soybean Association
- Archer Daniels Midland
- Cargill
- Global Food and Nutrition, Inc.
- National Association of Wheat Growers

National Corn Growers Association  
 National Farmers Union  
 National Oilseed Processors Association  
 National Potato Council  
 National Sorghum Producers  
 North American Millers Association  
 U.S. Dry Beans Council  
 U.S. Rice Producers Association  
 U.S. Wheat Associates  
 USA Dry Pea and Lentils Association  
 USA Rice Federation

USAID met with a number of NGOs between November 2014 and July 2015 including but not limited to:

Alliance for Global Food Security representatives  
 American Jewish World Service  
 Bread for the World  
 CARE  
 Catholic Relief Services  
 InterAction and affiliated member organizations  
 Mercy Corps  
 Modernizing Foreign Assistance Network  
 ONE Campaign  
 Oxfam America  
 Save the Children  
 World Food Program USA  
 World Vision

USAID met with a number of maritime industry and labor representatives between January 2015 and June 2015 including but not limited to:

American Maritime Congress  
 American Maritime Officers Service  
 American President Line  
 Jones Walker  
 K+L Gates  
 Maersk Line Limited  
 Maersk, Inc.  
 Marine Engineers' Beneficial Association  
 Maritime Institute for Research and Industrial Development  
 Maritime Trades Department and Port Maritime Councils, AFL-CIO  
 Masters, Mates, and Pilots  
 Seafarers International Union  
 Squire Patton Boggs  
 Transportation Institute

We look forward to continuing this partnership as we seek the right mix of tools to respond most effectively to humanitarian crises. As the numbers of internally displaced persons and refugees grow and global humanitarian needs outpace limited resources, our ability to respond appropriately and efficiently has never been more critical.

