

**Testimony of Matthew Nims**  
**before the Senate Foreign Relations Committee**  
**Modernizing the FFP Program: Improving Program Logistics**  
**October 19, 2017**

Mr. Chairman and Members of the Committee:

My name is Matthew Nims, and I am the Acting Director of USAID's Office of Food for Peace, the world's largest provider of food assistance to the world's most vulnerable people. As the members of this committee well know, today we are facing unprecedented levels of global food insecurity.

The four conflict-zones of South Sudan, Somalia, Nigeria and Yemen alone account for more than 20 million people at risk of severe hunger or starvation and all face a credible threat of famine. In recent months, the United States has announced more than \$1.5 billion in additional humanitarian assistance to these areas since May, including food assistance, bringing total U.S. humanitarian assistance to these countries to nearly \$3.1 billion in Fiscal Year 2017. This assistance has saved the lives of millions and helped to avert famine and contain other deadly diseases like cholera from spreading further.

Yet these four countries represent only a small part of global food insecurity today. According to the latest U.N. data, global hunger increased in 2017 for the first time in more than a decade, and food insecurity now affects 11 percent of the world's population. That's 815 million people going to bed hungry each night, or well over twice the population of the entire United States. Food for Peace provided lifesaving food assistance in about 50 countries in 2017.

In today's testimony, I will provide a brief overview of mainly the Title II account side of Food for Peace's programming and describe the process through which we procure and ship U.S. commodities and food assistance. I will then describe some of the challenges Food for Peace faces in maximizing the cost efficiency and logistical efficiency of our Title II programs. Finally, I will describe some of the opportunities we see to lower costs and increase our responsiveness.

**What is Food for Peace?**

For more than 60 years, Food for Peace has provided food assistance to vulnerable populations to save lives, reduce suffering, and support the early recovery of people affected by conflict and natural disasters. This remains our primary focus and more than three-fourths of our Title II resources go to emergency responses. Today we also prevent and respond to hunger and work to reduce malnutrition so that all people at all times have access to sufficient food for healthy and productive lives. Whenever possible, we address the underlying causes of hunger to reduce the need for future food assistance.

Alleviating global hunger represents the best of America's generosity and goodwill. It is also critical to national security: where hunger persists, instability grows. By supporting the world's most vulnerable, Food for Peace is building a more stable world and ensuring people have the chance to lead productive lives. U.S. food assistance delivers a sign of hope and comfort to

people suffering all manner of hardship overseas. The Administration also is also pressing for other donors to increase their share of global humanitarian responses.

## **Title II: How Food for Peace Procures and Ships U.S. Food Aid**

Food for Peace provides assistance primarily via two types of funding. Under Title II of the Food for Peace Act, we mainly purchase in-kind food aid in the form of U.S. commodities such as wheat, rice, sorghum, and certain specialty products to meet emergency food needs around the world. We also carry out development activities that address the root causes of food insecurity and malnutrition.

The increasing level of need globally forces us to continually look for ways we can improve the efficiency and effectiveness of our programs. In our experience, we see a number of areas where improvements could be made to improve program logistics, notably around speed of commodity delivery and cost savings on shipments. At Food for Peace, greater speed means saving more lives and greater cost effectiveness means making the most efficient use of U.S. taxpayer dollars.

A critical component of Food for Peace funding comes from the International Disaster Assistance, or IDA. These funds can be used for emergency food interventions such as local and regional procurement of commodities, cash transfers for food, or food vouchers. They have provided Food for Peace programs with the ability to move quickly, adapt readily to conditions on the ground, and in many instances to increase the efficiency and effectiveness of food assistance, all of which are increasingly important as the share of our food aid provided in response to ongoing and evolving conflicts continues to grow.

For today's testimony, I will focus on Title II funds and the specific procedures for the procurement and shipment of commodities and areas where further improvements can be made.

To purchase and deliver U.S. commodities to foreign shores using Title II funds, Food for Peace works closely with two types of partners: Private Voluntary Organizations (PVOs) such as Catholic Relief Services, and International Organizations (IOs) such as the U.N. World Food Program.

Once we assess and determine the need for an in-kind food assistance program, we work with our implementing partners to help them choose from a list of eligible U.S. agricultural commodities, based on local assessments of markets and needs. We help our partners identify the types and amounts of U.S. commodities required as well as a schedule for delivery. Once approved by Food for Peace, they place an order, or "call forward," for commodities. USDA then issues a tender to U.S. producers, evaluates the resulting offers and ultimately purchases the commodities on the open market.

After commodities are procured, we work closely with our implementing partners, using a tender process, to arrange for the cargo to be shipped from the U.S. port to the recipient country. Upon arrival, the food is used in various ways, and always for the people most vulnerable to the effects of hunger: children under age five, pregnant and lactating women, the elderly, and other vulnerable populations.

## **The impacts of Cargo Preference on Food for Peace U.S. In-Kind Food Aid Programs**

The shipment of commodities overseas is a critical step in the Title II process. The Cargo Preference Act (CPA) (46 USC 55305) requires that at least 50 percent of the gross tonnage of U.S. Government-financed cargoes transported on ocean vessels must be transported on U.S.-flagged, privately owned commercial vessels, to the extent those vessels are both available and offered at fair and reasonable rates. While not in our agency's purview, it's our understanding that Cargo Preference is a policy intended to address the desire to have a U.S.-flag commercial fleet with enough vessels and qualified mariners to meet our military sealift requirements. As we discuss ways to improve the efficiency of the Food for Peace program, the Administration must balance the cost savings against the impact on national security.

There are a number of areas where Title II program logistics can be improved to save time and costs and more lives. Today the Committee has asked us to speak to just one of them, ocean transport logistical issues.

### **Ocean Transport: Areas for Improvement**

In today's challenging environment, Food for Peace faces many obstacles to improving the speed and cost-effectiveness of aid delivery. These obstacles run the gamut from political challenges, such as working in conflict countries, to technical challenges, such as ensuring the delivery of nutritious foods to the neediest individuals and communities.

This testimony focuses on just one subset of these challenges, which does not capture the entire universe of challenges we face in improving the effectiveness of our humanitarian responses: ensuring timely and cost effective ocean freight services for delivery of U.S. commodities to more than 50 countries, often in crisis situations. For example, in FY 2017, we did not receive a single offer from a U.S. flag vessel for over 253,620 metric tons. The reality is that measured by volume, the majority of food assistance shipped on U.S. flagged vessels is done so through only four ships, which can sometimes contribute to USAID's challenges to respond, particularly in emergencies.

Another obstacle is a lack of regular direct shipping services to certain regions. Food for Peace destinations and U.S. flag vessel routes are not always well-matched, as regular U.S. flag services do not exist to most of our destination ports directly, which requires that USAID rely on a hub and spoke system to deliver our food aid.

Finally, there is the matter of cost. Food for Peace pays substantially more per metric ton for U.S.-flag vessels compared to foreign-flag vessels. This cost differential has significant impacts on programs, in particular for humanitarian operations already struggling to keep pace with unprecedented levels of global hunger. Cargo preference requirements mean that we pay millions more for ocean freight out of the annual Food for Peace program budget.

In FY 2017, we made a number of food shipments to Ethiopia on U.S. flag vessels, at an average cost of \$100 per metric ton. Towards the end of the Fiscal Year, however, we were informed that prices had gone up to \$135/MT, though there had not been any significant market changes. We had no choice but to accept the offer, given the incredible need in Ethiopia, but it cost an additional two million in U.S. taxpayer dollars.

### **Conclusion: An All-of-the Above Approach**

Our primary concern at Food for Peace is to deliver on our mission: to save lives, to relieve suffering and to reach people in need - not only with food - but with compassion and hope from the American people. Our secondary concern is to constantly improve our performance to ensure we reach as many people as possible and to ensure we make cost-effective use of American tax dollars.

Never before has Food for Peace faced a greater challenge in our efforts to reach so many people facing crisis in so many countries. We are committed to continually pushing ourselves and all of our partners to find the fastest and most cost-effective ways to reach those people in greatest need of American assistance.

I thank you for the opportunity to testify before you today and look forward to your questions.