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**Testimony before the Senate Foreign Relations Committee
“American Food Aid: Why Reform Matters”**

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Chairman Corker, Senator Cardin, members of the committee, thank you for the invitation to testify here today and for the opportunity to present CARE’s perspectives and experiences on international food aid reform. My name is David Ray, and I serve as the Vice President for Policy and Advocacy at CARE USA, a humanitarian organization that fights poverty and its causes around the world.

Ensuring that our nation’s international food aid programs achieve success at reducing hunger around the world is a critical challenge for all of us, and CARE shares your commitment to combating hunger by providing effective and accountable programming wherever it is needed.

CARE traces its roots back to 1945, when 22 American organizations combined forces to rush emergency food rations in the form of 'CARE Packages' to the starving survivors of World War II in Europe. Since that time, CARE’s work has evolved and now stretches across 90 countries, reaching more than 72 million people. In 2014, CARE’s humanitarian projects supported more than 2.6 million people’s access to quality food and improved nutritional well-being in 37 countries prone to or affected by conflict and disasters.

Food Aid Reform and CARE’s Story:

CARE’s mission is to provide lasting, equitable, and sustainable development, which is guided by the needs and participation of the communities we serve. It’s these principles, along with our nearly 70 years of experience, which inform our advocacy on international food aid reform and our implementation of food aid programs.

CARE has been a proud partner of the Food for Peace program for 60 years – a program with the explicit goal of combating world hunger and malnutrition and their causes, and promoting broad-based, equitable and sustainable development. CARE’s work, together with the U.S. government and implementing partners, has helped to save countless lives, and protect and improve the health and well-being of millions of people living on the edge of disaster.

While CARE is proud of its partnership in implementing U.S. food aid, even great programs can be made better. CARE has been a long-time champion of reforming Title II funding to make it more flexible, so that programs can be more efficient and more people can be reached at no extra cost. Our experience has

shown that taxpayer dollars for emergency and non-emergency U.S. food aid have the potential to go even further and to be even more effective.

We believe in effective and efficient food aid so strongly, that we put it ahead of our pocketbook. In 2006, CARE made the decision to voluntarily be the first, and only, NGO to end the practice of open-market monetization – a decision that cost CARE at least \$45 million in federal funding every year. For those who are unfamiliar, open-market monetization is the practice of purchasing commodities here in the United States, shipping those commodities overseas, and then selling them – often at a loss – in order to generate funds for development programs. While the work of the resulting programs can be helpful, monetization is an inefficient practice. A GAO report estimated that monetization results in an average loss of 30 cents on the dollar.

Beyond being far less efficient than the logical alternative of simply providing cash to fund food security programs, open-market monetization is fraught with risk including the destabilization of local markets by flooding them with low priced U.S. commodities. It was this potential to undermine the very small-scale farmers and communities that we are aiming serve, along with the need to stretch every dollar, which prompted CARE to transition away from open-market monetization. As of 2009, CARE no longer participates in, or takes any proceeds from, open-market monetization. Currently, CARE confines its use of monetized food aid to state-sponsored relief program in Bangladesh that has a guaranteed return rate and involves targeted distribution in conjunction with the host government.

Since stepping away from open-market monetization, CARE has called for an end to the legal requirement to monetize and we continue to push to make U.S. food aid programs more flexible, effective, and efficient.

Simply put, decades of experience has shown us that sending U.S. food is *sometimes* the appropriate thing to do, and sometimes it is not. Shipping food from the United States to developing countries is slow, expensive, and sometimes unpredictable. The cost of using U.S. commodities has shown to be significantly higher, in many cases 30-50 percent higher, than alternative untied food aid purchased locally or regionally, and it can take as much as three times longer to get food to the people who need it most. CARE has seen the evidence showing that when U.S. commodities suffer untimely deliveries or are poorly targeted, it can have unintended, and sometimes harmful, economic consequences.

Moreover, U.S. commodities are often simply not enough to effectively address acute and chronic hunger. Practitioners need flexibility in food aid funding so that they can use a variety of tools to provide appropriate emergency and non-emergency responses that contribute to recovery, enhanced resilience and long-term development. For CARE, its partners, and other food aid actors, flexibility means having the option to use the right tools – whether it is cash transfers, vouchers, local/regional purchase, and/or efficiently transported U.S. commodities.

Decisions about whether to distribute vouchers, to local or regionally purchase food, or to use food secured in the United States should be based on three factors: (1) Local market conditions, (2) the local

or regional availability of food in sufficient quantities and (3) the quality of that local food to meet local needs. Where markets work well, and food is locally available, cash transfers or vouchers are generally the most efficient. When food is locally available but markets do not function well, direct distribution of local or regionally purchased food is likely to be the most appropriate option, and where food is not locally or regionally available in sufficient quantity and quality, shipping food may be called for. If malnutrition is a critical issue, and foods available on the local market are not adequate to meeting nutrition needs, foods may need to be imported. In other instances a mix of these responses may be required.

Our point is this: regulations governing U.S. food aid programs, with few exceptions, tie organizations like CARE to using one tool: U.S. commodities. It's like telling a carpenter, "Here's your tool box but you can only use your screwdriver to build my house."

Kore Lavi: An example of flexibility

Recently, incremental food aid reforms in the 2014 Farm bill took a step in the right direction by providing some increased flexibility in Title II funding. These reforms have been leveraged with the cash-based Community Development Fund and the Emergency Food Security Program – both of which are outside of the Title II programming and funded through the State-Foreign Operations Appropriations bill. As a result of this leveraging, we are beginning to show what more untied food aid funding can do.

Using limited flexible funding available out of the Community Development Fund and leveraging U.S. commodities provided through Title II non-emergency support, CARE is currently working to establish a country-led assistance program with the use of vouchers Haiti.

As you know, the levels of poverty and food insecurity in Haiti have been long standing, and were only intensified by the devastating 2010 earthquake. Currently, 60% of the Haitian population lives on less than \$1.25 a day. CARE's program, called Kore Lavi (which translates to "Life Support"), is targeting the poorest 10% of the Haitian population living below the \$1.25 a day poverty line. This program seeks to build the capacity of the Haitian government and local markets in order to help support the most vulnerable and chronically malnourished members of the community.

Kore Lavi program is providing them with a mix electronic vouchers to buy locally produced staple foods and paper vouchers for the weekly purchase of fresh foods. Kore Lavi – as with all of CARE's voucher or cash transfer programs - was designed and is being implemented with strict commitment to oversight, accountability, and country ownership principles so that sustainable systems can be put in place. In addition, there is visible USAID branding throughout the program, so that participants know where this assistance came from.

One the most important points of effectiveness and account ability in project design comes with the practice of identifying who needs services the most and who can participate in the program. CARE, along with a consortium of partners, has worked with the Haitian Ministry of Social Affairs to set-up, populate,

update, and run a database system of eligible participants, who were identified through an on-the-ground census that was executed by CARE and its partners. Both the composition of the food that the vouchers can redeem, along with their overall value (\$25 USD, which covers approximately 30% of monthly dietary needs) was also decided in conjunction with the Haitian government and in consideration of local market capacities.

The identified eligible participants were then provided hologram-imprinted identification cards complete with their thumb print, picture, and a unique identification number. This card can be taken to a participating vendor, often located in remote areas, on a monthly basis in order to receive their choice of a mix of six locally-produced staple foods (corn, rice, millet beans, wheat, lentils, oil). There are strict vendor-limitations to only sell locally-produced staple foods in order to rebuild market demand and support local agricultural production. Staple food vendors use mobile phones to access the participant database to verify the recipient, and to report what locally-produced staple foods were provided. Once the transaction is verified, the vendor can redeem their payment through their formal bank account – a practice which is also helping to build up the Haitian financial system.

A similar system is also used by participants for the purchase of fresh foods at local markets through the use of time-limited and color-coded paper vouchers can be used throughout the month. Small-scale vendors of fresh foods, who are often women, are identified as a Kore Lavi vendor with a wide-brimmed hat and a branded ID badge (the hat enables illiterate consumers to identify these vendors). Because these small-scale vendors often do not have mobile phones or bank accounts, CARE has partnered with local microfinance institutions to provide same day vendor payment for the used paper vouchers – thus allowing for these small-scale vendors to meet their own food needs. Since CARE believes that accountability should run both ways, there are in-person reporting stations at each market for participants and vendors to report complaints and have their questions answered.

In addition to the electronic and paper vouchers, a special focus has been put on identifying and reaching vulnerable pregnant and lactating women, and children under the age of two who are in the critical 1,000 days window. These women and children are also eligible to receive additional rations of fortified U.S. commodities to help ensure their nutritional needs are met while still enabling them to access local, fresh foods.

Kore Lavi is now in its second year, and so far the program has reached approximately 125,000 chronically hungry individuals and has partnered with 387 vendors. Some program participants have accumulated savings with the money they are not forced to spend on inadequate amounts of food thanks to the vouchers. As of now, this collective savings amounts to approximately \$500,000 through 20 or 50 cent deposits, with the top two savings expenditures going to pay for school and medical fees. In short, Kore Lavi supports participants' food security, allows them to participate in a formal market, save their scarce resources, and exercise their sense of dignity by being able to make their own food choices. In turn, local farmers are able to receive a fair price for their products, participate in a stronger market, and meet the needs of their community.

As mentioned, the participant database developed by Kore Lavi is in the process of being transitioned over to the Haitian government, in order to build capacity to maintain and update the database in the future. The end goal of the program is to transition the whole process over to the Haitian government. Because Kore Lavi was designed and is being implemented in conjunction with the Haitian government, the program is laying the groundwork for a sustainable country-led assistance program that can be country-run in the future.

Kore Lavi is the type of work than can be done with funding flexibility food aid funding – work that not only addresses immediate needs, but builds a brighter future. And, this why CARE would like to see more flexibility baked into Title II funding, instead of having to patch together small-scale solutions due to the constraints of tied aid.

Conclusion:

Kore Lavi is just *one* example of the type of programming that could be scaled-up, replicated or expanded with untied, flexible food aid funding. By taking advantage of the small amount of flexible funding currently available, Kore Lavi does not rely on monetization, therefore allowing CARE to support local businesses and ensure that taxpayer dollars are stretched as far as possible.¹

While Kore Lavi uses a mix of vouchers and in-kind commodities, there are circumstances when a voucher-only approach is appropriate, and there are times when U.S. commodities are needed. In instances like South Sudan, where markets are broken and local/regional food is not available, in-kind food aid is valuable when it arrives on time and reaches the people who need it most. This is also the case for programs like Kore Lavi, where locally produced fortified foods are not available but badly needed for pregnant and lactating women. But, U.S. commodities are just one type of blunt instrument – an instrument that is not always appropriate and should not continue to be the required method of response for Title II emergency and non-emergency programs.

In conclusion, although current law provides authority for limited cash assistance, CARE recommends that Congress increase the amount of flexible cash assistance provided within Title II programs and consider new strategies on how best to make those resources available. Not only would this substantially improve the cost-effectiveness of both emergency and non-emergency programs, it would also result in more people being reached, more lives being saved, and more sustainable solutions to hunger and poverty.

Mr. Chairman, members of the Committee, I thank you for your time and I look forward to answering your questions.

¹ The Haitian Government specifically requested no monetization for this program. This request was consistent with findings of a Bellmon Analysis study, which also indicated that food aid monetization would be very problematic within the local economy. Therefore, CARE would have been unable to implement programs to address food security without use of limited flexible funding that is leveraged outside of Title II, through the Community Development Fund.