

MODERNIZING THE FOOD FOR PEACE PROGRAM

HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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MODERNIZING THE FOOD FOR PEACE PROGRAM

THURSDAY, OCTOBER 19, 2017

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:33 a.m., in Room SD-419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Johnson, Gardner, Young, Isakson, Cardin, Shaheen, Coons, Murphy, Kaine, Markey, Merkley, and Booker.

OPENING STATEMENT OF HON. BOB CORKER, U.S. SENATOR FROM TENNESSEE

The CHAIRMAN. The Foreign Relations Committee will come to order.

We are currently facing a historic humanitarian crisis with over 800 million people worldwide who are in need of food aid. The United States continues to be the world leader in providing more than a third of all emergency food aid, over \$2 billion annually.

Sadly, despite our generosity, there are shortfalls from what is needed due to other donor nations not fully meeting the challenge. In next year's farm bill deliberations, we have an opportunity to do more without having to spend more money.

A little over half of our food aid is provided through the farm bill, saddling our Food for Peace program with U.S. commodity and cargo preference requirements. The farm bill requires aid to be sourced almost entirely from U.S. farmers, half of which must be shipped on U.S.-flagged vessels, according to cargo preference rules.

These restrictions result in spending as little as \$0.35 to \$0.40 on the dollar on food. Let me say this one more time. Because of these utterly ridiculous requirements, only \$0.35 to \$0.40 of each dollar is actually used to provide food to people who are starving.

If we relax the commodity preference to match the needs overseas, the overhead costs would drop dramatically. U.S. farmers would still play a vital role in the program, and we would free up over \$300 million in taxes to be used to feed up to 9.5 million more starving people each year.

One of the major obstacles to modernizing Food for Peace are those who continue to support and profit from cargo preference rules. Representatives of the shipping industry claim that food aid has a significant impact on U.S. maritime jobs and our military

sealift capacity to move defense materials overseas. I have asked our witnesses—we have two panels today—to provide the committee with facts, analysis, and sound research to determine whether this is true.

For example, the industry argues that 40 ships and 2,000 mariners needed for military sealift are at stake should we reduce the amount of food aid we ship from the U.S. A simple review of USAID data shows that, in 2016, only five U.S.-flagged ships out of a fleet of 175 arguably rely on food aid shipments to stay afloat—let me say this—only one of which is even capable of carrying military cargo—one.

Some have even questioned why we have cargo preference at all, since there is little supporting evidence that the requirement effectively secures naval sealift capacity. For example, the vast majority of food aid is moved on ships incapable of moving military cargoes. And the ones that can already receive a \$5 million a year subsidy.

According to Navy officials briefing our committee earlier this year, we maintain a Strategic Sealift Officer Program that can meet virtually all of our mariner sealift mobilization requirements.

We also cannot forget the human toll of commodity and cargo preferences with million—millions—of people who go hungry each year unnecessarily because of these two ridiculous requirements that Congress places on food aid.

One of our witnesses, Dr. Barrett of Cornell University, will testify later that research suggests at least 40,000 children die annually who would otherwise be saved if we reformed this system.

There are few areas in government where we can have more impact on lives without additional resources than by modernizing the Food for Peace program.

I urge all of my colleagues today to listen to today's testimony and work with us to make common-sense changes in food aid that are long overdue.

Let me just say this. I spoke to the Tennessee Farm Bureau. Each State has one. The audience was aghast—was aghast—at the fact that, here in Washington, those people who “represent them” with 0.1 percent of all U.S. ag exports going to this—not 1 percent; 0.1 percent—they were aghast at the fact that Congress had people up here in the name of protecting them—these are good people who care about their communities; they care about people around the world—they were aghast at the fact that Congress had these ridiculous requirements in place and that people are starving because of these ridiculous requirements when their goal is to feed America and to feed the world.

With that, Ranking Member Cardin?

**STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Mr. Chairman, first, thank you for conducting this hearing. I think every member of this committee very much admires your passion on this issue and your leadership on this issue so that America can more effectively deal with world hunger issues. We are proud to be part of your team to figure out a better way to get this done.

I think we need to understand the dimensions of this problem. I do not think any of us have experienced the real fear of hunger. Maybe because of our schedules, we might miss a meal, but we do not understand what 815 million people globally face, which is a real fear of whether they will be able to get the nutrition they need in order, literally, to survive.

Our world produces enough to feed all of its inhabitants. However, as we sit here, over 20 million people in four countries alone—just four countries, South Sudan, Nigeria, Somalia, and Yemen—are threatened by famine. A declaration of famine, as is the case in South Sudan, means people, especially women and children, are dying of hunger—dying of hunger.

The U.N. has called this the largest humanitarian crisis since 1945. The chairman is right. This is an urgent issue, and it needs to be dealt with.

Mr. Chairman, I appreciate that you and Senator Coons recently traveled to some of these countries to learn how the U.S. can best help those in need and are working on legislation to modernize or reform the food aid programs. You have gone there, and they are not easy places to get to. We appreciate very much your taking the time to better understand by seeing the circumstances on the ground.

I agree with you that our values as Americans and our place as leaders in the global community mean the United States must commit to improving how the world is tackling this crisis. That means taking a close and honest look at how our policies toward food aid and improving global food security can be most impactful. And it means ensuring adequate funding for these programs.

Adequate funding is important. Yes, you can reform, and you can get better use of our funds, but it does require that we put up the resources.

For more than 60 years, the United States has played a leading role in tackling hunger. We are still by far the world's largest food aid donor. In cases of disaster, natural or manmade, the American people are the most generous in the world.

As we look to modernize the food aid programs, we should not only look at the shipping requirements but also address issues related to pre-positioning food aid in the region, concerns about monetization practices, options for increasing cash-based options, and support local and regional purchasing programs.

We also should be sure to adequately fund our food security efforts that invest in local agricultural markets, such as Feed the Future, which helps mitigate the need for emergency food aid by creating resiliency and helps foster healthier, thriving communities. Our agriculture development programs require adequate funding.

And as we embark on this effort to reform our food aid program, I want to point out that there will always be a place for food grown in the United States to be shipped abroad. Sometimes, it is simply not possible to buy enough to address the needs in the local markets. Our focus today should be on giving aid-distributing organizations on the ground the flexibility to use the best methods for each situation. With a tailored approach aimed at providing as much choice as possible, we can feed more people and save more lives.

I do look forward to all of our witnesses, but I want to particularly acknowledge Bill O’Keefe who is here, the vice president for government relations for the Catholic Relief Services. We take particular pride because of Catholic Relief Services’ presence in Baltimore. We admire greatly the work that they do globally and are glad to have him on our second panel.

The CHAIRMAN. Thank you very much. I saw Bill earlier this morning and our other witnesses on the second panel.

Thank you for your comments.

Our first witness is the acting director of the Office of Food for Peace at USAID, Matthew Nims. Director Nims manages both of our international food assistance programs, the reformed Emergency Food Security Program we authorized last Congress and the unreformed Food for Peace program as authorized in the farm bill.

We thank you for being here. I know you understand that you can summarize your comments in about 5 minutes. Any written materials you have, without objection, will be entered into the record. If you would begin, we would appreciate it.

Again, thank you for being here, and thank you for your service to our country.

STATEMENT OF MATTHEW NIMS, ACTING DIRECTOR, OFFICE OF FOOD FOR PEACE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. NIMS. Chairman Corker, Ranking Member Cardin, and members of the committee, thank you for the invitation to come speak with you today about how to increase the cost-effectiveness and agility of the Food for Peace program. We are grateful for your support to humanitarian efforts at this critical moment in history.

As the committee members know, we are facing unprecedented levels of global food insecurity. Echoing some of the comments in the opening statement of Ranking Member Cardin, in conflict zones of South Sudan, Somalia, Nigeria, and Yemen alone, more than 20 million people are at risk of severe hunger or starvation.

The United States has provided life-saving humanitarian assistance, helping to stem malnutrition, avert famine, and contain deadly diseases like cholera. Yet, these four countries represent only a small part of the global food insecurity.

Global hunger increased in 2017 for the first time in more than a decade. And food insecurity now affects 11 percent of the world population. That is 815 million people going to bed hungry each night, or more than twice the population of the United States.

In response to this great need, the Office of Food for Peace has provided life-saving food assistance to people in need in about 50 countries this year. Providing food assistance to the world’s most vulnerable people reflects America’s compassion and generosity. It is also critical to our national security. Where hunger persists, instability grows. U.S. food assistance in all of its forms contributes to a more stable world where people have a chance to lead healthy, productive lives.

Given these global challenges and the need for us to improve the cost-effectiveness and efficiency of Food for Peace programs, logistics are incredibly important. Today, I will focus on one challenge

to improving efficiency: how we procure and ship U.S. commodities through the Title II program.

Under Title II of the Food for Peace Act, we receive funds to purchase U.S. commodities such as wheat, rice, and sorghum, and certain specialty nutritional products, to meet emergency food needs. Working closely with our partners, such as Catholic Relief Services and the U.N. World Food Program, we identify when and where U.S. commodities are needed, and we arrange for these commodities to be shipped from U.S. ports to their destination.

Upon arrival, the food is distributed in various ways, always prioritizing the most vulnerable, usually children under five, pregnant and lactating women, the elderly, and other vulnerable populations.

The shipment of commodities overseas is a critical step in the Title II process. The Cargo Preference Act requires that at least 50 percent of the gross tonnage of the U.S.-financed ocean cargoes be transported on U.S.-flagged, privately owned commercial vessels, to the extent those vessels are available at fair and reasonable rates.

However, in many cases, Food for Peace has found the U.S.-flagged fleet is not always available to provide the services needed. For example, in fiscal year 2017, we did not receive a single offer from U.S.-flagged vessels on over 250,000 metric tons of commodities that we offered.

The majority of our bulk cargoes is carried by only four U.S.-flagged ships, which can contribute to USAID's challenges to respond in emergencies.

Another obstacle is the lack of direct shipping services to certain regions. Food for Peace destinations and U.S.-flagged vessel routes are not always well-matched. Regular U.S.-flagged services do not exist to most of our destinations most directly, particularly in Western and Southern Africa, which requires USAID rely on a hub-and-spoke system to deliver our U.S. in-kind food aid.

Finally, there is the matter of cost. In fiscal year 2016, it cost Food for Peace substantially more per metric ton for U.S.-flagged vessels compared to foreign-flagged vessels. This cost differential has significant impacts on programs, in particular for humanitarian operations like ours already struggling to keep pace with the unprecedented levels of global hunger.

Cargo preference requirements mean that we pay millions more for ocean freight out of the Food for Peace program budget each year. Now more than ever, every dollar counts. Our primary concern at Food for Peace is to save lives, relieve suffering, and reach people in need. To do this the best we can, we are constantly looking to improve our performance to reach as many people as possible and to ensure we make the most cost-effective use of American tax dollars.

Thank you again for your invitation here today, and I am happy to take your questions.

[Mr. Nims's prepared statement follows:]

PREPARED STATEMENT OF MATTHEW NIMS

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 life-saving 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.

The CHAIRMAN. Thank you. I typically do not ask questions first. I am today. I will try to be brief.

The maritime industry claims that 40 U.S.-flagged ships rely upon food aid shipments in order to stay in business and provide our military with sealift capacity. But according to your data from last year, I just want to reiterate some of the things that you were saying, five ships carried 66 percent of all food aid on U.S.-flagged ships under the cargo preference law that you are, unfortunately, having to adhere to. The rest of such food aid was spread amongst 19 ships. So that is just 24 total ships with only five that rely, arguably, on food aid to stay afloat.

Is it typical for such a small concentration of U.S.-flagged vessels to carry such a large percentage of U.S. food aid?

Mr. NIMS. Thank you for that question, Senator.

In the last 2 years especially, that has been the norm, where a very small number of ships carry the majority of our bulk cargo. To be clear, in 2016, we had five ships that carried the majority of that. In the middle of the year, one of those ships was scrapped by industry, so it has become four ships that carry over 60 percent of our bulk cargo.

The CHAIRMAN. And why is that the case? Because we are having to rely on U.S.-flagged ships, there is a concentration in these two companies, if you will, on these ships; is that correct? And there are just two companies that provide those four ships?

Mr. NIMS. Those four ships are owned by two companies. They do have the appropriate ships to carry U.S. cargo, and we are not receiving other offers from other shipping lines available.

The CHAIRMAN. If they were not U.S.-flagged, would you receive other offers, do you think, from other companies?

Mr. NIMS. Most assuredly yes. Just to put it in perspective, we had 26 ships that we used for U.S.-flagged. We had over 90 ships that were foreign-flagged.

The CHAIRMAN. Of the five U.S.-flagged, or four, with one being scrapped, how many are even capable of providing sealift capacity for military cargo?

Mr. NIMS. I would defer that question to my military colleagues, as far as what is militarily useful or not. I will say that what is useful and has proven useful for Title II bulk shipments are the bulk carriers.

The CHAIRMAN. Let me answer it for you. It is one. [Laughter.]

The CHAIRMAN. How much more does it cost you to ship on U.S.-flagged vessels than foreign-flagged vessels?

Mr. NIMS. Using 2016 to give you that answer, we paid, on average per ton, \$135 per metric ton for U.S. ships. On foreign-flagged ships, we paid, on average, \$65 per ton.

The CHAIRMAN. I think I will stop. I cannot imagine why we cause people around the world to starve to support two companies based in New York. Somebody else may have a rational reason for that, but I will defer to the ranking member.

Senator CARDIN. Mr. Nims, I want to go into the areas of reform that we had in the 2014 farm bill that allowed additional flexibility in regard to in-kind and cash-based food aid, and allowed the use of the USAID International Disaster Assistance accounts for Emergency Food Security Programs. Could you comment as to those changes, and how they have impacted our ability to respond to global needs?

Mr. NIMS. Thank you for the question, Senator.

The addition of the International Disaster Assistance funds to Food for Peace has been instrumental for us to combat food insecurity around the world. There are several areas where in-kind U.S. food assistance is not the appropriate tool to use to fulfill our mission. Primary amongst those would be Syria. Both inside and outside Syria, in-kind Title II food assistance would not have an impact that our voucher and cash-based assistance have allowed us to have.

In addition, the International Disaster Assistance (IDA) is also helping us to lead innovation. For example, for voucher programs that we have set up outside of Syria, we have developed retinal scans to ensure that the people we have identified are those people who are receiving those food vouchers.

In addition, it has allowed us to buy food locally and even regionally to be able to respond on a much quicker basis. In an emergency, being able to move the appropriate commodity to the place in a small amount of time is crucial to save lives. IDA has given us that flexibility to do exactly that.

Senator CARDIN. Our ultimate goal is to have resiliency: self-sustaining countries with their own food supply. Can you tell us, the flexibilities that you had, the use of these funds, are they being targeted so that we do aim to achieve resiliency so that the local communities can, in fact, one day be able to handle their own food needs?

Mr. NIMS. Thank you for that question as well.

Most definitely yes. When we use the IDA funds, we do a market-based assessment to ensure that the markets there are able to support this. Sometimes, by incentivizing the market, we are actually allowing the area affected by this crisis to more quickly recover. So in a sense, instead of bringing in food where it is inappropriate, and having a negative market impact, we are actually incentivizing the market either through local procurement or a voucher-type program.

So most definitely, the IDA gives us the flexibility, where it is appropriate. And our teams do the studies to ensure that this is the case. Where appropriate, we are actually strengthening the market, getting that group back on their feet more quickly.

Senator CARDIN. I think I understand why we do monetization, that this is a source of funds, and you cannot get the funds unless you use this method. It seems terribly inefficient to ship food overseas, sell it, in order to get money for the programs that you need. Isn't there a better way?

Mr. NIMS. Monetization is part of the farm bill at this time, and the farm bill stipulates that we monetize 15 percent to do monetization. It has been a way to generate those crucial funds, as you have said. We are losing, on average, \$0.75 on the dollar, if not

more, when we have done traditional monetization programs in the past.

Right now, we have one program in Bangladesh that fulfills our requirement, and that is not the most efficient way to generate the funds necessary to support those development programs.

Senator CARDIN. I understand the requirements, and I understand the third parties' needs for funds, and this is one of the ways they can get funds, but I think you have answered my question. This is not the most efficient way to be able to get resources to deal with the problem.

Mr. NIMS. This is not the most efficient way to do that, yes. And I am hopeful that, as we go forward, we can develop new ways or more efficient ways to provide that necessary cash to support the program.

Senator CARDIN. Thank you, Mr. Chairman.

The CHAIRMAN. I am going to use your remaining 39 seconds to embellish and just say, look, we in our own country have issues with China dumping steel or dumping panels or whatever. I mean, it is a big issue to us. With our program, where we would like for USAID to help countries be self-sustainable—that is our goal, over time, for these countries, through our programs. We take our commodities, ship them overseas, lose \$0.75 on the dollar, and then sell them at submarket prices in the market and destabilize the very farmers in those areas that we are hoping, over time, are going to build the capacity to feed their own people. It is the most idiotic requirement one could possibly come up with.

Again, the entire program is 0.1 percent of what our whole U.S. ag output is, meaning it has no effect on our agriculture community.

So anyway, thank you.

Senator CARDIN. Reserving my 7 seconds—[Laughter.]

Senator CARDIN. You are absolutely right, if we appropriated money so that they had the money that way. This is done, I think, because of local agricultural interests, but it is also supported by the third-party groups because it is a source of funds they otherwise could not get.

The CHAIRMAN. We would need to make sure this is appropriated in another part, and allow you and others to carry this out. I agree with that 100 percent. It is really an issue of staffers, Ag staffers, let's face it, keeping under their wing additional dollars—okay?—that the ag community does not even want them to keep.

But anyway, Senator Young?

Senator YOUNG. Thank you, Chairman.

Mr. Nims, good to see you again. You testified before my subcommittee on July 18, and I was grateful for that. I would like to follow up with you and request an update on the situation in Yemen, specifically the humanitarian crisis there and the number of people who are food insecure and subject to the cholera epidemic. Could you kindly provide a quick summary of that?

Mr. NIMS. Thank you, Senator, for your question. Yes, Yemen still represents one of the largest humanitarian crises that we have in terms of numbers. An estimated 17 million people out of a population of 27 million are food insecure at this time, 7 million of those

completely dependent upon humanitarian assistance for their survival at this time.

Since last time we spoke, the cholera epidemic continues. We have over 770 documented cases from the World Health Organization, with over 2,000 deaths, mostly in elderly and children.

Senator YOUNG. In our subcommittee hearing, you identified the port of Hodeidah as the most critical port of entry for humanitarian supplies to help mitigate and alleviate some of the suffering that is occurring in that country. Can you explain the importance of that port to relief efforts, and how the delivery of USAID funded cranes would facilitate delivery of food and medicine through the port?

Mr. NIMS. So I definitely affirmed that the port of Hodeidah is the principal lifeline for humanitarian operations, as well as commercial activities. Yemen is dependent upon 90 percent exports to receive its food, so it is crucial in how this goes forward.

You are correct that USAID did sponsor and fund the purchase of four cranes on behalf of the World Food Program to improve port operations. Those cranes remain in Saudi Arabia in a warehouse there. They were denied entry by the coalition of forces, at this time.

USAID maintains that the addition of these cranes to port operations would greatly improve the throughput of that port to allow additional humanitarian as well as commercial cargo to more quickly move through the port and have an impact on the situation.

Senator YOUNG. You mentioned Saudi Arabia. I think you meant to say that the cranes were in Dubai.

Mr. NIMS. Correct. Thank you, Senator.

Senator YOUNG. Since you mentioned Saudi Arabia, I will move on to that.

On June 27, the World Food Program sent a letter to the Saudi Government asking for permission to try to deliver the cranes, which were turned back by the Saudi-led coalition some time ago. The content of that letter was, again, seeking permission to deliver those cranes to the port of Hodeidah to expedite the delivery of this much-needed humanitarian assistance.

The argument that we keep hearing, which is consistently met with a compelling and persuasive counterargument, is that there is a large-scale diversion of humanitarian aid to Hodeidah. And in July, you said what other experts are saying. You said, "We have had no evidence of any large-scale or systematic humanitarian diversions occurring at the port at all."

Is that still accurate?

Mr. NIMS. Yes.

Senator YOUNG. And would you say the humanitarian access and the flow of humanitarian aid into Yemen continues to be a leading challenge, sir?

Mr. NIMS. Yes.

Senator YOUNG. Okay. Well, the participants in the conflict are seeking to control access to the beneficiary communities. It is something you have gone on record saying here today and before.

Before, you have indicated it is a tool for advancing their cause. I want to put that in layman's terms to make clear what you have

indicated. Have you said and are you saying today that the participants to the conflict in Yemen are deliberately restricting food or medicine to the vulnerable populations to advance their aims?

Mr. NIMS. Yes. Well, I have—yes.

Senator YOUNG. Are those political aims?

Mr. NIMS. Yes.

Senator YOUNG. Are those war aims?

Mr. NIMS. Yes.

Senator YOUNG. In USAID's assessment or your assessment, those participants included in that, would that be the Saudi-led coalition? It seems like a logical connection to what you earlier said and what you just said.

Mr. NIMS. Both sides are responsible for that situation.

Senator YOUNG. So it is your assessment that it includes the Saudi-led coalition?

Mr. NIMS. Correct.

Senator YOUNG. All right. Thank you.

So to be clear and to add some clarity to our discussions related to Yemen, Mr. Nims, you just testified saying, essentially, the Saudi-led coalition is using food as a weapon of war in Yemen. The Houthis are a large part of the problem, no doubt. But I, for one, believe we should use our partnership with the Saudis to bring this unacceptable practice to an end without delay.

Thank you.

The CHAIRMAN. Thank you, sir. You have mastered in this subject, no doubt, and we appreciate it very much.

Senator Coons?

Senator COONS. Thank you, Chairman Corker, Ranking Member Cardin. And thank you for this important hearing on an intolerable situation that is a requirement in statute that you, Mr. Nims, and many other dedicated professionals do your absolute best to execute on.

I am grateful for your service and for the fact that we, as a generous Nation, continue to try and meet the unbelievable challenge of 20 million people starving or at risk of starving across just four countries, and millions, millions more—you said about 800 million globally—going to bed hungry every night.

The American people are generous. We have the most productive farms in the world. And so, for decades, we have had a program that gives of our abundance to those who are in need around the world. But we do so in a strikingly inefficient way.

I was proud to have a chance to work with my good friend Senator Isakson and the chair and ranking and many others on the Global Food Security Act, which permanently authorized the Emergency Food Security Program, an important step in providing flexibility for delivering emergency food aid.

And as Senator Cardin reminded all of us, there will always be a role for U.S. commodities in response to crises, but we can and should work together to find ways in advance of this coming farm bill to remove some of these harmful restrictions and requirements that I think are so inefficient.

Earlier this year, Senator Corker and I visited the Bidi Bidi camp in northern Uganda. I was grateful for your joining us on

that trip. Both there and in South Sudan, I had a chance to visit sites where people depend on food aid for their existence.

Later in August, I traveled to northeast Nigeria where millions have been internally displaced, mostly by Boko Haram.

I was struck by an innovative program. This is an example from Save the Children, but I suspect is well-known to you. When we talk about a cash assistance program, we are not talking about sending out envelopes full of cash. We are talking about this. This is a card from a real specific individual in an IDP camp that allows her to go out and buy locally food that is appropriate for her and her children.

And it changes the relationship between this refugee camp and the community around it. It provides for stability in the local markets. It provides for a better relationship between the refugee community and the community that is hosting them. And it gives more control for individuals, for how they feed their children. And it, frankly, is much more traceable, transparent, and efficient.

So I would like to ask you a little bit more, if I could, about these so-called cash or voucher assistance programs, because I think they are dramatically more efficient than the average person might realize. When I first heard about changing from sending shiploads of American grain to sending cash, "I thought, well, that is not a very good idea." It turns out that is not at all what we are doing. We are mostly doing it through very sophisticated means, whether through cell phones or individual EBT cards or with retinal scans, so that we actually have a very good idea who is getting what money to what purpose.

Could you first speak to how USAID's experience with local and regional procurement has worked out so far? And what are the benefits and the difficulties to some of these innovative—I need a better word than "cash"—some of these innovative direct transfer food programs and how they help you respond to these food crises?

Mr. NIMS. Thank you for that question. And thank you for, again, inviting me on that trip.

What we are now calling these programs is market-based assistance, which means that our teams on the ground work very hard to understand the market conditions. To be clear, there are some places in the world where there are no markets, and where crises exist and where in-kind food assistance can still play a role.

On the local procurement side, we work very hard with our partners to identify those areas, those markets that exist, whether inside a country or in a region in different markets of Africa where we can buy the needed commodity that does not exist in a place where we need to go in a different location. Our partners have the ability to buy this food, adhering to the same sort of rules and governance of procurement that we would use in the United States to ensure that we get the right quality of food and good quality of food.

By doing that, the time saved is huge because the ocean leg is not there, combined with the market impacts, just as you said, in the community where we are working.

What we have developed over the years is to ensure that we are not having a negative impact, that we are increasing prices, or that we are buying the wrong commodity, or that we are somehow con-

tributing to an existing crisis that might be there. That takes really a lot of expertise of our partners, like the Catholic Relief Services as well as the World Food Program, to ensure that is happening.

On the local procurement, it has saved us both time and money, in becoming more effective as an agency in addressing these concerns.

On the other programs, the voucher programs, or the programs that allow a family member or family writ large to go to a local market or a grocery store, it has developed a whole new industry or helped to develop the industry in retinal scans or in the cards or in mobile money to ensure that the person targeted, the person that is supposed to receive the aid, does receive that. We have put in place methods to ensure that those are the right people that are receiving the assistance.

As you said, they afford us the ability to know what the group of people are buying, to ensure that, when we give money, that we are having a nutritional or a food-security impact, and that they are not, in most cases, using these funds for other commodities that do not have a food-security impact.

So we always want to ensure that we are targeting those most food insecure and that we are having impact.

Senator COONS. Can I ask one more question, Mr. Chair?

The CHAIRMAN. Sure.

Senator COONS. The chairman and others, the ranking, we have spoken about the damage, the danger of monetization. I understand the benefit to the NGOs, but the inefficiency is just stunning. What are the negative impacts on the ground in terms of instability in local markets and resiliency of the practice of monetization, shipping U.S. commodities to remote parts of the world so they can be resold there?

The CHAIRMAN. At a \$0.75 on the dollar loss.

Mr. NIMS. I want to actually take this opportunity to correct that number. It was a \$0.25 loss on the dollar. I got my numbers backwards.

The CHAIRMAN. Okay. Thank you.

Mr. NIMS. So I want to enter into the record that it is a \$0.25 loss on the dollar.

Thank you for that question as well.

Monetization has been around for a long time, and there are rules that govern how we do monetization. Primarily, it is the Bellman determination, which ensures, when we go into a country, that we do look at the global market, or the market in that country, to ensure that the tonnage that we bring in has a very small to no impact on the market. We take that very seriously with our colleagues at the Department of Agriculture. And we have done that for quite some time.

So to answer your question, very minimal detrimental impact on the market of a given country is what we strive to do because that is what we have been doing. For USAID and for my Office of Food for Peace, the biggest detriment is that we lose \$0.25 on the dollar, and it does require that our partners who sell this food have to develop ways to be able to sell this food. NGOs traditionally are not commodity brokers, and it takes a specialized skill to do this effec-

tively, and that takes a lot of time and effort that could be better spent on running programs, as opposed to being commodity brokers.

Senator COONS. Thank you, Mr. Nims. I think we have a shared question about how we sustain U.S. food assistance while working together to make it more efficient, given the scale and scope of the humanitarian need around the world. Thank you for the very hard work you and your folks do to meet this massive humanitarian need.

The CHAIRMAN. Senator Isakson?

Senator ISAKSON. Thank you, Mr. Chairman.

I apologize, Mr. Nims, for being late. I am sorry I missed your testimony.

My biggest experience in food aid happened a few years ago when a small company in Georgia by the name of MANA—you are probably familiar with MANA—

Mr. NIMS. Yes, sir.

Senator ISAKSON.—which produces a 3.5-ounce fortified peanut butter paste in a heat-sealed packet in huge volume, and it is the way you can actually keep children and adults alive and avoid malnutrition for a sustained period of time.

I am not selling for my State here, but I might as well. The peanut is a great product. [Laughter.]

Senator ISAKSON. And it tastes good, on top of everything else.

But I got in the middle of trying to help them and found out that there is a lot of politics and brokerage going on in whose food get sent overseas, and where it goes, and who takes it, and everything else.

In particular, in terms of nutrition, there was a French company that had really cornered the market in sustaining packets of vitamin-fortified foods to get to starved areas. If in this case, if I remember correctly, it was Somalia.

Is there still a lot of politics? Are there still a lot of companies that try to corner the market in that? How competitive is it, from the standpoint of lowering the cost of products and maximizing the amount of food you can get overseas?

Mr. NIMS. Senator, thank you for that question.

USAID, in particular my Office of Food for Peace, are incredibly proud of the ready-to-use therapeutic and ready-to-use supplementary food that you mentioned both from MANA and two other companies here in the United States. Those being Tabatchnick corporation as well as Edesia. We see this as a huge success, that we have been able to work with these companies, with U.S. companies, to develop this incredibly crucial commodity that exists to save babies, to save starving children. And we have utilized that effectively over the last 4 years and increased our purchase of that product.

In answer to your question, are there still politics involved? Unfortunately, there are politics involved in everything. But on this particular issue, sir, we no longer have any restrictions on where we can program that food, and our partners have accepted the fact that, regardless of the source, they can use that where needed. We see that the price, over time, has become very competitive in the

world market, and we look at continuing to use this product because of the success.

Senator ISAKSON. I know you are under USAID. Does USDA also provide food for overseas use?

Mr. NIMS. Yes, they do.

Senator ISAKSON. Do you work with them? Or is that a separate function they carry out?

Mr. NIMS. We work very closely with them. Elements of USDA purchase all of our commodities. They are our contractor, in a sense. We work closely with the McGovern-Dole school feeding program, as well as the Food for Progress, most assuredly on the local level, to ensure that our programs are working together.

Senator ISAKSON. So USDA determines how those commodities are actually sourced, is that correct, whether you use domestic programs?

Mr. NIMS. Correct. They are our contractor. In this particular case of these specialized nutrition products, USAID Food for Peace, we purchase those directly ourselves.

Senator ISAKSON. Where do you get those? Is there any incentive to try to buy those foods in countries that are developing nations that are beginning a food program, to help reinforce what they are trying to do?

Mr. NIMS. We would be using our International Disaster Assistance funds to do that, and there are cases, if there are companies or facilities overseas outside of Europe that are able to produce a product that meets the requirements of, let's say, the United Nations UNICEF or some of our partners, we would look to purchase locally those products as well. There are at least three, I believe, plants in Africa that can produce a comparable product, and we have purchased those. Our partners have purchased those using International Disaster Assistance funds in our programs.

Senator ISAKSON. That is exactly the genesis of my question, because I have traveled with Senator Coons and others to Africa quite a bit. Many of those countries are now developing a sustainable agricultural program in their country. It would seem like everything we can do to reinforce that by buying their product that will be used to keep other people from going hungry, it would be just a two-for-one win for us and for USAID and for the country.

Mr. NIMS. I agree, sir.

Senator ISAKSON. Thank you very much for what you do.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Thank you very much.

Senator Shaheen?

Senator SHAHEEN. Thank you, Mr. Chairman.

And thank you, Mr. Nims, both for being here today and for the hard work that you do to make sure that people get fed in this world.

You referred, in your testimony, to the amount of money that has been appropriated to help address the four famines that are going on right now. Can you be a little more specific about how much of that money has been dispersed, how it is being used, the progress and roadblocks that we are experiencing in the distribution of food that is being bought by those dollars?

And just to follow up on Senator Young's comments, clearly, we are having a problem in Yemen with trying to get help to people who need it, so can you talk more specifically about what is going on?

Mr. NIMS. Thank you for that question. I will attempt to answer that the best I can. And, please, if there is something I leave out—I think, first off, just to thank Congress writ large for the incredible amount of financial support that Food for Peace received in 2017.

As we have all said, there was unprecedented need in the world, and I can say that, for a fact, our partners on the ground have not seen—we thought El Niño was bad in 2016. 2017 is facing unprecedented need, in every sense of the word. It is a scientific word, in a sense. We have not seen this.

Senator SHAHEEN. Am I correct? There was just a report this week that talked about the direction of the number of people who were food insecure is going up for the first time in a number of years.

Mr. NIMS. You are absolutely correct, Senator. The report that just came out on the state of the world on food insecurity that said the first year in over the past 10 years malnutrition has increased. So in other words, we have been, as a world community, decreasing food insecurity around the world. This year, that number has gone back the other way. This is the beginning of a very unfortunate and deleterious trend.

The report further says that a majority of this is due to the amount of conflict in the world. So I want to be clear. This is not because of international development efforts. This is not because we, as a world community, are trying to address food insecurity to increase food. As in the opening statement, there is enough food being produced in the world to feed the hungry people. In this sense, it is a direct cause of the conflicts, the growing conflicts that are existing in the world, that is really causing that.

Senator SHAHEEN. And those four areas where we are seeing famines are cases in point.

Mr. NIMS. Most directly, as well as the Democratic Republic of the Congo is now entering into this stage. Elements in parts of the Horn of Africa continue to be plagued by conflict that cause this problem, yes.

In response to your question, \$990 million was the supplemental that Congress added directly toward combating famine. The vast majority of \$990 million was spent in all of those four primary countries, both in the form of IDA, International Disaster Assistance, and \$300 million of that was actually converted into Title II, and that was also utilized. So we can say that the \$990 million was spent this year in primarily the four countries. And it came at the end of the fiscal year, where we really start getting that out the door, both ordering large volumes as well as making sure that our primary partners in those operations received funding, and it has been expended.

We are carrying forward money from 2017 into 2018, which is not an abnormal occurrence, and we will be carrying forward—we are still actually closing the books—but we will be carrying forward both Title II in-kind resources as well as IDA resources that we

share with our sister office, the Office of Foreign Disaster Assistance in USAID.

Senator SHAHEEN. And are the cranes that Senator Young referred to, were they purchased out of those dollars?

Mr. NIMS. They were purchased, actually, in 2016, if I am correct, and those were not part of the 2017 funds, and they were purchased using International Disaster Assistance funds, yes.

Senator SHAHEEN. And can you talk about, who are the next countries that are working in those four areas that have provided funding to try to address the crisis?

Mr. NIMS. We can get back to you on the exact levels and assistance, as we understand it at this time. In each one of those places, the highest donors maybe differ a little bit between the countries. It is the European Union, what we call ECHO—in other words, their disaster group. The British Government, the United Kingdom, is usually in the top one or two. In Syria right now, the Germans have been very good partners as well. But in all cases, the U.S. Government is the largest donor.

Senator SHAHEEN. And, Mr. Chairman, if I could ask one more question?

Are either Saudi Arabia or any of the gulf countries providing humanitarian assistance in Yemen to address the crisis there that we know of?

Mr. NIMS. They are not providing assistance through the U.N. or other international NGOs that we have been able to track. We have heard the Saudi Arabian Government say that they are providing assistance, but it is not through the traditional ways that we have been able to see.

Senator SHAHEEN. And do we have any evidence on the ground that there is assistance being provided by Saudi Arabia?

Mr. NIMS. USAID does not have evidence at this time. I am unaware if our partners, maybe certain NGOs or the U.N., have direct evidence of this.

Senator SHAHEEN. Thank you.

The CHAIRMAN. Thank you.

Senator Merkley?

Senator MERKLEY. Thank you, Mr. Chairman.

And thank you, Director Nims.

Right now, we have a horrific crisis with the ethnic cleansing in Burma and a half million refugees passing across the border into Bangladesh, an enormous number of people. The flow continues, I think 20,000; in the last week or two, another 20,000. So use this as an example of how a crisis is developing, how you respond currently, and how you could respond more effectively.

Mr. NIMS. Thank you for that question.

What we have seen, to put it in context, we have seen—actually the numbers now are 600,000 to almost 700,000 Rohingyas from Myanmar, from Burma, have fled to Bangladesh.

Just to put this in perspective, when we went to Bidi Bidi camp, in over about a 5- to 6-month period, we saw upward of 250,000 people who crossed the border from South Sudan into Uganda. What we are seeing in Bangladesh is, in a 3- to 4-week period, close to 600,000 to 700,000 people crossing over into a very small area.

So just to put that in context, we are at the beginning of a very huge humanitarian crisis.

Senator MERKLEY. So there it is. Your team is in this business of responding. What is it that you are doing? And tell us how changes in the obstacles you face could enable you to be more effective, get there more quickly, get there with more assistance, different type of food assistance as appropriate? What is happening, in the short version? And how could you have been more effective, if we changed some rules or regulations?

Mr. NIMS. Thus far, Food for Peace is primarily charged, when people cross the border, to feed the refugees with our partners. We work in very good coordination with the State Department's Bureau of Population, Refugees, and Migration. They take the leading role, insofar as helping set up the actual camps through their partners, whether it be UNHCR or whether that be the International Office of Migration.

I can say that, thus far, PRM and Food for Peace on the ground have been intimately involved in what is going on and have worked diligently together to do—

Senator MERKLEY. Okay, here is what I am looking for. How many ships do you have? Where is the food coming from? Is it pre-positioned? Do you have planes in the air? Are you requesting cargo planes? Are there are obstacles that you have run into, so people do not starve before we can get there effectively?

I am happy everybody is working together. What is happening, and how can it be improved?

Mr. NIMS. In this case, because we have a relatively large operation development program, we have been able to use our development resources and our partners to ensure that food has arrived there. We are well stead through our partners to buy locally through the IDA funds, to ensure that we have food there and ready to go.

Because of the remoteness, it is a difficult area. We have also had to improve the logistics, meaning even road construction to ensure our partners get there.

So what could we do? The increased flexibility allows our office to do what is needed, whether that is shipping in more quickly the foods that Senator Isakson talked about the ready-to-use therapeutic foods. We are all able to do that with the funds that we have now, and we are doing that.

But in these types of dynamic situations, having flexibility to do this, to be able to respond to the changing needs of this over such a fast time, will give us better ability to handle this effectively.

So I would say that we are well stead right now to do what we need to, and we have been. As we look forward as this crisis develops, the increased flexibility that we have or that we can have will enable us to ensure that we are meeting the needs.

Senator MERKLEY. Okay, well, that is very vague. I might want to follow up with you.

Do you have a command center? If I walked in, do you have a command center where you have key experts on all the logistics and you are saying, "Hey, we need bulldozers to get a road in there. We need gravel. How are we going to do that? Can we really buy locally? No, because everyone in the area is already starving.

So how does that change it? What do we have pre-positioned? Where is it at? How can we requisition it? How is it impacted by what is needed for Puerto Rico?"

Do you have a command center like that to respond to these world emergencies?

Mr. NIMS. We do not have a command center here in the U.S. right now to respond to that. We do have our people on the ground. U.S. Food for Peace has sent two additional staff to augment the USAID mission team that is there. PRM has also sent additional staff to the area. That type of coordination is happening on the ground right now.

Senator MERKLEY. Thank you.

The CHAIRMAN. If I could, the quick response that you have been able to have here is because you are using the IDA funds that we gave you the flexibility to use. Is that correct?

Mr. NIMS. That is correct.

The CHAIRMAN. And if you were using U.S. commodities to get there, it might take 4 to 6 months to even get the food there in the first place. Is that correct?

Mr. NIMS. Yes, in that sense. Though as I said, we do have development partners there, so we would be using some of their food. But you are exactly correct.

The CHAIRMAN. So it is kind of the point of the hearing. So the flexibilities that we have given him have allowed him to more fully respond to this. If we could do even more of that, more people could be helped.

We thank you very much for your service.

And it is a shame, by the way, we do not have a leader in Burma that cares about the Rohingyas in the first place that could keep the military from doing what they are doing to route these people across the border. I hope she will be demarched by every world leader on the face of this Earth for her insensitive handling of what is happening there. So it is something that she, herself, is helping create.

With that, thank you so much for your testimony and your service to our country. We are going to move to the next panel. Thank you.

Mr. NIMS. Thank you, Senator.

The CHAIRMAN. I want to thank Mr. Nims again for his outstanding testimony and service to our country.

We will now move to our second panel. There are going to be some votes. Let me apologize in advance. We are going to have some people disappearing because of votes. But this testimony will be very important, as it relates to us moving ahead.

Our first witness is Mr. Tom Melito, director of international affairs and trade at the Government Accountability Office, GAO.

Our second witness is Mr. Christopher Barrett. I spent some time with him this morning. He is professor of economics and agriculture at Cornell University. He has done some outstanding work on this topic.

Our third witness is Mr. Bill O'Keefe, who was referred to earlier, vice president for government relations and advocacy at the Catholic Relief Services. We thank you for what you and your organization do in this regard.

With that, if each of you could summarize in about 5 minutes? If you have any written materials you want entered into the record, without objection, it will be.

If you can just begin in the order of introduction, we would appreciate it. Thank you all for your tremendous efforts. Thank you.

STATEMENT OF THOMAS MELITO, DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC

Mr. MELITO. Chairman Corker, Ranking Member Cardin, and members of the committee, thank you for the opportunity to discuss our 2015 report on cargo preference for food aid.

The United States shipped about 1.5 million metric tons of food aid in fiscal year 2015. Under current U.S. law, at least 50 percent of U.S. food aid must be shipped on U.S.-flagged vessels, which was reduced from 75 percent in 2012. USAID and USDA administer food aid programs; the Department of Transportation, DOT, is responsible for monitoring USAID and USDA's adherence to cargo preference requirements.

My remarks today address three topics: first, cargo preference impact on food aid; second, the extent to which cargo preference contributes to sealift capacity; and third, GAO's recommendations.

Regarding the first topic, we found that cargo preference increased the cost of shipping food aid for USAID and USDA by \$107 million from April 2011 through September 2014. Foreign-flag vessels charged, on average, 25 percent less for shipping than U.S.-flag vessels. According to DOT, this difference is due to several factors, including higher crew, maintenance, and overhead costs.

We also found that USDA paid higher shipping rates and used fewer foreign-flag vessels than USAID because of differing applications of cargo preference requirements between the two agencies. According to the law, compliance with cargo preference is tracked by geographic area, but this term is not defined.

Pursuant to a court order, USDA must measure compliance on a country-by-country basis, forcing them to use only U.S.-flag vessels to countries where there is just one shipment a year. This prevented USDA from realizing much benefit from the lowering of the cargo preference rate.

However, USAID benefited considerably more since it is not bound by the court order, defining geographic area on a global basis for its packaged food and regionally for bulk food aid.

Regarding the second topic, cargo preference's contribution to sealift capacity, we found that the number of vessels carrying food aid and U.S. mariners required to crew them has steadily declined despite the application of cargo preference.

From 2005 to 2014, the number of U.S.-flag vessels carrying food aid declined from 89 to 38, and the number of mariners crewing them fell from about 1,300 positions to approximately 600.

According to Department of Defense officials, available vessel and mariner capacity has historically been sufficient to meet all Defense's needs. However, Defense's most serious scenario envisions a full activation of the entire reserve sealift fleet for an extended period of time, including the use of some commercial sealift.

Under this extreme scenario, DOT estimated that about 13,000 mariners are required to support both military and commercial needs. While the Coast Guard database showed over 16,000 potentially and qualified actively sailing mariners, DOT stated that only about 11,000 mariners would be readily available. However, Transportation's estimate did not include the almost 2,000 officers in the Strategic Sealift Officer Program, of whom over 1,000 were not actively sailing and could potentially be called up.

We requested that DOT provide us the detailed methodology underlying its estimate. However, DOT did not provide the methodology to us.

For the third topic, GAO's recommendations, we had one matter for congressional consideration and one recommendation to the Secretary of Transportation.

Regarding the matter for congressional consideration, despite two past GAO recommendations, U.S. agencies have not agreed on a consistent method to implement cargo preference based on geographic area. As such, Congress should consider clarifying cargo preference legislation regarding the definition of "geographic area" to ensure that agencies can fully utilize the flexibility Congress granted to them when it lowered the cargo preference requirements in 2012.

GAO also recommended the Secretary of Transportation study the potential availability of all qualified mariners needed to meet a full and prolonged activation of the reserve sealift fleet. In its written comments, DOT concurred with our recommendation, but it remains unimplemented.

In September 2016, DOT tested mariner availability for an initial activation of the full fleet. However, this exercise did not gauge mariner availability under Defense's most severe scenario where DOT has previously projected a shortage of available mariners.

Chairman Corker, Ranking Member Cardin, and members of the committee, this completes my prepared statement. I would be pleased to respond to any questions you may have.

[Mr. Melito's prepared statement is located at the end of this hearing transcript.]

The CHAIRMAN. Thank you so much.
Dr. Barrett?

**STATEMENT OF CHRISTOPHER B. BARRETT, PROFESSOR AND
DEAN, CORNELL UNIVERSITY, ITHACA, NEW YORK**

Dr. BARRETT. Chairman Corker, Ranking Member Cardin, honorable Senators, thank you for the opportunity to summarize what the best recent research tells us about food aid policies and how we might more effectively use those resources to address global food insecurity.

U.S. food aid programs have played a crucial role in saving and improving the lives worldwide for more than 200 years.

Sadly, the need for international food assistance is growing. For the first time ever, in 2017, the United Nations declared four nations in famine or near-famine conditions and proclaimed it the largest humanitarian crisis since the U.N.'s creation in 1945.

But food aid budgetary resources have shrunk by 76 percent in inflation adjusted terms since the 1960s. As a result, the agencies that provide frontline humanitarian assistance are chronically underfunded.

With food aid funding scarcer and needs greater, we must get smarter in how we use these resources. Congress should make two reforms, in particular, to enhance the cost-effective use of increasingly scarce food aid resources: first, relax or, better yet, eliminate cargo preference restrictions; and second, relax the restrictions that compel commodity purchase only in the United States.

Anti-competitive cargo preference predictably drives up costs by an estimated 23 percent to 46 percent, depending upon whose estimates you use, costing us anywhere from \$50 to \$150 million a year, depending upon prevailing rates.

Meanwhile, cargo preference does little to nothing to buttress military readiness beyond what is already provided for by the separately funded Maritime Security Program, MSP. Most U.S.-flag cargo preference vessels are not militarily useful by DOD criteria because of their age, size, or vessel type. In 60-plus years under cargo preference, the Pentagon has never mobilized a mariner or vessel from the non-MSP cargo preference fleet.

Nor does cargo preference preserve an American fleet. The daily operating costs of U.S.-flag ships average 270 percent more than comparable foreign vessels, partly because of the fact that they are typically slower, smaller, and older than their competitors. Cargo preference also generates negligible gains for port regions or the maritime work force because food aid represents less than 0.3 percent of merchandise exports from the United States. And even in those ports that handle food aid shipments, it is less than 1 percent of their merchandise export volumes.

Cargo preference matters only for a very small number of owners of bulk and break bulk ships with limited alternative commercial uses. In 2016, just 13 vessels from only three companies accounted for more than 83 percent of the U.S. food aid shipments from this country. That sort of concentration would excite antitrust concerns in most sectors of the economy.

Furthermore, many cargo preference vessels are ultimately owned by foreign corporations, so the profiteers from the anti-competitive statutory restrictions on U.S. food aid are not even American companies.

The second major restriction that Congress should relax compels domestic procurement of all Food for Peace commodities. The most efficient and effective means to meet the needs of hungry people is typically to provide them with vouchers or cash-based electronic transfers or with food purchased locally or regionally, so-called LRP. Far more often than not, LRP and cash or electronic transfers save time, money, and lives while providing foods that are equally healthy and safe, and preferred by recipients over commodities shipped from the United States.

The U.S. Government has experience with such modalities, especially through the Emergency Food Security Program codified in law as part of the Global Food Security Act of 2016 led by this committee, for which I applaud all of you. The EFSP experience clearly

demonstrates that these more flexible methods typically outperform in-kind food aid.

Some claim that food aid purchased in the U.S. somehow helps American farmers. No credible study exists to support such a claim. U.S. food aid programs handle hundreds of millions of dollars' worth of commodities, but the U.S. agricultural market is several hundred billion dollars and is tightly integrated into a \$4 trillion global agricultural economy. Farm prices and incomes are driven by global markets. They are not driven at all by U.S. food aid programs.

These and other restrictions on U.S. food aid have real consequences. American taxpayers spend far more on shipping and handling than on food. Every tax dollar spent on U.S. food aid yields only \$0.35 to \$0.40 of commodity to hungry people.

And the human cost is stark, because saving lives in disasters is actually relatively cheap. The \$300 million to \$400 million wasted on these various restrictions effectively costs us something like 40,000 children's lives every year.

And what is Congress buying for an extra 40,000 child deaths annually? Tragically, very little. The volumes of food aid purchased from the U.S., a fraction of 1 percent of the domestic food market, of the ocean freight cargo from U.S. ports, of militarily useful vessels, and of a deep maritime work force is far too small to boost farmers' incomes or mariners' incomes noticeably or to enhance military readiness.

So what should the Congress do? Eliminate these restrictions. Give the Secretary of Agriculture and the AID administrator the flexibility to employ best practice.

Distinguished Senators, you have a choice. We can maintain the status quo and thereby keep diverting U.S. taxpayer money from hungry people to foreign companies, accomplishing nothing significant for military readiness or Americans' incomes while costing the lives of disaster-affected children. Or we can make changes that can help us better serve the world's hungry and honor this great Nation's long heritage of humanitarian leadership by providing cost-effective assistance to the downtrodden throughout the world.

Thank you very much for your time and interest.

[Dr. Barrett's prepared statement is located at the end of this hearing transcript.]

The CHAIRMAN. Thank you for that outstanding testimony.
Mr. O'Keefe?

STATEMENT OF BILL O'KEEFE, VICE PRESIDENT FOR GOVERNMENT RELATIONS AND ADVOCACY, CATHOLIC RELIEF SERVICES, BALTIMORE, MARYLAND

Mr. O'KEEFE. Thank you, Mr. Chairman, Ranking Member Cardin, and members of the committee, for this opportunity to provide testimony on modernizing the Food for Peace program.

The Food for Peace program and the committed staff of the Office of Food for Peace has been a mainstay of the American response to hunger for over 60 years, and it reflects the generosity of the American people. Since its founding, Food for Peace has only gotten better. And today, it is a dynamic program effectively delivering a

hand up to people and communities otherwise left out of foreign assistance.

In natural and conflict emergencies, Food for Peace provides life-saving food to millions of people. In vulnerable communities experiencing chronic hunger, its development programs build resilience and prevent people from falling into desperation.

Last year, eastern and southern Africa were hit by the most severe El Niño drought in a generation, but an anticipated famine in Ethiopia never materialized because Food for Peace, partnering with other U.S. and international entities, Catholic Relief Services and other groups, had built the resilience of communities in drought-prone areas and expanded emergency assistance to those who needed it.

Similarly in Malawi, when neighboring communities needed emergency food aid, those who had participated in a development program that had ended 2 years prior were able to provide for themselves without emergency help.

On behalf of these and others we serve, I want to thank Congress for supporting this program, especially by reversing the draconian cut proposed in the fiscal year 2018 budget request. With unprecedented human need, we must both improve and expand Food for Peace and other foreign assistance programs.

My written testimony provides five specific suggestions for Food for Peace: first, eliminate the monetization requirement for development Food for Peace programs; second, authorize the community development fund mechanisms, which replaces monetization to a significant extent and supplements the 202(e) cash funding that the 2014 farm bill increased; third, streamline regulations and reporting for Food for Peace in the Emergency Food Security Program for more seamless responses; fourth, elevate past performance as a critical factor in determining winning bids for ocean freight contracts for any in-kind food shipped; and finally, eliminate the cargo preference requirement on all food aid programs.

I will focus the rest of my remarks on cargo preference, briefly.

Catholic Relief Services is a major implementer of U.S. food aid programs, including the Food for Peace program managed by USAID and the McGovern-Dole Food for Education and Food for Progress programs managed by USDA. Due to the cargo preference requirement, at least 50 percent of the food aid shipped via ocean freight for these programs must be on U.S.-flag vessels.

We reviewed the shipping history for CRS food-assisted programs in the fiscal years fiscal year 2013, 2014, and 2015. We literally went through all the bills of lading and conducted analysis. We learned that CRS programs during that time period accounted for about 10 percent of all the food shipped for USDA and USAID. And we discovered that, over the period, U.S.-flag carriers were 18 to 51 percent more expensive per metric ton than foreign-flag carriers in the USAID programs. It varies a little bit year by year. And U.S.-flag carriers were 80 percent to 162 percent more per metric ton than foreign-flag carriers for USDA programs.

If U.S.-flag carriers had matched the average foreign-flag rate in each of these years, we would have spent \$23.8 million less in shipping during this 3-year period. We did a little back-of-the-envelope

math, and we think that comes out to about a half million additional food aid recipients who we could have helped.

Annual congressional appropriations pay for shipping, whether U.S.- or foreign-flag, as part of our Nation's response to hunger and poverty around the world. Extra money spent on shipping is money not spent feeding hungry people.

I am not qualified to judge whether the cargo preference requirement achieves the necessary national security objective of maintaining sealift or the laudable goal of providing jobs tied to that capacity. However, we at Catholic Relief Services deeply appreciate the service and sacrifice of mariners who have helped delivered food aid for the last 60 years. We welcome their contribution in ways that do not reduce the program's ability to assist as many people as possible. Surely, there are other ways of supporting the mariners and maintaining our Nation's sealift capacity without indirectly penalizing vulnerable and hungry people.

Short of eliminating the cargo preference requirement, we do have some specific recommendations that could be considered to reduce its unintended negative consequences. I would be happy to discuss these or any other issues of interest to the committee.

Thank you so much for this opportunity.

[Mr. O'Keefe's prepared statement is located at the end of this hearing transcript.]

The CHAIRMAN. That is some of the best testimony we have had before our committee, and I rest my case with the three of you testifying. So I am going to defer my questioning time to Senator Cardin, who is going to defer his time to Senator Kaine who showed up late as usual. [Laughter.]

The CHAIRMAN. The "late as usual" part is a joke.

Senator CARDIN. I agree with our chairman. I thought your testimony was very specific, and we appreciate that very much. I might have a few questions for the record, but we are going to be tight on time, so I would give Senator Kaine an opportunity to question.

Senator KAINE. I appreciate my chair. I used to have a history professor. If you came in late, he would say, "A dillar, a dollar, a 10 o'clock scholar." So I was a 10 o'clock scholar coming in late for panel two.

But good testimony. I want to direct my questions to Mr. O'Keefe.

In your experiences in working with the Food for Peace program, I would love to hear your view, kind of assessment, of potential aspects of in-kind food aid relative to the benefits of the cash-based assistance. So we have been pursuing a different direction. And now a couple years into that, if you could share your perspectives on, are we balancing that right now? That would be helpful.

Mr. O'KEEFE. Absolutely. Thank you, Senator.

So in our assessment, cash is a very important tool to have in our toolbox, and we deeply have appreciated the additional flexibility that the program has granted, and the EFSP program authorized by this committee as part of the Global Food Security Act.

We still need in-kind food aid in very specific situations. In Ethiopia, for example, where the need is huge, in-kind food aid is critical. In South Sudan, where I was 2 years ago visiting and saw the

dysfunction of markets, the overall lack of food available, and the unbelievable need, we need to bring in food assistance from outside.

In terms of cash assistance, over the last year, CRS is providing \$77 million of cash market-based assistance of the type we have been discussing in this hearing. That has doubled since fiscal year 2016, and we anticipate it will continue to grow.

Senator Coons, your example from northern Nigeria of the Save program is an excellent one, similar to one we are also doing there. I see you can get lunch with that probably somewhere.

The one thing I wanted to add to that is, in that conflict situation, we are able to track and monitor the food distribution through this market-based system—through, in other words, cash on a card that is used to buy food in a store. We can monitor through the Internet who is buying at what store in real-time in places where we cannot actually go safely. So it allows us to extend further than we might normally be able to do because of just serious security situations.

So the balance I think is getting better, certainly, and cash is a critical tool in our toolbox.

Senator Kaine. And do you think the balance is getting better and that the USAID family regional leaders have the tools they need to decide how to adjust that balance to properly account for what is going to be best in any circumstance?

Mr. O'Keefe. I think that there are still situations where the right tool is not always available at the right time. But I do not have an aggregate sense worldwide of kind of what is holding that up.

I can say for us, at Catholic Relief Services, having the ability to make context-specific recommendations based on the market and the people who we are assessing is absolutely critical, which is why we have been advocating for increased flexibility.

Senator Kaine. Can I ask the other two witnesses whether you have any significant difference of opinion with what Mr. O'Keefe has said about sort of this balance between cash and direct food aid?

Dr. Barrett. Senator, I completely agree. Things have changed dramatically over the past 15 to 20 years while I have studied U.S. food aid programs. Especially thanks to EFSP, there is considerably greater flexibility afforded to humanitarian agencies. And they are using it quite well.

And I applaud USAID. They labor extremely well against the constraints imposed by present statutes. But those are binding constraints. They really slow delivery, and they cost money. Groups are being very efficient and creative, but we could do better.

Senator Kaine. Mr. Melito?

Mr. Melito. GAO has consistently called on USAID to make sure they have the underlying market conditions assessed correctly and then choose the right modality for it. Cash is often the right option, but sometimes because of droughts and conflicts, it is actually providing commodities. The commodities can be brought in either from the U.S. or locally, regionally.

The key is to know the underlying problem first. The problem is, if you were actually providing cash in a situation where there is

a shortage of food, you can have inflation, in which case you drive more people into hunger.

Senator KAINE. The last question I will ask is, with 30 seconds left, are we doing enough through USAID, our NGO community, to promote the growth of the agricultural sector of economies that are hard-hit? I mean, obviously, I see a real correlation between strong agriculture and reduction in hunger, and that is an important question that USAID and other agencies can address. Are we doing enough there?

Mr. O'KEEFE. We can certainly do more, but let me just say, CRS has a recover-build-grow view of agriculture, where we are helping people move up the market chain of involvement. The U.S. Government now has placed the Food for Peace development program, which helps the poor community farmers to become market-ready, and then the Feed the Future program, which helps those who are already beginning to participate in the market, to engage and earn more income and then become fully self-sufficient and leaders in the community.

Having all those tools in place is very important. They are not mutually exclusive. They do not overlap completely. And we need the Food for Peace development program as a key part of our agricultural strategy.

The resources are never enough. They are not enough. And I think we could all agree to that.

Thank you.

Senator KAINE. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Thank you very much.

Senator Young?

Senator YOUNG. Thank you, Chairman and Mr. Ranking Member, for holding this important hearing.

I would like to direct my questions to you, Mr. Melito. I am so appreciative of GAO and all the important reports you produce and, more importantly, the recommendations you make to various agencies.

As of yesterday, the Department of State had 119 open recommendations, 20 of which were priority recommendations that are still open. USAID had 42 open recommendations, 11 of which are priority. Twenty of those recommendations relate directly to food assistance, and five of those are priority.

So it is really important, to my mind, that these recommendations are addressed on account of efficiency and effectiveness. It is my belief that, if they were adopted, the efficiency and effectiveness of our food assistance programs could certainly improve.

Do you share that view, sir?

Mr. MELITO. Very much so, Senator. Over the last 10 years, there have been a number of recommendations closed as implemented by USAID and USDA on food aid, and that has improved the programs. But the remaining ones should also be closed.

Senator YOUNG. So I want to commend the agency for closing those, but there is still a lot of important work to do.

Mr. MELITO. Exactly.

Senator YOUNG. On February 16, I introduced S. 418. It is the Department of State and USAID Accountability Act of 2017. It would require Congress to receive a report from agencies like State

and AID about each of these open recommendations. We want them to identify an implementation timeline for each outstanding GAO recommendation, or an explanation as to why they do not intend to implement. It seems reasonable.

So I was able to work with the chairman and his staff to get that included in the Department of State authorities bill. And then there was a variant of the legislation we included in this year's National Defense Authorization Act.

I am working on broader legislation. Senator Coons is actually an original cosponsor of this legislation that would require all Federal agencies to report on outstanding recommendations from the I.G. and the GAO as part of their annual budget justification.

Do you believe this type of legislation would improve the efficiency and effectiveness of agencies across our Federal Government?

Mr. MELITO. GAO cares very deeply about the implementation of our recommendations. We strive for at least 80 percent of our recommendations to be closed. So any effort on the part of Congress to improve the visibility and awareness and even pressure on the agencies to close recommendations is welcome.

Senator YOUNG. Thank you.

The CHAIRMAN. Thank you so much.

Senator Coons?

Senator COONS. Thank you, Mr. Chairman.

Thank you to a genuinely excellent panel providing detailed and thorough testimony on some of the maddening ongoing restrictions on effectiveness and efficiency in U.S. food aid, and some of the genuinely inspiring efforts we are making jointly to meet a hungry world.

Let me ask Dr. Barrett a question, if I might, about the maritime security program, because we have explored it a little bit, but there are a lot of other issues.

The maritime security program is designed to ensure the Department of Defense has on-demand access to sealift capacity during times of war and national emergency. You noted in your written testimony that the Department of Defense has never mobilized a mariner or a vessel from the non-MSP cargo preference fleet.

Is there any evidence that you have come across in your many years of working in this field to support the idea that cargo preference is necessary for our military sealift capacity?

Dr. BARRETT. Thank you for the question, Senator Coons.

No. The simple answer is no, as you already know. The military readiness of the cargo preference fleet is quite low. We have a large fleet that is militarily ready, but it is in the Ready Reserve fleet, and the Military Sealift Command, and in the Maritime Security Program, which is essentially a call option on up to 60 ships each paid \$5 million a year for being prepared to mobilize for the Pentagon, if and when needed. The Pentagon has never needed, even in recent times of war, to activate that whole set of those three types of resources—Ready Reserve fleet, Military Sealift Command, and MSP.

Cargo preference does not enhance military readiness. We have plenty of readiness through other mechanisms.

Senator COONS. Thank you.

I will ask one other question, if I might. Our friend and colleague from Maryland, former Senator Mikulski, very pointedly asked me, if we were to shift to a predominantly cash-based system of food assistance, wouldn't that undermine the coalition of groups—shippers, maritime unions, commodity groups—that have historically advocated actively for Title II in-kind donations, leading to a reduction in overall food aid assistance, thus actually leading to fewer hunger people getting fed?

Would any of the three of you care to comment on that assertion?

Dr. BARRETT. Senator Coons, it is certainly true that there has been an unusual alliance of shippers, NGOs, and a few millers and processors over the years to support Title II. This committee and the Congress have advanced alternative mechanisms that prove much more efficient in meeting the needs of emergency-affected populations, the Emergency Food Security Program, in particular.

If Title II were to go away—I am a fan of Title II—but if it were to go away and there were to be augmentation of the EFSP budgets, we would see enhancement in the service of emergency-affected populations around the world.

Title II is declining steadily. Keep in mind, as I testified earlier, we have a 76 percent decline in inflation-adjusted terms in U.S. food aid programs since the heyday in the 1960s. So that coalition is not maintaining the real purchasing power of the programs.

Senator COONS. When you say 76 percent, you mean of those dollars dedicated to purchasing U.S. commodities and shipping them overseas.

Dr. BARRETT. Actually, the overall budget has declined by 76 percent in inflation-adjusted terms, and the margin that differentiates foreign-flag from U.S.-flag carriers has actually grown. So the decline in true commodity terms is steeper still.

Senator COONS. Mr. O'Keefe?

Mr. O'KEEFE. Thank you, Senator, for that question. It is obviously an incredibly important one.

I think we, as a country, must do the right thing for the people who we are trying to serve, and continue to find ways to learn from what we are doing and to improve it. We are certainly committed to that at Catholic Relief Services.

The caution just is, my understanding in Europe, and Dr. Barrett and Mr. Melito may know more, but when they went from an in-kind to cash-based system, the total amount of resources went down enough that the efficiency gain did not kind of keep up. So I just think that has to be thought through.

I do not think that is a good excuse for doing things that are ineffective or inefficient. But I think maintaining political support for helping hungry people is something we have to exercise care about.

The last thing I will say, in terms of the farmers, I do think that farmers here understand farmers overseas. And the ones I have talked to do not understand the dynamics.

And I think, Senator Corker, you made this point very clearly in your meeting with the Tennessee farmers association.

They do not understand how it works and the kind of ineffectiveness at an aggregate level. But it does mean something to them at a human level that things that they produce end up in the mouths

of people who need it. I just think that that is something that we should not toy with. That is real. That is human and American.

Senator COONS. I, too, have spoken to the Farm Bureau in my State about this issue. There is a deep and deserved pride in America's agricultural community and families in being the most productive farmers on Earth, in feeding a hungry world. But when they hear about the numbers and the inefficiency of how we currently do it, farmers tend to be pretty thrifty people, it makes them crazy and concerned that we be more efficient.

So I am determined to work with all of you to sustain our support for U.S. food assistance, U.S. programs to efficiently meet the needs of a hungry world rather than celebrating inefficiency that leads to fewer being fed.

Thank you, Mr. Chairman.

The CHAIRMAN. We have about 30 seconds left on the first vote. There are three votes. I am going to close out the meeting as soon as Senator Markey finishes, but I am going to close it out now for my participation.

I want to thank the three witnesses for being here. It has been outstanding. The record will remain open until the close of business Monday. [The information referred to follows:]

The CHAIRMAN. I assume Senator Markey will not launch a nuclear war or do anything of that sort while we are going to vote, but please enjoy your time, sir, and I am going to announce the meeting adjourned as soon as you finish.

Thank you for being here.

Senator MARKEY. I appreciate that. Thank you so much. I think you can trust me with my finger on the button, but I am not sure— [Laughter.]

Senator MARKEY. I think we need a hearing on other people having their finger on the button.

Just one question, Mr. O'Keefe. Catholic charities, how can the U.S. food aid program better complement other humanitarian response efforts so that U.S. assistance also addresses the root causes of food insecurity, political conflict, violence, other issues? How can we do that?

Mr. O'KEEFE. Thank you so much, Senator.

Catholic Relief Services does, indeed, think a lot about this very important question, particularly those of us in the humanitarian sector who worked very closely together a year ago to prepare for the World Humanitarian Summit and developed a whole set of recommendations on humanitarian system reform that we look to drive forward.

The most important thing for us is to continue to increase resources that go to hungry people to address both the emergency needs and the kind of creative ways that we have been discussing as part of this hearing, to continue to support and expand the Food for Peace development efforts that allow for getting people at the bottom of the income scale to develop the capacity to begin to connect with markets and have a pathway to sustainability, and then, through Feed the Future, to continue to expand market-based ways to get millions of farmers and people self-sufficient and addressing their own concerns about malnutrition, income, and other food security challenges.

So the tools I think are coming into focus, and it is a question of expanding them.

And the last thing I will say is just, and this was alluded to earlier, so many of the problems we face are, at their core, political. So we sometimes feel like we are picking up the pieces of problems that are outside our hands. The people need this assistance, but we need to find political solutions to these conflicts.

Senator MARKEY [Presiding]. Thank you. Thank you for that excellent answer, and thank you all so much for your testimony here today.

We are in something that is an annual event, the budget, with 10, 20, 30 votes maybe today, so we apologize to you for the way in which today is going to be conducted, but it does not in any way reduce the thanks that we have for you and the impressive nature of your testimony. Thank you so much.

This hearing is adjourned.

Whereupon, at 12:06 p.m., the hearing was adjourned.]

Additional Material Submitted for the Record

PREPARED STATEMENT OF THOMAS MELITO, DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE



United States Government Accountability Office

Testimony
Before the Committee on Foreign
Relations, U.S. Senate

For Release on Delivery
Expected at 10:30 a.m. ET
Thursday, October 19, 2017

**INTERNATIONAL FOOD
ASSISTANCE**

Cargo Preference
Increased Food Aid
Shipping Costs; Benefits
Remain Unclear

Statement of Thomas Melito, Director, International
Affairs and Trade

GAO Highlights

Highlights of GAO-18-193T, a testimony before the Committee on Foreign Relations, U.S. Senate

Why GAO Did This Study

Cargo preference laws require that a percentage of U.S. government cargo, including international food aid, be transported on U.S.-flag vessels according to geographic area, although the laws do not define "geographic area." One intention of these laws is to ensure a merchant marine—both vessels and mariners—capable of providing DOD sealift capacity in times of war or national emergency, including a full, prolonged activation of the reserve fleet. The reserve fleet is composed of those vessels owned by the U.S. government to meet logistic military needs that cannot be met by commercial vessels. Over the years, Congress has amended cargo preference laws to vary the CPFA percentage requirement.

This testimony is based on an August 2015 GAO report that examined (1) CPFA's impact on food aid shipping cost and how U.S. agencies implement CPFA requirements; and (2) the extent to which implementation of CPFA requirements contributes to sufficient sealift capacity. It also provides an update on the implementation of actions recommended in the report.

What GAO Recommends

In its August 2015 report, GAO suggested that Congress should consider clarifying CPFA legislation to define "geographic area" in a manner that ensures agencies can fully utilize the flexibility Congress granted to them in lowering the CPFA requirement. GAO also recommended, and MARAD agreed, to study the potential availability of all qualified mariners needed to meet a full and prolonged activation of the reserve sealift fleet. Both actions remain unimplemented.

View GAO-18-193T. For more information, contact Thomas Melitto at (202) 512-9601 or melitto@gao.gov.

October 19, 2017

INTERNATIONAL FOOD ASSISTANCE

Cargo Preference Increased Food Aid Shipping Cost; Benefits Remain Unclear

What GAO Found

In August 2015, GAO found that cargo preference for food aid (CPFA) requirements increased the overall cost of shipping food aid by an average of 23 percent, or \$107 million, over what the cost would have been had CPFA requirements not been applied from April 2011 through fiscal year 2014. Moreover, differences in the implementation of CPFA requirements by the U.S. Agency for International Development (USAID) and U.S. Department of Agriculture (USDA) contributed to higher shipping costs for USDA. Congress lowered the minimum percentage of food aid to be carried on U.S.-flag vessels from 75 to 50 percent in 2012. Following this reduction, USAID—which applies a broader interpretation of the geographic area requirement under CPFA—was able to substantially increase the proportion of food aid awarded to foreign-flag vessels, which on average have lower shipping costs, helping to reduce its average shipping cost. In contrast, USDA was able to increase the proportion of food aid awarded to foreign-flag vessels by only a relatively small amount, because a court order compels it to meet the minimum percentage of food aid carried on U.S.-flag vessels by individual country. As of October 2017, no legislation has been introduced to clarify the definition of "geographic area", which could allow USDA to administer CPFA using a more flexible method.

U.S. Agency for International Development's (USAID) and U.S. Department of Agriculture's (USDA) Cost of Cargo Preference for Food Aid (CPFA) Requirements, April 2011 through Fiscal Year 2014 (Dollars in millions)

	Shipping cost of awarded bids	Estimated shipping cost without CPFA requirements applied	Estimated cost of CPFA requirements	Estimated percentage difference
USAID	\$281.5	\$236.6	\$44.9	16%
USDA	\$174.8	\$112.6	\$62.2	36%
Total	\$456.3	\$349.2	\$107.1	23%

Source: GAO analysis of USDA data. | GAO-18-193T

Note: USAID's costs do not include shipping of bulk food aid.

GAO also reported in 2015 that CPFA's contribution to sufficient sealift capacity was unclear. GAO found that while CPFA had ensured that a portion of U.S.-flag vessels carry some food aid cargo, the number of vessels carrying food aid and the mariners required to crew them still declined. However, the available pool of sealift capacity has always met all of the Department of Defense's (DOD) needs, without the full activation of the reserve sealift fleet. According to DOD officials, DOD's most serious scenario would require a full and prolonged—a period longer than 6 months—activation of the reserve sealift fleet and the use of commercial vessels. In 2015, the Maritime Administration (MARAD) estimated the number of mariners needed under the most serious scenario. MARAD officials also told GAO that crewing of the reserve sealift vessels was voluntary, and thus the number of those who would actually crew these vessels was uncertain. While MARAD has taken some steps to study mariner numbers, as of August 2017, it had not yet fully assessed the potential availability of all qualified mariners. Therefore, the actual number of U.S. mariners qualified and available to fulfill DOD's needs under the most serious scenario remains unknown.

United States Government Accountability Office

Chairman Corker, Ranking Member Cardin, and Members of the Committee:

Thank you for the opportunity to discuss issues related to the requirement for cargo preference for food aid (CPFA)—that is, the requirement that a minimum share of U.S. food aid be shipped on U.S.-flag vessels.¹ The United States shipped about 1.5 million metric tons of food aid in fiscal year 2015, intended to benefit 36 million people in 43 countries, at a cost of around \$1.9 billion, which included commodity and freight costs. Under U.S. law, a minimum share of U.S. food aid must be shipped on U.S.-flag vessels. The required percentage for CPFA has fluctuated, from 50 percent in 1954 to 75 percent in 1985 and back to 50 percent in 2012. The U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA) administer food aid programs, including funding to cover the cost of transporting food aid. The Department of Transportation's (DOT) Maritime Administration (MARAD) is responsible for monitoring USAID's and USDA's adherence to CPFA. Statutory objectives for cargo preference are applied to food aid as well as other government cargo such as Department of Defense (DOD) cargo. These objectives include the development and maintenance of a merchant marine—both vessels and mariners—capable of providing sealift in time of war or national emergency.²

My remarks today are based on our August 2015 report titled *International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear*.³ I will focus on three topics. First, I will discuss CPFA's impact on food aid shipping costs and U.S. agencies' implementation of CPFA requirements. Second, I will describe the extent to which the implementation of CPFA requirements contributes to sufficient sealift capacity. Finally, I will summarize the recommendations we made in our 2015 report as well as any actions taken to address them.

¹Through our discussions with knowledgeable agency officials and stakeholders, we found that there is no agency designation or agreed-upon term for cargo preference for food aid.

²Sealift is the process of transporting DOD and other federal agency equipment and supplies required during peacetime and war. We analyzed cargo preference for food aid but not for other government cargo.

³GAO, *International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear*, GAO-15-666 (Washington, D.C.: Aug. 26, 2015).

For our report, we analyzed documents related to cargo preference, such as legislation and agencies' guidance, and interviewed agency officials regarding CPFA-related issues. We analyzed food aid procurement data for both USAID and USDA from April 2011 through fiscal year 2014,⁴ including some bulk food commodities and all packaged food commodities and shipment data for fiscal years 2011 through 2014.⁴ We examined the number of total U.S.-flag and foreign-flag bids per solicitation and used regression analysis to identify the impact of the changes in the CPFA requirements. Moreover, we analyzed MARAD data on U.S.-flag vessels and the number of mariner positions aboard such vessels as well as data on the number of mariners potentially qualified to provide sealift from the U.S. Coast Guard. We found the data on U.S.-flag vessels and mariner positions sufficiently reliable for the purposes of the report. MARAD officials described the data they used and factors they considered to estimate the number of positions needed for a full, prolonged operation of the reserve surge fleet and all commercial vessels and the number of available mariners. However, we were not able to assess the accuracy of those estimates, because MARAD was unable to provide us with the details about them. We conducted recommendation follow-up by interviewing agency officials and reviewing documentation. More detailed information on our objectives, scope, and methodology for that work can be found in the issued report. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁴Bulk commodities, such as free-flowing grain and vegetable oil, are those directly loaded and shipped in an ocean vessels' cargo hold. Packaged commodities are those shipped in woven polypropylene bags, multiwalled paper bags, plastic containers, or steel cans and drums. We obtained data for bids to ship all USDA food aid and USAID's packaged food aid. We did not include data for bids to ship USAID's bulk food aid, because these data were not available in the database developed to manage domestic and international food aid procurement. This database, known as the Web-Based Supply Chain Management (WBSCM), was implemented and began collecting data in April 2011. USAID's data for awarded bids (award data) show that bulk commodities accounted for about 50 percent of USAID total commodities in the past few years. However, we included USAID's bulk commodities in our analysis of all USAID and USDA award data.

Cargo Preference Requirements Increased Food Aid Shipping Costs, Especially for USDA

Our 2015 analysis of agency data found that the application of CPFA requirements increased USAID's and USDA's costs for shipping food aid by about 23 percent, or \$107 million, compared with the estimated shipping costs without application of CPFA requirements, from April 2011 through fiscal year 2014 (see table 1).

Table 1: Shipping Costs with Cargo Preference for Food Aid (CPFA) Requirements and Estimated Costs if CPFA Requirements Were Not Applied for Food Aid Shipped, from April 2011 through Fiscal Year 2014

Dollars in millions

	Shipping cost of awarded bids	Estimated shipping cost if CPFA requirements were not applied	Estimated cost of CPFA requirements	Estimated percentage difference
U.S. Agency for International Development (USAID)	\$281.5	\$236.6	\$44.9	16%
U.S. Department of Agriculture (USDA)	\$174.8	\$112.6	\$62.2	36%
Total	\$456.3	\$349.2	\$107.1	23%

Source: GAO analysis of U.S. Department of Agriculture (USDA) data | GAO-18-193T

Note: USAID's costs do not include shipping of bulk food aid. For each solicitation of USAID's packaged food aid and USDA's packaged and bulk food aid, USDA has data on the bids that were awarded the shipping contract as well as the bids that would have won if the CPFA requirements were not applied. The difference between the two is a measure of the estimated cost of meeting the CPFA requirements.

At the time of our 2015 report, USDA paid higher shipping rates than USAID partly because of differences in the two agencies' application of the CPFA requirements. Cargo preference laws specify that at least 50 percent of the gross tonnage of U.S. food aid commodities be shipped on U.S.-flag vessels by geographic areas, but the laws do not define "geographic area." Pursuant to a court order following a law suit filed against USDA, USDA must measure compliance with cargo preference laws for the Food for Progress program and Section 416(b) programs on a country-by-country basis to the extent practicable, unless MARAD revises cargo preference regulations or policy to allow a different method for defining geographic area or unless USDA determines that a change in method is necessary following good-faith negotiations on the matter with MARAD. Thus, according to USDA officials, USDA is required to meet the minimum percentage of food aid carried on U.S.-flag vessels by individual country and for each of its food assistance programs—that is, the Food for Progress program and the McGovern-Dole International Food for

Education and Child Nutrition program (McGovern-Dole)—regardless of the price of U.S. shipping.⁵

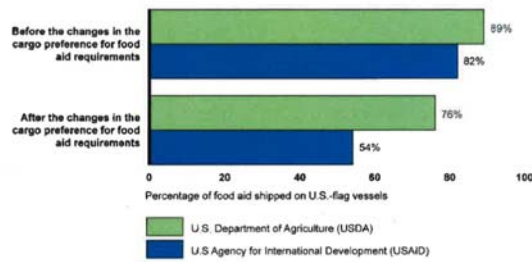
In contrast, USAID is not bound by the order, as it was not a party to the litigation; instead, as of 2015, USAID interpreted the CPFA requirement in a manner that gave it substantially more flexibility. Specifically, for packaged food aid, USAID defined “geographic area” on a global basis. For bulk food aid, USAID used a modified country basis that allowed it to broaden the interpretation of “geographic area” to the regional level when it determined that the availability of U.S.-flag vessels for a particular route was limited.⁶

We reported in 2015 that USDA shipped a lower percentage of food aid on foreign-flag vessels than USAID in fiscal years 2009 through 2014 and that the percentage USDA shipped on U.S.-flag vessels was higher than the minimum required percentage both before and after the July 2012 change in the CPFA requirements. In addition, after the July 2012 change, USDA reduced the percentage it shipped on U.S.-flag vessels to a lesser extent than USAID (see fig. 1).

⁵For example in 2014, USDA shipped 100 percent of its food aid, consisting of only one shipment each year, to the Dominican Republic using U.S.-flag vessels. When USDA had multiple shipments to a country, such as to Ethiopia in 2014, it was able to send some food on foreign-flag vessels.

⁶For example, USAID defines the region of West Africa, and not individual countries in West Africa, as one geographic area for bulk food aid, giving it greater flexibility and allowing it to better manage its limited resources.

Figure 1: Percentages of U.S. Agency for International Development (USAID) and U.S. Department of Agriculture (USDA) Food Aid Shipped on U.S.-Flag Vessels, Fiscal Years 2009-2014



Source: GAO analysis of USDA data. | GAO-16-193T

We also found that after the July 2012 changes in the CPFA requirements, the estimated average shipping rate for USAID decreased by around 9 percent, or \$21 per metric ton, after we controlled for other factors. The estimated shipping rate decreased slightly for USDA, though the decrease was not statistically significant. In addition, a higher proportion of food aid awarded to foreign-flag vessels, as well as lower shipping rates on foreign-flag vessels, likely contributed to the decrease in shipping rates for USAID after the CPFA requirement change in 2012. Foreign-flag vessels on average charge lower shipping rates than U.S.-flag vessels (see table 2).

Table 2: Average Shipping Rates of U.S.-Flag and Foreign-Flag Vessels, April 2011 through Fiscal Year 2014

Dollars per metric ton

Type of food aid	Average shipping rate on U.S.-flag vessels	Average shipping rate on foreign-flag vessels	Difference in average shipping rates on U.S.- and foreign-flag vessels
Packaged food aid	\$245	\$184	\$61
Bulk food aid	\$153	\$98	\$55

Source: GAO analysis of U.S. Department of Agriculture (USDA) data. | GAO-18-193T

CPFA's Contribution to Sealift Capacity Was Uncertain, and MARAD Had Not Fully Considered Available Mariner Supply

We reported in 2015 that, despite CPFA, the number of vessels carrying food aid and the number of U.S. mariners required to crew them had declined. We found that if CPFA requirements had not been applied, 97 percent of food aid tonnage after the July 2012 change in the CPFA requirement would likely have been awarded to foreign-flag vessels. However, even with the application of CPFA, the number of U.S.-flag vessels and mariners supported by CPFA had decreased, and CPFA's overall contribution to sealift capacity was unclear.

From 2005 through 2014, the amount of U.S. food aid commodities purchased and shipped from the United States by the U.S. government—and therefore subject to the cargo preference requirements—declined by 64 percent.⁷ During that period, the number of U.S.-flag vessels carrying food aid declined by 57 percent (from 89 to 38)⁸ and the number of mariners crewing such vessels declined by 54 percent. MARAD estimated that there were at least 1,329 positions aboard 66 of the 89 vessels carrying food aid in fiscal year 2005 and approximately 612 positions aboard 33 of 38 vessels carrying food aid in fiscal year 2014 (see fig. 2).⁹ Because crew members rotate over the course of a year,

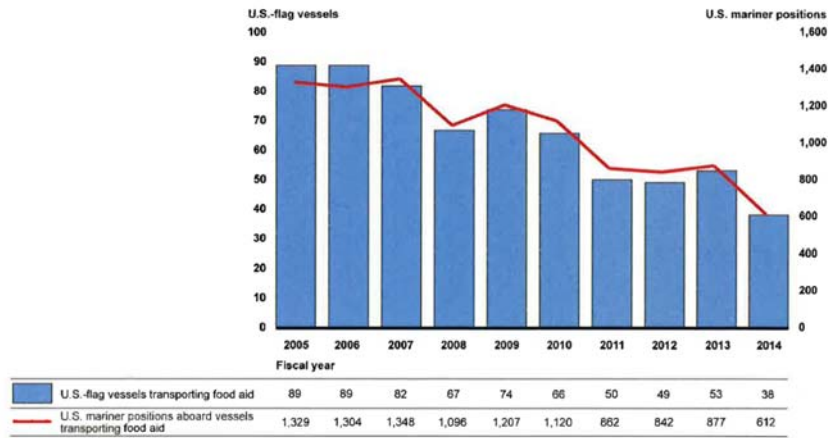
⁷The decline in food aid commodities provided by the U.S. government has been driven by many factors, including increases in (1) commodity and shipping costs, (2) food aid assistance in the form of cash or vouchers and local and regional procurement, and (3) the use of specialized—and therefore costly—products to meet the nutritional needs of the most vulnerable groups.

⁸MARAD officials noted that although all of the commercially owned vessels in the oceangoing U.S.-flag fleet are eligible to transport food aid cargo, some vessels, such as roll-on, roll-off vessels, typically do not participate in the food aid trade.

⁹MARAD's database does not include positions available in tug and barge combinations, many of which carried food aid in 2005.

MARAD estimated that each position generates approximately two mariner jobs per year.¹⁰ Therefore, given MARAD's estimating procedures, CPFA could have supported 1,224 mariner jobs in fiscal year 2014 (see fig. 2).

Figure 2: Sealift Capabilities Supported by Cargo Preference for Food Aid, 2005–2014



Source: Maritime Administration | GAO-18-193T

Note: Available positions only for oceangoing vessels with gross tonnage greater than 1,600 gross tons. Does not include positions available in tug and barge combinations, or vessels for which MARAD has no data.

For its sealift capability needs, DOD relies on commercial vessels, including those carrying food aid, and the reserve sealift fleet, which,

¹⁰U.S. Department of Transportation, Maritime Administration, *A Report to Congress: Impacts of Reductions in Government Impelled Cargo on the U.S. Merchant Marine* (April 21, 2015).

according to DOD, have been sufficient for its past needs.¹¹ The reserve sealift fleet is comprised of those vessels owned by the U.S. government to meet logistic military needs that cannot be met by commercial vessels. During times of war or national emergency, DOD can make the decision to use commercial or government-owned sealift capacity to meet ocean transportation requirements. According to DOD officials, available vessel capacity—U.S.- and foreign-flag—and partial activations of the reserve sealift fleet have historically been sufficient to meet DOD's needs. However, according to DOD, its most serious scenario requires a full and prolonged activation—for a period longer than 6 months—of the reserve sealift fleet as well as the use of commercial vessels.

According to DOD officials, DOD pays the shipping costs for its cargo to those commercial vessels that provide capacity. DOD officials also told us that a vessel does not need to be deemed militarily useful to provide sealift capability, and both U.S.- and foreign-flag vessels can be used to provide sealift. As of March 2015, there were 167 oceangoing U.S.-flag vessels that could provide sealift for DOD's needs.¹² However, vessels that participate in the Voluntary Intermodal Sealift Agreement (VISA)—a partnership between the U.S. government and the maritime industry to provide DOD with assured access to commercial sealift and intermodal capacity to support the emergency deployment and sustainment of U.S. military forces—would be afforded the first opportunity to provide sealift capabilities. In March 2015, 99 oceangoing U.S.-flag vessels were enrolled in VISA, 58 of which were also part of the Maritime Security Program (MSP), which is intended to guarantee that certain kinds of militarily useful ships and their crews will be available to DOD in a military contingency. At the time, MSP vessels received a \$3.1 million annual payment to support DOD, in addition to any shipping costs DOD provided

¹¹DOD had not had to activate the entire reserve sealift fleet at the time of our review in 2015. We reported again in August 2017 that DOD had not had to activate the entire fleet. See GAO, *Navy Readiness: Actions Needed to Maintain Viable Surge Sealift and Combat Logistics Fleets*, GAO-17-503 (Washington, D.C.: Aug. 22, 2017).

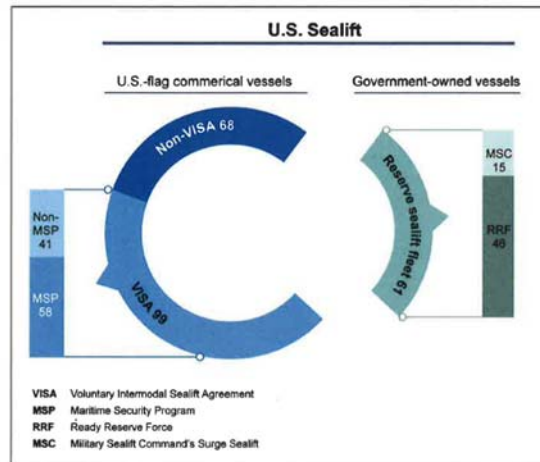
¹²These 167 vessels were oceangoing, self-propelled, cargo-carrying U.S.-flag vessels of 1,000 or more gross tons in foreign and domestic trades. According to MARAD's website, as of September 2017, there are 181 vessels in the U.S. flag fleet that are oceangoing, self-propelled, cargo-carrying vessels of 1,000 or more gross tons.

for its cargo.¹³ In the event provided capacity does not meet DOD's needs, DOD will activate VISA to require additional vessel capacity be made available, as necessary. DOD can also activate the reserve sealift fleet when commercial vessels cannot satisfy military operational requirements, among other reasons. The reserve sealift fleet is composed of 61 vessels, 46 of which are MARAD owned and form part of the Ready Reserve Force and 15 DOD-owned vessels in the Military Sealift Command's Surge Sealift program.¹⁴ Figure 3 shows the composition of oceangoing U.S.-flag commercial vessels and the reserve sealift fleet as of August 2015.

¹³According to the United States Transportation Command, vessels enrolled in MSP are required to also be enrolled in VISA or the Voluntary Tanker Agreement. VISA and Voluntary Tanker Agreement are the only programs DOD would activate during times of war. However, since MSP participants are required to be enrolled in VISA or the Voluntary Tanker Agreement, it is probable that many of those activated would be vessels also in MSP. In fiscal year 2016, the MSP stipend was \$3.5 million annually per vessel, and in fiscal year 2017 it was \$4.99 million. Authorized future increases are \$5.0 million annually per vessel in fiscal years 2018 through 2020, \$5.23 million per vessel in 2021, and \$3.7 million annually per vessel in fiscal years 2022 through 2025.

¹⁴In addition, as of 2015, MARAD had two special mission vessels for missile defense purposes. We reported in August 2017 that the reserve sealift fleet has the same composition as it had in August 2015. See GAO-17-503.

Figure 3: U.S.-Flag Commercial Vessels and the Reserve Sealift Fleet as of August 2015



Source: Maritime Administration. | GAO-18-193T

Note: We reported in August 2017 that the numbers of the reserve sealift fleet remained the same as those shown. We did not verify any changes in the numbers of VISA and non-VISA vessels from August 2015 to August 2017. MARAD reported in September 2017 that 60 vessels were participating in the MSP.

DOD has never activated VISA or the entire reserve sealift fleet to meet sealift capacity needs. While VISA participants have provided sealift capacity for DOD, the VISA program has not been activated since its inception in 1997. Partial activations of the reserve sealift fleet have been needed to support DOD. However, in the past 15 years, including during Operation Iraqi Freedom and Operation Enduring Freedom in Afghanistan, DOD has not had to activate the entire reserve sealift fleet.

MARAD estimated the number of mariners required to fully crew both the reserve sealift fleet and commercial operations for shorter- and longer-duration surge scenarios as required by DOD.¹⁵ DOD determined its most serious scenario entails a full activation of the entire reserve sealift fleet for an extended period of time. In addition, DOD would require the use of some commercial sealift for sustainment purposes. MARAD estimated in 2015 that 1,943 mariners were needed for a 6-month period and that 3,886 mariners were therefore needed to sustain the prolonged activation. MARAD further estimated that a total of 13,034 mariners were required to both support the prolonged operation of the entire reserve sealift fleet as well as the operation of commercial vessels during a scenario requiring the prolonged full activation of the reserve sealift fleet.¹⁶ According to MARAD officials, MARAD expected all commercial vessels to continue operations during the period when the reserve surge fleet is activated. MARAD estimated in 2015 that 9,148 mariners would be needed to crew such vessels.¹⁷

While the U.S. Coast Guard (USCG) maintains data on mariner qualifications, as we reported in 2015, the number of mariners potentially available—both actively sailing and willing—to operate the reserve sealift fleet under a full and prolonged activation was uncertain. First, USCG data show the number of mariners potentially qualified to operate the

¹⁵National Security Directive 28 directs DOD to determine the requirements for sealift, among other things, and DOT to determine whether adequate manpower is available to meet such requirements. According to DOD officials, DOD has determined the number of vessels—both commercial and those in the reserve sealift fleet—that would be required to meet its needs under different contingency scenarios and communicated that to MARAD.

¹⁶During the course of our review, MARAD provided the estimated number of mariners required for prolonged full activation as 12,658 based on 211 vessels. However, in commenting on a draft version of our 2015 report, DOT officials provided another estimate of 13,034 based on 207 vessels. While MARAD officials outlined some factors and high-level calculations they utilize when computing such an estimate, we could not assess the reliability or accuracy of either estimate, because MARAD did not have a final report that documented and presented precise calculations and methods that they used. In addition, MARAD did not explain why the number of mariners required had risen even though the number of vessels had been reduced. We therefore were unable to verify the details of these estimates.

¹⁷According to MARAD officials, 207 vessels utilize the same type of mariners needed to crew the surge sealift vessels, which they expected will continue to operate during the period when the reserve surge fleet is activated. MARAD officials explained that these vessels include those in the U.S.-flag fleet that have a gross tonnage of at least 1,600, in addition to passenger vessels of the appropriate tonnage and privately owned fleet support vessels on charter to the Military Sealift Command that are not counted in MARAD's list of 167 oceangoing U.S. flag vessels because of their specialized usages.

reserve sealift fleet increased from 37,702 in 2008 to 54,953 mariners in 2014. Second, complete detailed data on actively sailing U.S. mariners, who, according to MARAD, are more likely to be available to crew the reserve sealift fleet, were not available. While USCG is limited in its ability to identify actively sailing mariners, USCG reported that as of June 2, 2015, it had received 16,637 certificates of discharge for potentially qualified mariners who had sailed in the previous 18 months. Third, the number of mariners who are willing to serve is also uncertain, in part because crewing of the reserve sealift vessels is done through a voluntary system. Fourth, Strategic Sealift Officers can be called to duty to fill officer positions aboard the reserve sealift fleet if a shortage of qualified civilian mariners exists. According to a DOD official, as of April 2015 the Strategic Sealift Officer program consisted of 1,973 officers, of whom 1,063 were not actively sailing and could potentially be called up to crew the reserve sealift fleet. However, DOD officials told us, as of August 2015, Strategic Sealift Officers had never had to be called into duty to crew the reserve sealift fleet.

While the USCG database showed over 16,000 potentially qualified and actively sailing mariners, MARAD stated in 2015 that not all of these mariners would be readily available to crew the reserve sealift fleet and maintain ocean commercial operations. MARAD estimated that 11,280 U.S. mariners were readily available as of May 2015, based on its assumptions and analysis of USCG data.¹⁸ According to MARAD officials, this number was sufficient to support the initial activation of the reserve sealift fleet for 6 months but insufficient to support the prolonged operations of all the vessels after the initial crew is rotated. MARAD concluded in 2015 that at least 1,378 more mariners would need to be available to meet the needs of the prolonged operation of the entire reserve sealift fleet as well as the operation of commercial vessels.¹⁹ According to MARAD officials, they expected the shortage to occur for

¹⁸MARAD officials told us that they analyzed USCG data on the qualified mariners and applied certain assumptions to estimate the number of mariners able to support DOD needs and maintain commercial operations. According to the officials, the assumptions they used included the following: (1) excluded nonunion mariners, (2) excluded mariners sailing in the Great Lakes, and (3) excluded mariners for whom there was no record of sailing within the last 18 months. We requested that MARAD provide us with more detailed methodology to explain how it made and quantified each of these assumptions in making its final estimate. MARAD told us it could not provide any more details about its methodology.

¹⁹Given the estimated number of mariners MARAD provided in commenting on a draft version of our 2015 report, the gap could be as high as 1,754 mariners.

senior officer positions but not for lower officer positions, such as third mate or third assistant engineer, since the merchant marine academies graduate students with these rankings each year. MARAD officials acknowledged that more mariners were qualified to support the operation of the reserve sealift fleet than were included in MARAD's analysis. However, the officials stated that sufficient numbers of mariners may not be available, in part because of their current location or employment or their lack of appropriate experience for a particular officer position. MARAD did not reassess the sufficiency of the mariner pool by using different assumptions to include a greater portion of qualified mariners, such as the more than 1,000 Strategic Sealift Officers who were not actively sailing as of April 2015, or consider mechanisms to reach out to the mariners it had excluded from its analysis in the event of a full, prolonged activation of the reserve sealift fleet.

Update on Matter for Congressional Consideration and GAO Recommendation

Matter for Congressional Consideration

To address concerns that USDA had paid higher shipping rates than USAID in part because it had applied the CPFA requirements differently than USAID, our 2015 report identified a matter for congressional consideration. Previously, we made recommendations that key agencies administering CPFA agree on a consistent interpretation of CPFA requirements through a memorandum of understanding. Although the agencies had addressed some aspects of cargo preference, they had not clarified the definition of "geographic area." USDA uses a more stringent definition of geographic area when implementing CPFA and was not able to take advantage of the shipping price decreases that USAID utilized. Our 2015 report noted that, while recognizing that cargo preference serves policy goals established by Congress with respect to the U.S. merchant marine, including maintenance of a fleet capable of serving as a naval and military auxiliary in time of war or national emergency, Congress should consider clarifying cargo preference legislation regarding the definition of "geographic area" to ensure that agencies can fully utilize the flexibility Congress granted to them when it lowered the required CPFA percentage. As of October 2017, no legislation had been

introduced to clarify the definition of "geographic area" with regard to cargo preference laws.

Recommendation and Agency Response

To address our finding that MARAD had not fully assessed the sufficiency of mariners available under DOD's most serious scenario, our 2015 report recommended that the Secretary of Transportation direct the Administrator of MARAD to study the potential availability of all qualified mariners needed to meet a full and prolonged activation of the reserve sealift fleet. We recommended that in the study, MARAD should identify potential solutions to address the mariner shortfall if a shortfall is still identified. In commenting on a draft version of our 2015 report, DOT concurred, and officials stated that MARAD had been reviewing the adequacy of existing plans to recruit mariner volunteers to crew the full reserve fleet. In addition, in December 2015, DOT officials told us that the National Maritime Strategy would include MARAD's results on the review. In April 2017, a DOT official said that the National Maritime Strategy had not been released and was awaiting review from the current Administration.²⁰

Furthermore, in commenting on a draft version of our 2015 report, DOT officials estimated that about 13,000 mariners were required to crew all the vessels in the fleet for sustained operations, but the officials did not provide the detailed methodology underlying that estimation. DOT officials told us in December 2016 that DOT had conducted an exercise in September 2016 to test mariner availability for an initial activation of the full fleet. DOT concluded from this exercise that there are sufficient numbers of mariners to initially crew the 61 reserve sealift vessels. However, this exercise did not fully address our recommendation, as it did not test for a full and prolonged activation of the fleet. In August 2017, we reported that our recommendation remained valid.²¹

²⁰The National Defense Authorization Act for Fiscal Year 2017 tasked MARAD to create a maritime workforce working group and required this group to identify the total number of U.S. citizen mariners in the United States who, among other things, are available to crew the U.S. flag fleet and the surge sealift fleet in times of a national emergency. The Act also requires the Secretary of Transportation to report the maritime workforce working group's findings to Congress within 1 year of the date of enactment of the Act. As of May 2017, MARAD officials reported that they had established a working group and planned to report to Congress in December 2017.

²¹GAO-17-503.

Without a full understanding of both the need for, and potential available supply of, mariners under DOD's most serious scenario, the U.S. government continues to be limited in its capacity to address any potential imbalance. We concluded in August 2015 that as a result, the U.S. government cannot guarantee that the use of food aid programming funds to pay higher U.S.-flag shipping prices under CPFA is achieving the intended benefit of maintaining a merchant marine capable of providing sealift capability in time of war or national emergency.

Chairman Corker, Ranking Member Cardin, and Members of the Committee, this concludes my prepared statement. I would be pleased to answer any questions you may have at this time.

**GAO Contact and
Staff
Acknowledgments**

If you or your staff members have any questions concerning this testimony, please contact me at (202) 512-9601 or melitot@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Other individuals who made key contributions include Judith Williams (Assistant Director), Ming Chen (Assistant Director), Fang He, Justine Lazaro, Victoria Lin, Marycella Mierez, Mark Dowling, Martin de Alteriis, David Dornisch, and Reid Lowe.

PREPARED STATEMENT OF DR. CHRISTOPHER B. BARRETT,
PROFESSOR AND DEAN, CORNELL UNIVERSITY

Chairman Corker, Ranking Member Cardin, and honorable Senators on the committee, thank you for the opportunity to testify today and to summarize what the best recent research tells us about current United States international food aid and food assistance policies and the ways in which the United States Government (USG) might more effectively use those policies and resources to address global food insecurity. My name is Chris Barrett. I am a Professor at Cornell University and have studied United States (U.S.) and global food aid policies for more than 20 years, including publishing more than two dozen peer-reviewed journal articles and three books on the topic.¹

U.S. food aid and international food assistance is crucial to address the real humanitarian crises gripping the globe today. It offers a highly visible symbol of Americans' commitment to feed the world's hungry. But we can do much better.

The credible research on food aid is clear and consistent in finding that restrictions imposed on how U.S. international food aid programs procure and deliver commodities waste taxpayer money at great human cost. Ending two restrictions—(1) cargo preference restrictions, and (2) domestic procurement restrictions—can help generate more funds for U.S. food aid programs, saving lives without increasing taxpayer costs.

U.S. food aid programs have played a crucial role in saving and improving lives worldwide for more than two hundred years.² Nonetheless, relative to the reformed food assistance programs operated by other countries and by private voluntary organizations (PVOs) using private donations, the non-food costs of U.S. food aid are excessive, delivery is slow, and the programs have not kept pace with global emergency needs. And there is no hard evidence of significant benefits to American agriculture, maritime employment or military readiness. No debate remains among serious scholars who have studied the issue: the Food for Peace (FFP) program is overdue for reforms to promote most cost-effective fulfillment of its mission, as are the smaller programs run by the U.S. Department of Agriculture.

The primary mission of the FFP program, as amended by Congress most recently in 2014, is to “(1) address famine and food crises, and respond to emergency food needs, arising from manmade and natural disasters; (2) combat malnutrition, especially in children and mothers; (3) carry out activities that attempt to alleviate the causes of hunger, mortality and morbidity.”³

Sadly, the need for international food assistance to accomplish that mission is growing. The estimated number of undernourished people in the world increased this year to 815 million.⁴ And billions—including half the world's children ages six months to five years—suffer mineral and vitamin deficiencies that harm their

¹ Christopher B. Barrett and Daniel G. Maxwell (2005), *Food Aid After Fifty Years: Recasting Its Role* (London: Routledge); Christopher B. Barrett, Andrea Binder and Julia Steets, editors (2011), *Uniting on Food Assistance: The Case for Transatlantic Cooperation* (London: Routledge); Christopher B. Barrett, editor (2013), *Food Security and Sociopolitical Stability* (Oxford: Oxford University Press).

² As recounted in Barry Riley (2017), *The Political History of American Food Aid* (Oxford: Oxford University Press), the first Congressional authorization of US food shipments for disaster response occurred in 1812 in response to an earthquake in Venezuela.

³ Food for Peace Act, as Amended through P.L. 113-79, Enacted February 07, 2014, SEC. 201. [7 U.S.C. 1721] reads “The President shall establish a program . . . to provide agricultural commodities to foreign countries on behalf of the people of the United States to (1) address famine and food crises, and respond to emergency food needs, arising from man-made and natural disasters; (2) combat malnutrition, especially in children and mothers; (3) carry out activities that attempt to alleviate the causes of hunger, mortality and morbidity; (4) promote economic and community development; (5) promote food security and support sound environmental practices; (6) carry out feeding programs.”

⁴ Food and Agriculture Organization of the United Nations, *The State of Food Security and Nutrition in the World 2017* (Rome: FAO).

health and cognitive development, often irreversibly.⁵ Disasters occur with great and increasing frequency than ever before and cost an estimated 42 million human life years annually, mostly in low- and middle-income countries.⁶ For the first time ever, in 2017 the United Nations declared four nations—Nigeria, Somalia, South Sudan, and Yemen—in famine or near-famine conditions and proclaimed it “the largest humanitarian crisis” since the U.N.’s creation in 1945. The confluence of conflict and natural disasters has driven the number of refugees and displaced persons worldwide to the highest on record, with hunger a leading cause of forced migration.⁷

Although the need is growing, budgetary resources have shrunk over time. The USG spends roughly \$2.5 billion annually, on average, on international food assistance programs. But this represents a 76 percent decline in inflation-adjusted terms from the 1960s.⁸ As a result, the agencies that provide frontline humanitarian response are chronically underfunded relative to the emergency needs they address on our behalf. These shortfalls compromise responsiveness and too frequently necessitate reductions in already-meager food rations provided to refugees in multiple countries.⁹ With food aid funding scarcer, and needs greater, we must get smarter in how we use these resources.

Congress should take two main actions to enhance the cost-effective use of increasingly scarce international food aid and food assistance resources to meet the FFP mission: (1) relax or eliminate cargo preference restrictions on shipments of agricultural commodities procured in the U.S. for FFP and other food aid programs, and (2) relax the restrictions that compel commodity purchase in the U.S. The U.S. alone among major humanitarian donors has these wasteful requirements. The myth is that these statutory restrictions generate benefits in the form of enhanced military readiness or significant gains for farmers or mariners. They don’t. The reality is that they cost lives needlessly.

Cargo preference restrictions

One key statutory restriction arises from cargo preference laws concerning the procurement of ocean freight services for shipping food aid commodities to recipients abroad. By law, at least 50% of U.S. food aid must be shipped on U.S. flag vessels, even if those vessels’ costs are higher than foreign competitors.¹⁰ This policy, like most anti-competition regulatory restrictions, drives up costs and causes delays. Those predictable consequences recently compelled the White House to temporarily suspend the comparable Jones Act provision—which restricts ocean freight carried between U.S. ports to U.S.-flag vessels, much as cargo preference does for shipments abroad—so as to reduce delays and costs in delivering emergency supplies to Puerto Rico following Hurricane Maria.¹¹

The costs of cargo preference are considerable. A raft of recent studies has consistently found that cargo preference inflates ocean freight costs by 23-46% relative to open market freight rates.¹² USAID and USDA are no longer reimbursed for any of these excess costs. As a result, roughly \$40-50 million of taxpayer money, appro-

⁵ *Investing in the future: A united call to action on vitamin and mineral deficiencies*. Global Report 2009 (Ottawa: The Micronutrient Initiative). Christopher B. Barrett and Leah E.M. Bevis (2015), “The Micronutrient Deficiencies Challenge in African Food Systems,” in David E. Sahn, editor, *The Fight Against Hunger and Malnutrition: The Role of Food, Agriculture, and Targeted Policies* (New York: Oxford University Press).

⁶ United Nations Office for Disaster Risk Reduction (2015). *Making Development Sustainable: The Future of Disaster Risk Management*. Global Assessment Report on Disaster Risk Reduction (Geneva: UNISDR). 7 World Food Programme (2017), *At the root of exodus: Food security, conflict and international migration* (Rome: WFP).

⁷ Randy Schnepf, *U.S. International Food Aid Programs: Background and Issues*, Congressional Research Service, September 14, 2016.

⁸ Schnepf (2016).

⁹ United Nations High Commissioner for Refugees (2015), *World At War: Global Trends, Forced Displacement in 2014* (Geneva: UNHCR).

¹⁰ In order to carry US food aid under the cargo preference provision, a vessel must have been registered under the U.S. flag for at least three years, be owned by a U.S.-based company, and employ crew members who are all U.S. citizens.

¹¹ The Jones Act imposes the same basic restrictions as cargo preference with the important, added requirement that the ship was built in a U.S. shipyard.

¹² Elizabeth R. Bageant, Christopher B. Barrett and Erin C. Lentz (2010), “Food Aid and Agricultural Cargo Preference,” *Applied Economic Perspectives and Policy* 32(4): 624-641; Phillip J. Thomas and Wayne H. Ferris (2015), *Food Aid Reforms Will Not Significantly Affect Shipping Industry or Surge Fleet*, George Mason University report; U.S. Government Accountability Office (2015), *International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear*, GAO 15-666; Stephanie Mercier and Vincent Smith (2015), *Military Readiness and Food Aid Cargo Preference: Many Costs and Few Benefits* (Washington: American Enterprise Institute)

riated each year to feed starving children, gets diverted to windfall profits to (mainly foreign-owned) shipping lines (on which, more below).

The special interests that defend cargo preference claim it advances military readiness. But that myth has been conclusively exploded by multiple careful recent studies that find the overwhelming majority of the agricultural cargo preference fleet is out-of-date and fails to satisfy the Department of Defense (DOD) standards of militarily usefulness.¹³ That is why the Congress enacted the Maritime Security Program (MSP) in 1996, in order to provide DOD with an effective call option on approximately 60 privately-owned vessels and 2,400 deepwater mariners that meet military sealift requirements. Militarily useful vessels enrolled in MSP received nearly \$5 million per year. Even so, the MSP program has been underutilized over the past 16 years' intense military engagement overseas. Indeed, the government-owned Ready Reserve Fleet (RRF) and the MSP fleet have never been fully activated.¹⁴

The historical record and abundant research has demonstrated conclusively that cargo preference does little to buttress military readiness. Militarily useful MSP ships carried only 18 percent of all food aid preference cargo between 2011 and 2013.¹⁵ Most of the remainder was carried by non-MSP, U.S.-flag vessels deemed not militarily useful because of their age, size, or vessel type. In 60-plus years of cargo preference, not once has the Department of Defense mobilized a mariner or vessel from the non-MSP cargo preference fleet despite a dozen or more foreign campaigns by the U.S. military, several of them—like Vietnam, Iraq and Afghanistan—sustained and intense. MSP and RRF provide a far more effective and efficient means of ensuring adequate military sealift capacity than a cargo preference system that mainly rewards the (largely foreign) owners of non-militarily useful ships that sail under a U.S. flag expressly to tap the profits generated by anti-competition regulatory restrictions. This explains the clear support in recent years from DOD and the Department of Homeland Security for food aid reforms.¹⁶

Cargo preference advocates also advance specious claims that cargo preference preserves an American fleet and generates valuable employment effects. These claims simply do not stand up to scrutiny. Cargo preference, of which food aid comprises only 11%,¹⁷ has not stemmed the long-term decline of the U.S.-flag civilian fleet, which, due to a variety of factors, is no longer cost competitive with foreign commercial shipping capacity. The daily operating costs of U.S.-flag ships average 270 percent more than comparable foreign vessels partly because, in general, U.S.-flag ships are older, smaller, and slower than foreign competitors.¹⁸ In 1955, the first full year following the Cargo Preference Act of 1954, U.S.-flag ships carried 25 percent of U.S. foreign trade; today, that share has plummeted to 1 percent. The size of the fleet in terms of vessels has also declined substantially over the same period, from 1,075 vessels in 1995 to 175 in December 2016.¹⁹ These declines have been steady, occurring even during periods when food aid volumes increased and when cargo preference increased from 50 to 75 percent of food aid shipments. Moreover, this decline has occurred in spite of rapid expansion in commercial international trade through U.S. ports. Insufficient demand for ocean freight service is not a significant reason for a declining U.S.-flag fleet.

Had cargo preference sustained the fleet and mariner jobs, then the 2012 reforms that reduced cargo preference coverage from 75% to 50% would have had a measurable effect. But they didn't. Not a single vessel appears to have ceased ocean freight service nor a single mariner job ended when the statutory minimum for cargo preference rolled back to its 1954-86 level.

One reason for the lack of discernible effect is that few U.S. ports handle food aid, and even among those that do, food aid commodities matter little. Food aid represents less than 3 percent of the export volume of any single port in the country, and less than 0.3 percent on average nationwide. Even in the Louisiana-Texas Gulf ports region that accounted for more than 84% of U.S. food aid shipments in FY 2016, food aid shipments represent less than 1% (0.95%, to be precise) of total export volumes. Outside of those Gulf ports, food aid shipments represent just 0.06%

¹³Bageant et al. (2010), Thomas and Ferris (2015), GAO (2015), Mercier and Smith (2015).

¹⁴GAO (2015).

¹⁵Thomas and Ferris (2015).

¹⁶U.S. Department of Homeland Security April 17, 2014 letter; Undersecretary of Defense letter dated June 18, 2013.

¹⁷Lentz, Mercier and Barrett (2017).

¹⁸Lentz, Mercier and Barrett (2017), drawing on MARAD data.

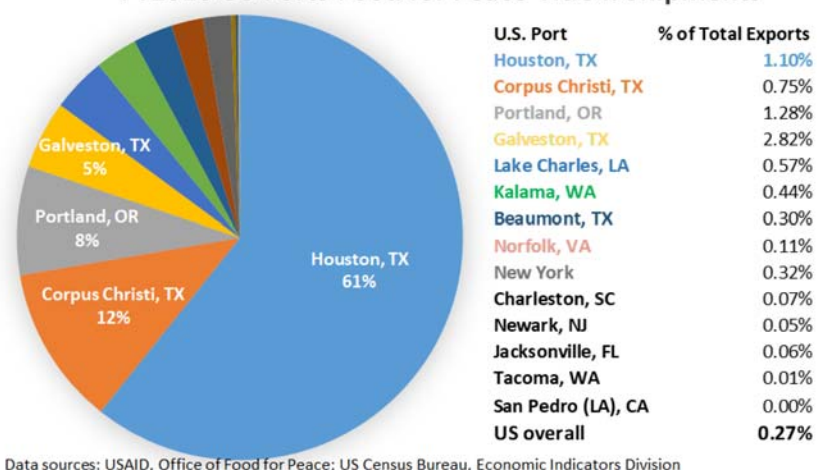
¹⁹U.S. Department of Transportation, U.S. Maritime Administration(2016), "U.S. Flag Privately Owned Merchant Fleet, 1946-Present,"

of total exports volumes.²⁰ Food aid shipments are just a drop in the ocean for the shipping business overall, having no discernible effect on employment in port regions or in the maritime sector.

Likewise, the U.S. Coast Guard estimates availability for a surge fleet of nearly 55,000 mariners.²¹ In 2013, the then-Under Secretary of Defense estimated that reforms to food aid programs that would reduce food aid commodity shipments from the U.S. would affect, at most, only 8-U.S.-flag vessels, employing between 360 and 495 mariners, or less than 1 percent of the surge fleet crew.²² And each of these few jobs comes at a taxpayer cost of about \$100,000 to the FFP program.²³

Cargo preference matters economically, but not for port regions or mariners, rather only for a very small number of owners of bulk and break bulk ships with limited alternative, commercial uses. USAID data show that in FY 2016, 13 vessels from just 3 companies—Liberty Maritime, Maerk, and Sealift—accounted for more than 83 percent of food aid cargo preference volumes. That sort of concentration would excite anti-trust concerns in most sectors of the economy. Predictably, insufficient competition increases prices. The anti-competitive restrictions of the cargo preference law generate windfall gains to ship owners whose vessels work almost exclusively for this form of freight, not to workers who have alternate employment options on the more than 38,000 U.S. flag coastal freight vessels operating under the Jones Act.²⁴ ²⁵

FY2016 US Ports Food for Peace Title II Shipments



Furthermore, many cargo preference vessels are ultimately owned by foreign corporations. Vessels owned by just three foreign shipping lines that control U.S. subsidiaries—the A.P. Moller-Maersk Group from Denmark, Neptune-Orient Lines from Singapore, and Hapag-Lloyd of Germany—accounted for 45% of all food aid carried by U.S. flag ships from 2012 through mid-2015.²⁶ So many of the profiteers from anti-competitive statutory restrictions on U.S. food aid are not even American companies.

²⁰The figures in this paragraph are the author's calculations based on USAID and U.S. Census Bureau data for fiscal year 2016. The aggregate shipment volumes for nearby towns into a port region; for example, Houston includes Jacinto. The pie chart on the left shows the distribution of food aid export volumes from U.S. ports. The table on the right reports, for each port, the food aid share of total merchandise exports.

²¹U.S. Government Accountability Office (2015).

²²Kendall (2013), see note 16.

²³Bageant *et al.* (2010).

²⁴Maritime Administration estimate: <http://www.marad.dot.gov/ships-and-shipping/domestic-shipment/> (accessed October 15, 2017).

²⁵This follows directly from what economists know as the Stolper-Samuelson theorem.

²⁶Mercier and Smith (2015).

Domestic procurement restrictions

The second major statutory restriction that Congress should relax concerns domestic procurement. The Food For Peace Act (FFPA), first authorized in 1954, required all agricultural commodities must be bought in the United States and shipped to recipients abroad. That restriction perhaps made sense in 1954, when the U.S. Government ran generous grain price support programs that resulted in massive government held surpluses that were cheaper to dispose of abroad than to store. But a succession of Farm Bills from 1985 to 1996 largely unwound those programs, so that today the Government rarely holds large commodity stocks and the resulting surplus disposal purpose no longer applies. The Government now purchases commodities on domestic markets to ship abroad. Buying commodities in the U.S. dramatically slows down delivery of food aid and costs more.

In the initial decades of the FFP program, the delays mattered little because most food aid went to long-term development assistance. Today, the overwhelming majority supports emergency relief, where timeliness is crucial to effectiveness. The considerable delays that arise due to buying in and shipping from the U.S. cost lives and tarnish American global leadership in humanitarian response.

The most efficient way to help hungry people abroad access food is typically to provide them with cash or electronic transfers, or with food purchased locally or regionally, so-called LRP (for local and regional procurement). This common sense practice is now global best practice employed by all major donors' food aid programs, except the United States. The peer-reviewed scientific evidence shows very clearly that, far more often than not, LRP and cash or electronic transfers save time, money and lives, while providing foods that are equally healthy and safe and are preferred by recipients over commodities shipped from the U.S.²⁷ For example, a nine-country study I led found that buying grains in or near the country where the U.S. donates food aid reduced unit costs 53 percent relative to purchasing grains in the U.S., 25 percent in the case of legumes and pulses. It also shaved 14 weeks off delivery times.²⁸ Hungry families can't afford to stay in place and wait those extra months. And the USG can feed far more people, and better, when we buy safe, lower-cost commodities, closer to affected areas.

Increasing timeliness is particularly important for food insecure children because the first thousand days of a child's pre- and post-natal existence—from conception until his or her second birthday—is the most critical window for nutrition during a person's life. A huge body of research has conclusively established that timely and effective intervention to ensure good nutrition and health during the first thousand days yields enormous benefits throughout the life course: higher educational attainment, increased physical stature, improved health, higher adult earnings, and healthier offspring.²⁹ Saving 14 weeks—10% of the first thousand days—in the de-

²⁷ U.S. Government Accountability Office (2009), *International Food Assistance: Local and Regional Procurement Can Enhance the Efficiency of U.S. Food Aid, but Challenges May Constrain Its Implementation*, GAO-09-570; Management Systems International (2012), *USDA Local and Regional Food Aid Procurement Pilot Program: Independent Evaluation Report* (Washington: MSI); Erin C. Lentz, Christopher B. Barrett, Miguel I. Gomez and Daniel G. Maxwell (2013), "On The Choice and Impacts of Innovative International Food Assistance Instruments," *World Development* 49(9): 1-8; William J. Violette, Aurelie P. Harou, Joanna B. Upton, Samuel D. Bell, Christopher B. Barrett, Miguel I. Gomez and Erin C. Lentz (2013), "Recipients' Satisfaction with Locally Procured Food Aid Rations: Comparative Evidence From A Three Country Matched Survey," *World Development* 49(9):30-43. Erin C. Lentz, Simone Passarelli, Christopher B. Barrett (2013), "The Timeliness and Cost-Effectiveness of the Local and Regional Procurement of Food Aid," *World Development*, 49(9): 9-18; Aurelie P. Harou, Joanna B. Upton, Erin C. Lentz, Christopher B. Barrett, and Miguel I. Gomez (2013), "Tradeoffs or Synergies? Assessing local and regional food aid procurement through case studies in Burkina Faso and Guatemala," *World Development* 49(9): 44-57; Erin C. Lentz and Christopher B. Barrett (2014), "The Negligible Welfare Effects of the International Food Aid Provisions in the 2014 Farm Bill," *Choices* 29(3): <http://www.choicesmagazine.org/magazine/pdf/cmsarticle—386.pdf>; Amy Margolies and John Hoddinott (2014), "Costing Alternative Transfer Modalities," *Journal of Development Effectiveness* 7(1): 1-16.

²⁸ Lentz, Passarelli and Barrett (2013).

²⁹ Black, Robert E., Cesar G. Victora, Susan P. Walker, Zulfiqar A. Bhutta, Parul Christian, Mercedes De Onis, Majid Ezzati, Sally Grantham-McGregor, Joanne Katz, Reynaldo Martorell and Ricardo Uauy (2013), "Maternal and child undernutrition and overweight in low-income and middle-income countries," *Lancet* 382 (9890): 427-451; J. Hoddinott, J. Maluccio, J. Behrman, R. Martorell, Paul Melgar, Agnes R. Quisumbing, Manuel Ramirez-Zea, Aryeh D. Stein, and Kathryn M. Yount, 2013. "Adult consequences of growth failure in early childhood," *American Journal of Clinical Nutrition*, 98: 1170-1178; Black, Robert E., Lindsay H. Allen, Zulfiqar A. Bhutta, Laura E. Caulfield, Mercedes De Onis, Majid Ezzati, Colin Mathers, Juan Rivera, and Maternal and Child Undernutrition Study Group (2008). "Maternal and child undernutrition:

Continued

livery of food assistance can have a substantial, lifelong effect on human capital development, with important and significant long-term implications for economic growth and poverty reduction. In Burkina Faso school feeding programs, locally procured rations delivered more fat and protein, at 38% lower cost per child, than did the rations shipped from the U.S.³¹ That makes a huge difference. Yet, despite the rigorously documented gains that come from LRP, the Congress has yet to directly appropriate a penny for the unnecessarily small USDA LRP Program authorized for the first time in the 2014 Farm Bill.

Current U.S. policy defies global best practice. Following the December 2004 Indian Ocean tsunami, major donors and humanitarian agencies began converting from in-kind food aid shipped long distances to alternative approaches to international food assistance, including providing disaster-affected beneficiaries with cash or vouchers to buy food, local and regional purchases (LRP) of food closer to places in need so as to reduce costs and delivery lags. As a result, donors such as Australia, Canada, and the European Union have “untied” their food assistance, meaning they no longer require the procurement of food aid within their borders. This flexibility has expanded their programs’ reach.

The U.S. Government has experience with such modalities as well, through the LRP pilot program authorized under the 2008 Farm Bill and, especially, the Emergency Food Security Program (EFSP), which was initially funded with international development assistance resources in FY 2010, and then was codified in law as part of the Global Food Security Act of 2016.³⁰ The results from those programs have likewise clearly demonstrated that these more flexible methods significantly outperform in-kind food aid procured in and shipped from the U.S.³¹

Both the George W. Bush and Obama administrations therefore advocated for a variety of food aid reforms, including increased flexibility to use different food assistance tools.³² The Obama administration’s 2014 proposed budget allowed for up to 45 percent of Title II funds to be untied from domestic sourcing requirements. USAID estimated that, in total, those reforms would have allowed them to reach 2-4 million more people per year.³³

Some proponents of in-kind food aid claim that food aid purchase in the United States somehow helps American farmers. There is not a single credible study that supports such a claim. The simple fact is that U.S. food aid programs procure hundreds of millions of dollars’ worth of commodities in a several hundred billion dollar U.S. agricultural industry that is tightly integrated into a nearly \$4 trillion global agricultural economy. U.S. food aid is a drop in the ocean of the global agricultural market. Food aid procurement has no effect on the prices farmers receive, even for the handful of commodities for which U.S. food aid programs absorb five percent or more of domestic production, such as sorghum, lentils, dried beans or peas.³⁴ Farm prices and incomes are driven by global markets, not by U.S. food aid programs.

In an alarmist, last ditch attempt to save the restrictions that generate windfall gains for them, some proponents of the status quo claim that purchasing food abroad under cash-based programs compromises food safety and quality. This conjecture is false. A careful recent study in Burkina Faso found the quality and safety of locally procured commodities was equal to or better than that of commodities shipped from the United States.³⁵ Why? As any chef or trader knows, it is intrinsically easier to assure food quality and safety when one can inspect—and reject substandard—shipments before paying the vendor. Spoilage is commonplace in transoceanic shipments, for which replacement deliveries are effectively impossible (and expensive). Consumer satisfaction surveys among food aid recipients in multiple countries likewise find no advantage from commodities shipped from the U.S. over those locally procured.³⁶

Another myth is that cash-based food aid programs are somehow more vulnerable to theft and corruption, although not a shred of serious evidence exists to support this claim. Modern cash-based food assistance programs routinely make use of advanced biometric sensors to confirm recipients’ identity. High rates of loss of food shipments have been commonplace, especially in programs that serve conflict-af-

global and regional exposures and health consequences.” *Lancet* 371(9608): 243-260. 31 Harou et al. (2013).

³⁰ Indeed, EFSP, funded through the International Disaster Assistance and Overseas Contingency Operations accounts and intended to complement Title II emergency food aid, grew from \$244 million in fiscal year 2010 to more than \$1 billion in fiscal year 2015. Schnepf (2016).

³¹ Lentz, Passarelli and Barrett 2013).

³² Schnepf (2016).

³³ Schnepf (2016).

³⁴ Mercier and Smith (2015).

³⁵ Harou et al. (2013).

³⁶ Violette et al. (2013).

affected populations. Hence USAID's reliance on cash-based programs funded by the International Disaster Assistance account to serve Syrian refugees. The same logic that leads most of us to send checks rather than bags of rice to CARE, Catholic Relief Services, World Vision, etc. should guide U.S. food aid policy. In most cases, cash is at least as safe, more flexible, and is cheaper and faster to deliver.

The waste arising from these two restrictions results in substantial and persistent economic and human costs. American taxpayers spend far more on shipping and handling than on food. Every tax dollar spent on U.S. food aid yields only 35-40 cents of food commodities available to hungry or disaster-affected people.³⁷ Canada has no such restrictions and makes far more extensive use of LRP, cash, and vouchers. As a result, its taxpayers get roughly twice as much—almost 70 cents' worth of food—from every food aid dollar spent.³⁸

The human cost is more stark still because we know saving lives in disasters is relatively cheap. It costs roughly \$125 per child life-year saved to manage the acute malnutrition that routinely arises in the wake of natural disasters and conflict.³⁹ Based on conservative, back-of-the-envelope estimates based on the research cited in this testimony, the \$350-400 million/year wasted on cargo preference, in-kind shipments, and monetization⁴⁰ effectively costs at least 3 million child life-years annually. Given global life expectancy at birth of roughly 70 years, a conservative estimate is that we sacrifice roughly 40,000 children's lives annually because of antiquated food aid policies.

That chilling back of the envelope estimate squares with the most rigorous current findings available. A recent study I co-authored estimates that eliminating the cargo preference and domestic procurement restrictions on U.S. food aid policy could reduce child mortality in northern Kenya by 16 percent during severe drought episodes.⁴¹

And what is the Congress buying taxpayers for an extra 40,000 child deaths annually? Tragically, very little. The volumes of food aid purchased in and shipped from the U.S.—a fraction of 1 percent of the domestic food market, of the ocean freight cargo from U.S. ports, and of the deepwater maritime workforce—is far too small to boost farmers' or mariners' incomes noticeably.

So what should the Congress do? Small policy changes in how the USG buys and delivers food aid—changes that would not cost taxpayers any additional money—would dramatically improve our nation's ability to deliver lifesaving food assistance. This could also help families faced with the prospect of abandoning their homes and becoming refugees in the struggle to feed their families. By eliminating the cargo preference and domestic procurement restrictions on food aid in the Food for Peace program, Congress will enable USAID Administrator and Secretary of Agriculture to employ current best practices in international food assistance.

Distinguished Senators, you have a choice. You can maintain the status quo—and thereby keep diverting U.S. taxpayer money from hungry people to foreign companies, accomplishing nothing significant for military readiness, farmers or mariners, but costing the lives of disaster-affected children. Or you can enact changes that will far better serve the world's hungry and honor this great nation's long heritage of humanitarian leadership by providing cost-effective assistance to the downtrodden throughout the world.

Thank you for your time and interest.

³⁷ USAID (2014), *Food for Peace: Behind the Numbers*; GAO(2014), *International Food Aid: Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System*, GAO-14-22.

³⁸ Lentz and Barrett (2014).

³⁹ Bhutta, Zulfiqar A., Jai K. Das, Arjumand Rizvi, Michelle F. Gaffey, Neff Walker, Susan Horton, Patrick Webb, Anna Lartey, Robert E. Black (2013). "Evidence-based interventions for improvement of maternal and child nutrition: what can be done and at what cost?" *Lancet* 382(9890): 452-477.

⁴⁰ See Lentz, Mercier and Barrett (2017) for a discussion of food aid monetization. With the 2014 Farm Bill's expansion of 202(e) cash made available through FFP program to up to 20 percent, open market monetization is effectively a thing of the past in FFP. Monetization nonetheless remains a source of considerable inefficiency and market distortion in the Food for Progress program that USDA runs.

⁴¹ Alex Nikulkov, Christopher B. Barrett, Andrew G. Mude and Lawrence M. Wein, "Assessing the Impact of U.S. Food Assistance Delivery Policies on Child Mortality in Northern Kenya," *PLOS ONE* 11, 12 (December 20, 2016),

PREPARED STATEMENT OF BILL O'KEEFE, VICE PRESIDENT FOR GOVERNMENT RELATIONS AND ADVOCACY, CATHOLIC RELIEF SERVICES

**Hearing: Modernizing the Food for Peace Program
Senate Committee on Foreign Relations
October 19, 2017**

Testimony of Bill O'Keefe
Vice President for Government Relations and Advocacy
Catholic Relief Services

Thank you Chairman Corker and Ranking Member Cardin for this opportunity to provide testimony to the Senate Committee on Foreign Relations. I am Bill O'Keefe, Vice President for Government Relations and Advocacy for Catholic Relief Services. I have been with Catholic Relief Services for 30 years, starting as a project manager in Tanzania and over the years serving in a variety of positions based in our Baltimore headquarters. I am honored to represent Catholic Relief Services in this hearing.

Catholic Relief Services is the international relief and development agency of the U.S. Catholic Church and a subsidiary of the U.S. Conference of Catholic Bishops. We are one of the largest private voluntary organizations implementing U.S.-funded foreign assistance, including international food security programs. Our work reaches over 120 million poor and vulnerable people in 112 countries. Catholic Relief Services provides assistance based on need, without regard to race, creed, or nationality. Our work is based on the principles of Catholic Social Teaching, including solidarity and subsidiarity. Subsidiarity asserts that the people or communities closest to the problem should solve it. When they struggle, we support them. In living out these principles, we partner with church and other local partners to ensure the most effective and sustainable programming; in 2016 we worked with more than 1,800 partners.

On behalf of Catholic Relief Services, we appreciate the opportunity to give testimony on how the Food for Peace program can be improved. At a time when four countries are facing the specter of famine, over 60 million people are displaced and in need of emergency food assistance, and the number of people struggling with chronic hunger has gone up instead of down, we believe every dollar that can be mobilized to respond to food security needs around the world is critical.

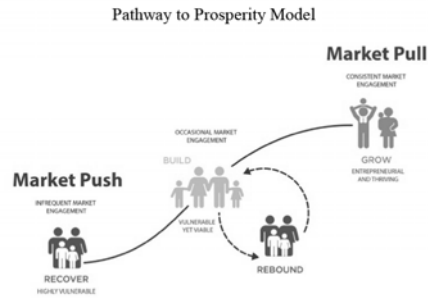
I also wish to share with you the role we see Food for Peace playing in U.S. food security programming overall, and the great work currently being carried out by the program. This also provides context for the recommendations we provide in this testimony, which in short are 1) reducing the use of monetization, 2) greater integration with other emergency food assistance programs, and 3) eliminating cargo preference.

Catholic Relief Services' Concept of Food Security

A core focus of our work is on improving the livelihoods of smallholder farm families as a means to achieve food and nutrition security. With our integral human development model, based on Catholic social teaching, we help these families to assess their levels of assets, vulnerability, commercial prospects, education, and ability to take on new technologies or risk.

Based on this assessment, we work with smallholder farm families to move them along a Pathway to Prosperity (see graph), and ultimately to self-sufficiency.

Moving people along the Pathway to Prosperity requires transitioning families from subsistence farming into greater engagement with markets. Ultimately, smallholder farming is a small business and even very vulnerable farmers – with the right skills and opportunities – can increase their income through increased connections to markets and ultimately become food secure in a sustainable manner. Our work toward these goals is supported in different ways by existing U.S. food security programs. For instance, the Food for Peace development programs we implement focus on moving beneficiaries from the recover to build phase of our Pathway, while our Feed the Future programming helps people in the build phase reach further success in the grow phase. Emergency food security programming supported by both Food for Peace emergency programs and the Emergency Food Security Program (EFSP) help to stabilize people at both the recover and rebound phases, particularly those impact by short term shocks. Because building food security is a continuum, and success in one phase allows transition to the next higher phase, it is important that U.S. food security programs are layered and that strong linkages between them are established.



The Food for Peace Program

For over 60 years the Food for Peace program has provided food assistance to people in need around the world. Current operations of the Food for Peace program provide funding for both emergency and development food aid programs. Emergency food aid supplied by Food for Peace provides U.S. commodities to people who are suffering emergency conditions due to natural disasters or conflict. As discussed above, these programs help stabilize people facing external shocks by providing them enough food to survive, so they are not forced to migrate and can avoid negative coping strategies like selling off what assets they have.

The Food for Peace authorization provides a minimum of \$350 million a year for “non-emergency” programs; this moniker does not do these programs justice. Food for Peace non-emergency programs are actually development programs that target assistance to the poorest countries, and the neediest farm families in those countries. As noted above, Food for Peace development programs are a linchpin in moving farm families up our Pathways model, and we believe their success in this endeavor stems from the multi-sectoral and multi-year nature of these programs.

The multi-sectoral programs indicative of Food for Peace development programs address a number of sectors simultaneously – agriculture, nutrition, land regeneration, water management, infrastructure improvements, and market engagement – in order to address needs of entire

communities. The root causes of hunger, malnutrition and poverty are many and often interrelated, so in order to address an issue in for instance child nutrition, it may require solving a problem in agriculture. Multi-sectoral programming breaks down the silos that occur too often in foreign assistance, and allows implementers to both understand that tackle challenges from a systems approach.

Food for Peace development programs are also implemented over a period of at least five years. More than anything, development depends on changing practices, behaviors and awareness of both individuals and communities. It takes time to convince a farmer who has been using growing techniques passed on for generations, to do something different. These programs give implementers enough time to make a lasting impact on the people we serve, whether it is helping farmers see the benefits of doing things differently, revitalizing local ground water sources through better land management, or mobilizing a community to construct assets like dikes and irrigation systems.

While Food for Peace has been a mainstay of the U.S. food security response for decades, it is important to note that despite its age, it remains a very dynamic program thanks to skillful management by the Office of Food for Peace. Some of the more recent examples of policies and practices that make it such a good program include emphasis on sustainability; soil and water management; multi-year emergency planning; crisis modifiers; and impact investing.

Emphasis on Sustainability – Food for Peace programs focus on the factors that lead ultimately to self-sustaining and self-replicating impact. This includes 1) building sustainable sources of income through savings groups, diversified livelihoods, new small-scale business opportunities, and links to sources of loans and other financial instruments; 2) improving capacity within local governments and civil society actors to carry forward new skills and practices introduced in programs, but also to continually learn and adapt practices to new challenges long after a program ends; and 3) by building lasting linkages between beneficiaries, service providers, and other market actors so that once the program is over, the network remains in place.

Soil and Water Management – Closely related to sustainability, Food for Peace development programs allow for implementers to tackle challenges on a landscape level. Among the most serious of these challenges is land degradation. The vulnerable farm families Food for Peace targets often only have access to farm land depleted of essential nutrients required for growing crops, and which have little water available to them. Through Food for Peace development programs we work with communities to take steps to recharge local aquifers and restore soil nutrients in sustainable, self-replicating ways. Ultimately, this work makes land more productive and insulates farmers from drought. For example, in Malawi during the El Niño drought last summer USAID produced the video “Wilfred’s Leap of Faith,” documenting irrigation farming, available at https://stories.usaid.gov/video/?video_id=4492. The program work behind this story included soil and water interventions as discussed above, under a Food for Peace development program that ended in 2014. As the video demonstrates, two years after project completion and in the middle of a historic drought, these farmers were still thriving.

Multi-year Emergency Planning – In locations that are impacted by chronic hunger requiring an emergency response, it makes sense to provide emergency funding over a longer term than a

typical 6-12-month emergency program, while linking this kind of emergency response more closely with development programs that provide social safety nets and support resilience. Food for Peace is at the forefront of executing multi-year emergency programming, a chief example of which is the Joint Emergency Operation (JEOP) in Ethiopia managed by CRS. JEOP is designed to establish and maintain capacity to scale up and down overall response as needs fluctuate. Over the course of 2015-2016 growing season, the program was tested as Eastern and Southern Africa, including Ethiopia, were hit by severe drought caused by the El Niño weather phenomena. Prior to the drought, JEOP served 700,000 people, but in just a few months that number rose to over 2.9 million people. Ultimately, the JEOP played a pivotal role in supporting the Government of Ethiopia's food security efforts, which successfully prevented famine during this crisis.

Crisis Modifiers: A key part of the strategy behind development Food for Peace programs is to locate these programs in regions with high levels of chronic hunger, which often are also areas subject to recurrent shocks like droughts and floods. For this reason, development Food for Peace programs now include "crisis modifiers," or clauses in awards that allow resources intended for development work to be repurposed for emergency response if a shock requiring an emergency response occurs in or near program sites. In this way development programs provide a platform for immediate response, and at the same time can protect development gains through targeted emergency response. Crisis modifiers allowed CRS to respond to emergency needs in both Malawi and Madagascar last year during the height of the El Niño drought.

Impact Investing: CRS incorporates the new paradigm of impact investing within some of our Food for Peace development programs. For example, working with USAID's Development Credit Authority (DCA), CRS has used our cost-share in Madagascar to support a private-sector partner's purchase of certified organic vanilla. The vanilla is sourced from up to 9,000 small farmers who participate in the FFP program, and with whom we are working to improve farming practices so they can meet quantity and quality requirements. CRS has also undertaken a similar effort in Malawi working with the private sector and up to 3,400 small farmers in producing the moringa plant, whose protein- and nutrient-rich leaves are harvested for dietary supplements.

On behalf of the many people we serve through both emergency and development Food for Peace programs, I want to express gratitude to Congress for continuing to support the program, especially in light of this year's budget request that eliminated funding of this program. We are thankful that Congress understands that millions of lives depend on the food and funding provided by the Food for Peace program, and that protecting their well-being isn't just the right thing to do, but also has implications for migration, stability and conflict around the world. We strongly urge Congress to continue its support of the Food for Peace program as the FY2018 appropriations process moves forward, and we hope the Administration restores funding of this critical program in the FY2019 budget request.

Reforms to the Food for Peace Program

While Catholic Relief Services is a strong supporter of the Food for Peace program, our deep knowledge of the program also leads us to believe that aspects of its implementation can be improved through further reforms. The principles governing these reforms exemplify the

Church's teaching that we must put the needs of the poor and vulnerable first and protect the common good. Thus, any reforms should maximize the numbers of people who can be served. In sum, our objectives around reform include; 1) limiting the use of monetization in Food for Peace, 2) improving coordination between Food for Peace and other programs as a means to maximize discretion in choosing to use U.S. commodities, locally produced/purchased commodities, vouchers, or cash transfers in the implementation of food security programs, and 3) eliminating the impact that cargo preference laws have on food aid programs. I would remiss not to acknowledge changes made to food aid programs in the 2014 Farm Bill, and the authorization of new programs in the 2016 Global Food Security Act, that have allowed us to achieve progress towards some of these goals. That said, we have specific recommendations to further advance reforms in these areas.

Monetization

Monetization is the practice of selling U.S. commodities overseas in order to raise funds to pay for program costs. For many years monetization was the primary source of funds used to pay for direct costs of Food for Peace development programs. The Government Accountability Office, and our own experience, tell us that monetization is an inefficient mechanism to raise program funds, and that on average proceeds from commodity sales only allowed us to recover 75% of the total cost involved in purchasing and transporting the commodities that were sold. In recent years significant steps have been made to move away from monetization in Food for Peace development programs, but more can be done to solidify this move.

First, current law requires that 15% of commodities made available to Food for Peace development programs be monetized. This is an arbitrary requirement built into the law, and at most the practice of monetization has only occasional programmatic value. Given the well-documented inefficiencies around monetization, **we ask that Congress replace this requirement with a simple permissive authority to monetize so that in rare instances where there is programmatic need, it can still be used.**

Second, we recommend that Congress provide sufficient direct funding for Food for Peace development programs so they can avoid using monetization to raise program funds. In current practice, Food for Peace development programs receive direct funding support from two main sources – the Food for Peace 202e account and the Community Development Fund (CDF). In the 2014 Farm Bill, the Agriculture Committees recognized the need to move away from monetization in Food for Peace development programs and as a result amended the existing 202e account – which until then covered only overhead costs – to also cover direct costs associated with development programs, and they also increased overall Food for Peace funding directed to 202e. Concurrently, USAID has used funding provided through the State and Foreign Operations appropriations to fund a portion of Food for Peace development programs, while at the same time re-routing an equal portion of Food for Peace development funding to emergency purposes. In this way, Food for Peace development programs receive additional direct funding, Food for Peace emergency programs have more commodities available to them. **We ask that Congress maintain the expanded authorities and funding provided to 202e, and that the CDF mechanism be authorized as a permanent aspect of Food for Peace, in upcoming Farm Bill.**

Program Integration and Flexibility

One of the most profound changes to U.S. food security programming in recent years was the introduction and ultimate authorization of the Emergency Food Security Program (EFSP). Prior to EFSP, all emergency food assistance was in the form of U.S. commodities provided via the Food for Peace program. Beginning in FY2010, USAID dedicated \$240 million of International Disaster Assistance money to fund emergency cash transfer, voucher and local purchase programs used to address acute food security needs. Since then the program has grown to close to \$1 billion in funding, and was authorized as a permanent program in the Global Food Security Act.

We recognize the authorization of EFSP was a result of the leadership of this Committee and for that we express our deepest gratitude. Indeed, EFSP was the missing ingredient in U.S. emergency food assistance response and is a critical complement to the Food for Peace program. Today, the Office of Food for Peace manages both EFSP and Food for Peace emergency programs, and is now able to provide implementers like CRS the right resources – whether it is U.S. commodities or other modes of assistance – to respond to the emergency food needs of the people we serve.

While the Office of Food for Peace has been able to make EFSP and Food for Peace work together, we know that it isn't easy. These programs draw their authorization from two separate statutes with different authorities, rely on two different funding streams that provide resources at different points of the year, and have two separate sets of regulations and reporting requirements. These differences increase the administrative burden for both implementers and USAID, and make it impossible to combine funding from both programs into one award – at present, if implementers want to draw funding from both programs, USAID must grant two separate awards. **We ask Congress to make it easier for EFSP and Food for Peace emergency programs to work together, by giving USAID authority in both the Farm Bill and the Global Food Security Act to harmonize regulations and practices between these programs, with the goal of being able to use resources from either program in one award.**

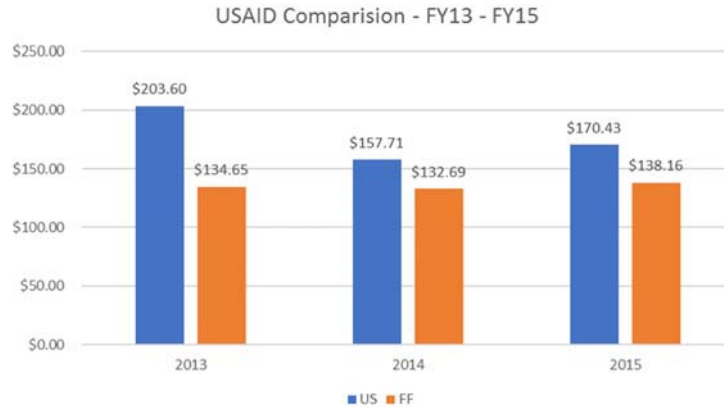
Cargo Preference

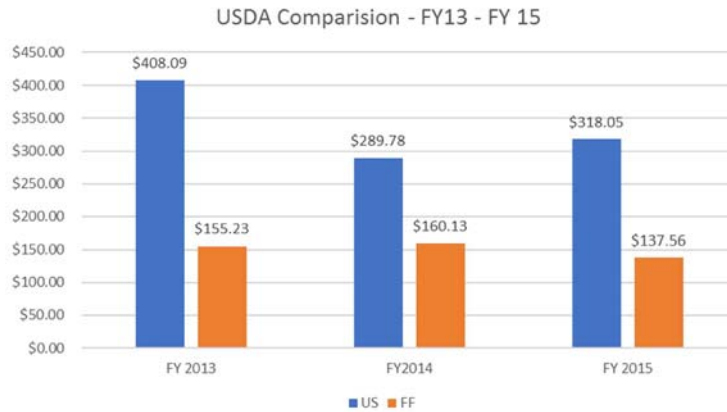
Cargo preference is a policy, carried out in federal law, that establishes minimum quotas for U.S. flagged vessels to carry U.S. funded cargo to foreign ports. Under current law, at least 50% of food aid commodities shipped via ocean freight for Food for Peace programs, as well as food aid programs administered by the U.S. Department of Agriculture, must be shipped on privately owned U.S. flag cargo vessels. Catholic Relief Services implements both Food for Peace programs, as well these USDA programs, so we have experience with cargo preference applied to both.

The intention behind this law ostensibly is to maintain a U.S. merchant marine fleet available to transport military cargos, and trained and experienced U.S. crews to operate these vessels. As a relief and development organization, Catholic Relief Services is not in a place to comment on whether cargo preference has been successful in meeting these goals. However, as an aid

organization with many active food aid programs subject to cargo preference, we can speak to its effects on these programs. The most significant effect cargo preference has is reducing price competition and thereby increasing ocean transportation costs of food aid commodities.

We have collected pricing, vessel flag and other information on shipments for food aid programs CRS operated in fiscal years 2013, 2014, and 2015. During this period, Catholic Relief Services shipped between 11-13% total volume of food aid commodities shipped in the Food for Peace program, and 9-10% of all commodities shipped in USDA programs. About 53% of our USAID shipments and 83% of our USDA shipments were on U.S. flag vessels. For our USAID programs, U.S. flag carriers charged on average 31% more per metric ton to ship commodities than foreign flag carriers; for our USDA programs, U.S. flag carriers charged on average 124% more per metric ton than foreign flag carriers did. The price differentials between U.S. and foreign flag carriers by year for both our USAID and USDA programs are depicted in the below charts. **If U.S. carriers had matched the average foreign flag rates in each of these years, Catholic Relief Services would have spent \$23.8 million less on ocean freight shipping in this three-year period. If this money were spent on emergency food aid, it could have used to serve over 500,000 more beneficiaries.** Let me also underscore, this is solely based on CRS ocean freight data, which represents only a small fraction of either USAID or USDA food aid shipments.





Cargo preference works by guaranteeing a significant portion of the food aid market to U.S. carriers, which allows them to avoid price competition with more competitively priced foreign flag carriers in this market. The results are higher prices to move each metric ton of U.S. wheat, rice, corn-soy blend, or vegetable oil used in the food aid programs we implement.

While the minimum tonnage requirement is 50%, constraints in how other aspects of the cargo preference law are applied further reduces competition. For instance, preference tonnage must be computed separately for dry bulk carriers, dry cargo liners, and tankers. While at one time there were three separate classes of vessels, most ocean transport of goods – including food aid commodities – is done on large container ships (in some cases tankers are used, but only to extent loose grain are shipped). Nevertheless, vessel operators argue, often successfully, that they fall into one of these classes of vessels and their bid should take precedence over other bids – including that of other U.S. flag carriers – because minimum tonnage has not been met for the vessel class. This allows vessel owners to game the system, and forces USAID and USDA to pay higher prices for shipments on vessels that are not materially different from one.

Another requirement within the cargo preference law is that the 50% tonnage requirement be distributed across geographic regions, but the law fails to note what geographic regions entail. As a result of a lawsuit against USDA on this question, USDA programs are required to calculate the 50% tonnage requirement by country, while USAID uses eight designated geographical regions which were worked out between the agency and the Maritime Administration which oversees implementation of the cargo preference law. In either case, competition is further restrained since 50% quotas have to be met across multiple countries/regions. This is particularly impactful for USDA programs, which typically only have one shipment a year. In order to meet their 50% quota, these country programs have to ship 100% of their commodities on U.S. carriers.

Entry of additional U.S. flag carriers into the market is also hamstrung by another part of the cargo preference law which requires a vessel to have a U.S. flag designation for three years before it can be considered a U.S. flag vessel for food aid shipments. This “wait time” serves as a barrier to additional U.S. flag vessels entering the food aid delivery market, artificially constraining the number of vessels in competition for U.S. flag cargo.

While not specific to the cargo preference law, another issue around ocean freight transport that drives up costs is an effective mechanism to hold carriers to reasonable performance standards. All bidding for ocean freight shipments is conducted through USDA’s WBSCM, an online system which accepts bids from both U.S. and foreign flag carriers. USDA and USAID, for their respective programs, determine which bid is awarded the freight contract based first on whether minimum tonnage for U.S. carriers is met, and second on cost. Past performance is not considered in this equation, and as such carriers do not have incentive to perform well. This isn’t to say that all carriers perform poorly, but there are indeed some carriers who regularly damage food aid cargos during transit, deliver shipments well past scheduled delivery dates, and provide poor customer service to implementers like CRS when we try to work with them to resolve issues related to our shipments, all of which increase administrative burden and costs, while negatively effecting food aid program outcomes.

Catholic Relief Services is grateful for the role U.S. flag carriers and their crews have played in delivering food aid commodities to people in need. We are not seeking to exclude U.S. carriers from delivering food aid, and in fact we consider them an important part of the food aid delivery system. Our concern is that the manner in which Congress has chosen to support these vessels and crews relies on requiring U.S. food aid programs to use higher cost vessels. We do not believe food aid programs, which are intended to help hungry people around world, should bear the added costs associated with meeting cargo preference requirements. As such, **we strongly recommend that Congress eliminate cargo preference requirements applied to international food aid programs.** This will force U.S. carriers to more competitively price their services based on international market prices and lead to significant savings in food aid programs. Further, beyond cargo preference, **we also ask that past performance become a prominent factor in awarding freight contracts in food aid programs.** This will motivate carriers to improve how they deliver food aid, and help food aid programs weed out poor performers – whether they are U.S. or foreign flag carriers.

Conclusion

As a privileged partner of the US government, Catholic Relief Services has had the honor of witnessing the life-saving and life-altering impact of the Food for Peace program. With as many as 20 million people still at risk of famine, we encourage Congress to continue to support this program, and to consider the changes we recommend – further addressing monetization, improving program coordination between Food for Peace and EFSP, and eliminating cargo preference on food aid programs – as a path forward to improving the Food for Peace program.

RESPONSES TO QUESTIONS SUBMITTED TO WITNESSES
BY MEMBERS OF THE COMMITTEE

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO
MATTHEW NIMS BY SENATOR ROBERT MENENDEZ

Question 1. Given the number of humanitarian emergencies around the world, including famine or famine warnings in four countries, what is the appropriate balance between emergency and non-emergency humanitarian assistance, particularly food assistance?

Answer. USAID is investing in both emergency and development food assistance programs. Through the Office of Food for Peace (USAID/FFP), we continuously monitor food insecurity levels worldwide and make emergency funding decisions on a monthly basis, often to meet anticipated emergency food needs several months in the future. If agricultural, market or political indicators improve, future emergency contributions are reconsidered. Natural disasters, such as hurricanes and earthquakes, and political crises resulting in population displacements often require immediate assistance to meet life-saving food needs. USAID balances these changing needs, adjusting programming priorities and plans to ensure that food assistance is reaching the most vulnerable populations worldwide.

Through the U.S. Government's global hunger and food security initiative, Feed the Future, USAID is also leading efforts to address the root causes of hunger and poverty overseas. USAID/FFP's development programs are a part of this initiative, which reduce the long-term need for food assistance by increasing resilience for the world's most vulnerable communities and individuals, particularly women and children. Efforts range from providing farmers with better land management skills, to training caregivers and healthcare workers in child health care and child nutrition.

USAID believes that the purpose of foreign assistance must be to end the need for its existence. The U.S. stands with people around the world when crises occur but we also address other nations' abilities to prevent crises and conflict and better help themselves when disaster strikes. Tackling root causes and building the resilience of communities is key to working ourselves out of the humanitarian business.

Question 2. In what ways can we best leverage and utilize American-based companies and constituencies with strong connections to recipient countries? Often these organizations find they are unable to break through bureaucratic structures at USAID and contracting offices, preventing them from delivering much needed assistance and relief.

Answer. USAID works in partnership with nongovernmental organizations (NGOs), UN agencies and other private sector organizations in implementing both emergency and nonemergency food assistance projects around the world. Many of the NGOs we work with are American-based—from Mercy Corps, headquartered in Oregon, to Catholic Relief Services, headquartered in Maryland—and we rely on their field staff to provide critical assistance to vulnerable populations globally.

Through the International Food Relief Partnership (IFRP), a sub-program of Title II of the Food for Peace Act, USAID supports the production, stockpiling, transportation, delivery and distribution of shelf-stable, prepackaged foods by U.S. non-profits and Public International Organizations (PIOs). USAID does this primarily through providing small grants to predominantly faith-based groups to distribute ready-to-use supplementary food and dried soup mix in institutional settings such as health clinics, schools and community centers. IFRP has been an important avenue for many private voluntary organizations, including many whom are new partners for USAID, to partner with the Office of Food for Peace (USAID/FFP) to provide food assistance worldwide.

USAID is also working to expand private sector partnerships with American-based companies. For example, USAID is sourcing Ready-to-Use-Therapeutic Food (RUTF) from MANA Nutrition, a Georgia-based company founded in 2009. MANA's RUTF—a fortified peanut paste—has been carefully formulated to meet a child's basic nutritional needs. In fiscal year 2017, USAID/FFP purchased \$15 million of RUTF.

Working with USAID, the Massachusetts Institute of Technology (MIT) Comprehensive Initiative on Technology Evaluation provided analysis and research to identify improved bulk food storage bags. These bags can reduce food losses due to insect infestation, fungus and damaged packaging. Using this research, the North Carolina-based company, ProvisionGARD, produced food bags that prevent insects from reproducing in food during shipment and lined the bags to keep moisture out, eliminating mold and fungus. This technology was successfully tested with nearly 1,000 tons of food shipped to Djibouti and South Africa, and seeds deployed to over 16,000 farmers in Uganda.

Question 3. How does Food For Peace coordinate with international relief organizations including the World Food Program? How do we ensure that we are most effectively utilizing our resources and those provided by others in the international community?

Answer. Implementing humanitarian programs in complex, changing environments requires close coordination between USAID and its implementing partners including the UN World Food Program (WFP), the United Nations Children's Fund (UNICEF) as well as nongovernmental organizations and other private sector organizations globally.

USAID's Office of Food for Peace (USAID/FFP) has a strong field presence and staff located in many of the countries where assistance is being provided. This allows USAID/FFP to have direct relationships with partners on the ground, including WFP, and provides USAID/FFP the ability to jointly strategize, design responses and monitor our partners. Additionally, the U.S. Government sits on the WFP Executive Board, providing an opportunity to give strategic direction and oversight on policy and program decisions.

Coordination more broadly across all humanitarian actors happens through the cluster system, which is facilitated through the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), an organization that brings responsible parties together to coordinate effective and principled humanitarian action. The cluster system facilitates engagement between UN agencies, donor governments and nongovernmental organizations. The food security cluster and the nutrition cluster are key to coordinating the food security response during a humanitarian crisis. Through these relationships, USAID/FFP ensures that it is working both cooperatively and effectively to address need.

Question 4. What specific steps can Congress take to ensure that we are maximizing efficiencies of direct food aid and monetized support for countries in crisis?

Answer. Over the past several years, Congress has taken important steps to help USAID maximize its food assistance resources. Through changes to the Food for Peace Act made by the Agricultural Act of 2014 (the "Farm Bill"), Congress made modest but significant improvements to the Title II program. These changes allow USAID to use market based modalities where appropriate to enhance U.S. in-kind Title II programs and to directly fund non-emergency programs, reducing USAID's Office of Food for Peace's (USAID/FFP) reliance on the inefficient practice of monetization.

Further, through the Global Food Security Act of 2016, Congress provided the authorization for the Emergency Food Security Program (EFSP), codifying USAID's use of International Disaster Assistance funds to provide locally and regionally produced food, food vouchers and cash transfers to support our humanitarian response. These funds have allowed for USAID to move quickly, adapt readily to conditions on the ground, and in many instances to increase the efficiency and effectiveness of food assistance.

Given the increasingly complexity of the humanitarian crises USAID is responding to, employing a combination of modalities is often key. Maintaining the flexibility to adjust and refine our approach and use a range of modalities going forward will be critical. USAID will continue to explore ways to make our food assistance programming more efficient and effective.

Question 5. Owing to the disastrous policies of Nicolas Maduro and ongoing repression, Venezuelans on average last year lost twenty pounds because of chronic shortages of basic goods and services. Furthering his grip on power, Maduro has refused to allow humanitarian shipments into Venezuela. What steps can the U.S. Government or private organizations take in this scenario to support the people of Venezuela?

Answer. As you note, to date, the Government of Venezuela (GOV) has refused to acknowledge the crisis affecting its people and remains mostly unwilling to accept international assistance to meet their needs. While it is unlikely that the GOV will change this position in the immediate future, USAID and other relevant U.S. Gov-

ernment actors are prepared to respond, based on verified need, to a GOV request for humanitarian assistance. USAID is refining contingency plans for a humanitarian response, in consultation with the U.S. Government interagency and other actors in the region.

USAID is currently supporting approximately 35 civil society organizations that generate information about and raise awareness on the difficult governance, economic and social conditions in the country. A new USAID program, started in 2017, is working to build the capacity of civil society organizations and other local NGOs to scale up their efforts and coordinate effectively with the private sector and other stakeholders, should the environment allow for support in bringing in and distributing essential goods in a larger scale.

Question 6. How can we work with neighbors in the region, notably Colombia, where some Venezuelans are able to access basic provisions?

Answer. The U.S. Government recognizes the humanitarian challenge that an influx of Venezuelans may place on neighboring countries. Accordingly, USAID is working to encourage coordination at a regional level to develop realistic and appropriate contingency response plans. We applaud the leadership of neighboring countries, in particular the Government of Colombia, to support Venezuelans seeking refuge in their country. When, or if, those countries are unable to meet the needs of incoming Venezuelan citizens and request, or are willing to accept international assistance, USAID and other U.S. Government entities stand poised to work with governments in the region to provide the most effective technical, humanitarian, and other assistance in support.

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO
MATTHEW NIMS BY SENATOR JEFF MERKLEY

Question 1. What is the United States Government (USG) doing to respond to the current Rohingya refugee crisis in Bangladesh and Burma? Please be specific about what is being done currently and what improvements need to be made to the response.

Answer. In fiscal year (FY) 2017, the U.S. Government provided nearly \$104 million in humanitarian assistance to displaced populations within Burma and Burmese refugees in Bangladesh and the region.

U.S. ASSISTANCE TO DISPLACED POPULATIONS WITHIN BURMA AND BURMESE
REFUGEES IN BANGLADESH AND THE REGION

U.S. Government Office	Total FY 2017 Funding	Location
State/ Population, Refugees, and Migration (State/PRM)	\$75.8 million	Burma, Bangladesh, other countries hosting Burmese refugees including Thailand and Malaysia
USAID/Food for Peace (USAID/FFP)	\$20.3 million	Burma, Bangladesh
USAID/U.S. Foreign Disaster Assistance (USAID/OFDA)	\$7.8 million	Burma

Of the more than \$75.8 million in humanitarian assistance provided by State/PRM, nearly \$34 million has been provided since August including for protection services, shelter and non-food items, as well as health, nutrition, food, water, sanitation and hygiene (WASH), and education assistance to displaced persons in Burma and Bangladesh. State/PRM partners are also establishing child friendly spaces and adolescents clubs to provide young people in Bangladesh with psychosocial support and recreational opportunities. Since the influx began, the International Organization for Migration (IOM) and other State/PRM partners are responding to cases of sexual and gender based violence (SGBV) and providing psychological support.

IOM's services also address the crucial areas of shelter, WASH, and protection. As of November 2, IOM had served 461,000 new arrivals with tarpaulins and other shelter-related NFIs, had trucked 768,000 liters of safe water, and provided protection services to 8,200 extremely vulnerable individuals (EVIs), 227 GBV cases, and over 2,000 psychological first aid (PFA) cases.

State/PRM is also supporting the United Nations Children's Fund (UNICEF) in providing WASH, education, child protection, health and community engagement, and key services for cholera prevention. Due to the U.S. Government's ongoing advocacy, the Government of Bangladesh has also approved an expanded role for UNHCR, including serving as lead of the protection sector and assisting the Government with registration of newly arrived Rohingya.

In Bangladesh, USAID provided \$6 million in emergency food assistance since August to new refugees from Burma, as well as the existing Rohingya population. USAID's partner, the U.N. World Food Program (WFP), provides electronic vouchers for food to existing Rohingya populations as well as in-kind food to new refugees and other vulnerable populations in Bangladesh. Since August, WFP has reached approximately 566,000 new arrivals with some form of food assistance. WFP is also providing additional food to both pregnant and lactating women and children under 5 to prevent and treat moderate malnutrition. In addition, a USAID INGO partner recently transferred approximately \$119,000 in food commodities from its Food for Peace development program in Bangladesh to augment and diversify WFP's food ration. In addition to USAID and State Department, the Centers for Disease Control and Prevention (CDC) is exploring how best to support general health, WASH, and nutrition sectors in the emergency humanitarian response, and has assessments underway on nutrition.

In Burma, the U.S. Government provided \$30.4 million in FY 2017 to the humanitarian response. USAID contributed \$12 million to WFP, enabling the U.N. organization to reach approximately 515,000 people with locally and regionally purchased food or with cash transfers where markets are functioning. USAID also supports UNICEF efforts to prevent and treat malnutrition, as well as UNICEF and NGO partner efforts to implement health, protection and WASH activities.

State/PRM provided \$9.5 million inside Burma, supporting the Red Cross Movement agencies to meet the needs of vulnerable people in Burma, including Rakhine State, in the areas of food, non-food items, clean water, sanitation services, cash grants, and support to mobile clinics and Ministry of Health and Sports facilities.

In Bangladesh, the U.S. Government, U.N. agencies and other humanitarian organizations continue to scale up their response, but significant challenges remain. There is an urgent need to increase the number and capacity of NGOs responding, and to ensure adequate technical capacity is in place to support sectors such as nutrition, WASH, logistics, and shelter. In Burma, humanitarian access remains an issue in northern Rakhine State; U.N. agencies and INGOs have been unable to access affected areas since August. To date, limited assistance is being provided through the Red Cross Movement agencies, although WFP recently announced that it has regained permission to provide emergency food assistance in the northern Rakhine State. Information is limited on the current situation and needs; U.S. partners stand ready to conduct assessments and resume assistance if and when full access resumes. In central Rakhine State, most humanitarian assistance has largely resumed to pre-August levels, although with significant logistical and bureaucratic hurdles. The international community urgently requires immediate, full and unobstructed humanitarian access to both northern and central Rakhine States and the safe, dignified, and voluntary return of refugees when conditions allow.

Question 2. Please describe if and how commodities are being shipped in, if and how food is being bought locally, and if there are and infrastructure challenges or needs.

Answer. USAID's Office of Food for Peace (USAID/FFP) evaluates all response options and determines the most effective method to provide food assistance based on need, market conditions and local infrastructure. Locally and regionally procured commodities (LRP) are used when local or regional markets have sufficient quantities of food to supply emergency food assistance programs without negatively impacting price or commercial trade. When local markets have sufficient food but people cannot afford it, USAID/FFP utilizes cash transfers or vouchers. U.S. in-kind food aid, including ready-to-use-therapeutic foods (RUTF), is used to respond when local markets are not functioning or lack sufficient food, or if beneficiaries do not have access to markets. LRP or U.S. commodities are purchased, branded with the USAID logo, and shipped or transported by land to USAID partner distribution warehouses.

In Burma, USAID/FFP is providing both U.S. and LRP commodities through U.N. partners. The U.N. World Food Program (WFP) provides LRP and cash transfers for food where functioning local markets exist in Burma. Rice, lentils or peas and salt are procured from local suppliers, many of whom source the items from smallholder farmers. Oil is procured regionally from vendors in Indonesia, given the supply and lower price. The U.N. Children's Fund (UNICEF) provides RUTF procured in the United States and shipped to UNICEF warehouses to treat malnourished children in Burma.

In Bangladesh, USAID/FFP also supports WFP to provide commodities, procured locally in Bangladesh, and cash-based transfers for food. Vegetable oil is procured regionally from Indonesia. Super cereal and super cereal plus—a specialized nutritional product needed for the prevention and treatment of malnutrition—are procured from Italy and Belgium due to supply constraints and the urgency of need. WFP also supports a targeted population of 34,000 vulnerable Rohingya in Bangladesh who arrived prior to August 2017 with USAID/FFP-funded electronic food vouchers. These e-vouchers are worth roughly \$10 monthly per person and allow families to purchase 18 different food items from pre-approved local vendors. WFP plans to add more than 70,000 pre-August Rohingya to the program by the end of November 2017.

In Bangladesh, refugees live in makeshift camps that lack basic infrastructure including road access, storage, sanitation facilities and access to clean water. This infrastructure is critical to supporting a comprehensive emergency response, and the limited infrastructure currently prevents services from reaching all those who need support.

Question 3. Are there any changes to the Food for Peace Program that would improve the USG response in this specific crisis?

Answer. In a rapidly evolving and dynamic situation like this crisis, having the flexibility to respond with the right tool given the context and point in time is incredibly important. USAID's Office of Food for Peace (USAID/FFP) is utilizing the authorities and funding provided by Congress for both Title II of the Food for Peace Act and International Disaster Assistance (IDA) authorized in the Foreign Assistance Act in its response. Maintaining flexibility to adjust and refine our approach going forward will be key to an effective response.

Most of the challenges facing the response are political in nature or out of the direct control of USAID. In Burma, insecurity and government restrictions have prevented humanitarian access in northern Rakhine State (NRS); U.N. agencies and international nongovernmental organizations (NGOs) have not been able to access these areas since the August 25th attacks. However the situation may be improving: on October 26, USAID/FFP partner the U.N. World Food Program (WFP) was formally granted access by the national Government of Burma to resume food assistance operations, but is still waiting for access permission from the district level. Given the restrictions, USAID/FFP partners WFP and the U.N. Children's Fund (UNICEF) have been unable to gather data on the total number of vulnerable people in NRS. WFP is coordinating with the Red Cross and local authorities on a November distribution plan and rapid assessments to identify and reach those in need. USAID and its partners stand ready to conduct assessments and resume assistance when full access is restored.

In Bangladesh, USAID/FFP uses IDA resources to fund WFP, enabling the U.N. agency to take a multi-pronged approach to the crisis. USAID/FFP's assistance helps meet the immediate needs of the new arrivals, the established needs of official refugees and other displaced persons who have settled in Cox's Bazar, and offers medium-term support to these populations as well as the host communities. WFP also provides critical support for logistical scale-up and coordination efforts among humanitarian response partners.

USAID/FFP also shifted some Title II in-kind development commodities already in country to augment the emergency response effort. With these commodities, USAID/FFP's development partner was able to complement WFP's food assistance with a more diverse food basket. USAID/FFP continues to engage with our partners to evaluate future food and nutrition needs. We will continue to look at both Title II and IDA flexibility to maximize our response both in the short- and medium-term.

However, in Bangladesh, the humanitarian response has been constrained by the number of organizations permitted to operate in the region and the limited number of actors with technical expertise. To adequately scale up the response, the U.S. government, other donors, U.N. agencies and NGO actors have called upon the Government of Bangladesh to quickly approve NGO applications and visas for international staff.

In both Bangladesh and Burma, the humanitarian response would benefit from increased coordination among humanitarian actors. With greater coordination, humanitarian actors would be able to reach more beneficiaries in need of assistance. To help fill these gaps USAID/FFP is providing resources to support both logistical as well as coordination needs related to food security.

Question 4. Please describe the process for procuring commodities for use in the Food for Peace Program. How long does the process take from the time a bid is requested to delivery? Has that improved or worsened over the last 10 years. What efficiencies can be gained in the procurement process?

Answer. Once USAID's Office of Food for Peace (USAID/FFP) assesses and determines the need and appropriateness for U.S. in-kind food assistance, we work with our implementing partners to help them choose from a list of eligible U.S. commodities, based on local assessments of markets and needs. We work closely with our partners to identify the types and amounts of U.S. commodities required as well as a schedule for delivery. Once approved by USAID, the partners place an order or a "call forward" for commodities. The U.S. Department of Agriculture (USDA) then issues a tender to U.S. producers, evaluates the resulting offers and ultimately purchases the commodities on the open market.

Through the tender process—and working closely with USAID—the partner arranges for the cargo to be shipped from the U.S. port to the recipient country.

Upon reaching its destination, the food is turned over to the partner on the ground, who then arranges its distribution to the intended beneficiaries. This is the typical process for providing commodities to USAID partners, though it can vary depending on the circumstances.

For packaged commodities, it takes approximately three months from the initial call forward to when the commodities arrive at the destination port. The timing for bulk commodities can be a bit briefer, at approximately two months, but is contingent on having the right ship in place to pick up the commodities as they are often already in or near the loading terminal. This timing has remained consistent throughout the years. Efficiencies could be gained with improved supply chain management and expanded use of pre-positioned food. However, pre-positioned food comes at an added cost for storage, fumigation and other associated costs.

Question 5. What role does U.S. commodities play in countries where vouchers and cash cannot be used? Please describe any current operations where in kind commodities are the only option.

Answer. USAID's Office of Food for Peace (USAID/FFP) uses several food assistance modalities to address food insecurity: U.S. in-kind food, local and regionally procured food (LRP), cash transfers and food vouchers. To maximize the effectiveness of these tools and determine which modality, or combination of modalities, is most appropriate given the local context and market function, USAID/FFP relies on up to the minute data and analysis, including from the Famine Early Warning System Network (FEWS NET), in-country staff, and our implementing partners.

U.S. commodities are most needed in countries in which local markets are not functioning—i.e. where the introduction of vouchers and cash would still not enable the most vulnerable to access much-needed food. In fiscal years (FY) 2016 and 2017, U.S. in kind assistance was critical to ensure a robust response in countries such as Ethiopia, South Sudan and Yemen, where food was desperately needed and local and regional markets did not have adequate supplies to support a large-scale response.

In South Sudan, for example, ongoing conflict and insecurity continue to disrupt agricultural production and impede access to livelihoods and markets, resulting in shortages of food in many areas of the country. Families unable to flee these areas have been living with emergency levels of food insecurity for years, in some cases eating water lilies and wild grasses to survive. In areas where food is available in markets, high inflation rates and increasing prices make it difficult for families to access enough to eat. Due to the lack of available food, disrupted markets and severe economic instability, in-kind food aid continues to be an important component of the response in South Sudan.

Question 6. Can you elaborate on what happened in other countries or regions, such as the European Union, when they moved to a cash based food assistance programs?

Answer. Although cash-based programming is not a new tool in humanitarian assistance programming, there has been an increase in the use of cash transfers and vouchers in emergency situations in recent years. The European Union's Humanitarian Aid and Civil Protection unit (ECHO), in particular, has been a vocal proponent of cash-based programming globally.

USAID's Office of Food for Peace 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. There are situations in which cash transfers and vouchers are preferred to in-kind food assistance. When food is available in local markets, providing cash or vouchers can be the fastest way to provide food access to vulnerable households without the means to meet their basic needs. In addition, it enables them to procure foods they would traditionally prepare—often resulting in a more varied and nutritious diet. The use of cash and vouchers supports the local economy—often a critical contribution to stability in an otherwise volatile context.

Through USAID's engagement with ECHO and other international donors, we advocate for a modality neutral approach that focuses on using the right tool given the country circumstances.

Question 7. In 2011, GAO found that USAID could not ensure that monetization does not cause adverse market impacts because USAID monetizes at high volumes, conducts weak market assessments, and does not conduct post-monetization evaluations. What changes has USAID made in response to these findings? Have the changes been successful in minimizing potential market disruptions attributed to monetization?

Answer. Through the use of Bellmon analyses and other market assessments, USAID reduces the risk of monetized food impeding or displacing local markets or creating price volatility. We look at a number of factors, including commodity prices and food availability, to determine whether it is appropriate to provide food assistance. USAID makes every effort to program the best tool for the specific circumstances while also meeting statutory requirements.

Historically, USAID has found monetization to be an inefficient process as the 2011 U.S. Government Accountability Office (GAO) report highlights.

However, through a requirement in the Food for Peace Act, USAID must monetize 15 percent of the total tonnage of U.S. in-kind food assistance shipped overseas under Title II development programs. Currently, USAID only monetizes in Bangladesh. USAID's Office of Food for Peace and the Government of Bangladesh have a monetization model where all food commodities are sold directly to the Government of Bangladesh's Public Food Distribution System for use in their social safety net program, at a cost recovery rate of 82.5 percent. Given the large reliance on foreign imports, in this instance USAID can monetize wheat without harming private sector distributors and local markets.

Question 8. In my role as Ranking Member of the Agriculture Appropriations Subcommittee, I have fought for increased funding for the Food for Peace Program. The budget has zeroed out the program over the past several years. What real world impact would result if no funding was provided for this program and no increases above current levels were provided to International Disaster Assistance (IDA) or other assistance programs within USAID?

Answer. USAID's Office of Food for Peace (USAID/FFP) programs have long been a demonstration of the compassion and generosity of the American people through food assistance. The United States remains the global leader in promoting food security and our contributions not only put food in the mouths of the world's most needy citizens, but rebuild livelihoods, generate income, improve nutrition and strengthen resilience.

Though the fiscal year 2018 budget request does not request funding for the Title II program, emergency food assistance needs will be supported through the International Disaster Assistance (IDA) account. The IDA account, which is currently used to provide food assistance along with Title II, allows USAID to support the purchase of commodities in the U.S. and in markets overseas. IDA funding allows for the efficient provision of food assistance in a manner that uses the most appropriate tool for emergency response.

USAID is committed to assisting as many people as possible who are in need, maximizing our current resources and working to leverage assistance from other donors. In a year of unprecedented levels of global crisis, there will be tough decisions and trade offs made when determining how best to prioritize limited resources.

Question 9. There is ample evidence that addressing needs before they become full blown emergencies has positive impacts beyond just deterring the worst—it is cost effective. For example, protecting core livestock herds with supplemental feeding is much cheaper than rebuilding a herd once they have been decimated by drought. Can you discuss how current US agricultural development programs are addressing crises of the future before they even begin?

Answer. Feed the Future, guided by the Global Food Security Act and its corresponding U.S. Government strategy that includes USAID agricultural development programs and USAID's Office of Food for Peace (USAID/FFP) development programs, targets people and places subject to recurrent crises in countries such as Kenya, Uganda, Ethiopia, Mali, Niger and Nigeria. These investments build the resilience of the vulnerable households and communities they target—even before crises hit—by aligning with local governments and the private sector to help increase and improve crop and livestock production, link farmers and herders to markets, create new opportunities for traders and service providers within the agricultural sector and attract private sector investment, and test and scale innovative approaches to drought risk management, including through state-of-the-art early warning systems that enable earlier, market-based responses to protect assets including livestock, and innovative risk management tools such as index-based crop and livestock insurance.

The preventative value of these investments is clear. A 2013 study conducted by the U.K. in the drylands of Kenya and Ethiopia estimated that, over the long term, every \$1 invested in agriculture, food security and resilience in areas subject to recurrent crises will result in \$2.90 in reduced humanitarian assistance, avoided losses, and improved well-being. A comparison of two communities in Malawi helps illustrate the point. In one community, USAID/FFP implemented an agricultural development program between 2009 and 2014 at a cost of \$376 per household. That community did not require emergency food assistance during the 2016 el Nino drought. By comparison, a neighboring community not reached by the program did require emergency food assistance in 2016 at a cost of \$390 per household. Data collected by USAID in areas of southern Ethiopia during the 2016 el Nino drought further confirms the preventative value of these investments. Communities reached by USAID food security and resilience programs were able to maintain their food security with only a minor (4%) decline in food security, while households in other communities experienced a significant (30%) decline.

Question 10. Last year, el Nino droughts and flooding were causing a large amount of food insecurity, but this year it seems that the worst food insecurity threats are in large part man-made and driven by conflict. What impact does the addition of conflict have on the way USAID responds? What role does risk management play in the decisionmaking process when determining the best response modality?

Answer. Ten years ago, conflict caused just 20 percent of emergencies and natural disasters caused 80 percent. Today, that statistic is reversed; conflict has led to 80 percent of emergencies, according to the United Nations (U.N.). More than 80 million people globally are in need of emergency food assistance, including 20 million who are at risk of famine and starvation in four countries—Yemen, Somalia, South Sudan and Nigeria. Severe food insecurity in each of these four situations is not caused principally by drought and crop failures; these life-threatening levels of hunger are caused by war and politics.

Working in conflict-affected areas adds complexity and risk to a humanitarian response. In the face of high and persistent levels of insecurity, humanitarians—including USAID partners—rely on a variety of creative solutions to get aid to people quickly. For example, in South Sudan, the U.N. World Food Program (WFP) conducts airdrops and deploys mobile teams to quickly access insecure areas when fighting ceases and they are able to provide emergency relief to populations in remote and hard-to-reach locations. In other parts of the world, such as Syria and neighboring countries, USAID partners use electronic vouchers and mobile-based cash transfers to facilitate safe and timely access to food where markets allow. Vouchers and cash-based transfers also enable more regular access to food assistance for beneficiaries who are frequently on the move, fleeing conflict. In areas of northeastern Nigeria impacted by Boko Haram and ISIS-West Africa, USAID supports nongovernmental organizations (NGOs) to distribute targeted cash transfers and food vouchers to internally displaced persons in Adamawa, Borno and Yobe.

When selecting the best response modality or mix of modalities, USAID gathers and analyzes food security data, including from the Famine Early Warning Systems Network (FEWS NET), implementing partners and our field staff.

USAID considers a variety of factors, including the speed of response, cost efficiency, beneficiary preference, market conditions, seasonality and security, when determining modality choice. In USAID's Office of Food for Peace's Modality Decision Tool, risk mitigation falls under the second of four determinations—the feasibility of a given response modality—and requires verification that security conditions allow for the modality, and accountability mechanisms are in place to ensure that modality of assistance will reach those who need it most.

USAID humanitarian assistance is provided through experienced and trusted partners in-country, including the U.N., other international organizations and non-governmental organizations. USAID holds its partners responsible for safeguarding commodities in their custody procured with USAID support and requires stringent reporting on losses. These partners observe strict protocols and have strong controls to reduce the risk of theft or misappropriation of assistance and ensure that vital aid reaches its intended beneficiaries. For example, partners observe extreme caution when choosing where to store food stocks and do not store large amounts of food in highly insecure areas.

USAID partners use several tools to ensure only targeted beneficiaries receive assistance, including biometrics, such as identification cards, fingerprints, or iris scans; distinct marking of paper vouchers; and in-person and unannounced visits to beneficiary households, distributions sites, or vendor shops. After distributions, USAID monitors to ensure that beneficiaries are using cash transfers or vouchers for their intended purpose; monitors usage of vouchers through banks' electronic systems; provides hotline numbers for beneficiaries to report problems; conducts randomized follow-up phone calls or visits; and supports third party monitoring in countries where it is difficult for USAID staff to monitor safely. For example, in Somalia and Yemen, third party monitoring contracts provide USAID with independently-verified information on how programs are operating, based on reports from trained field monitors.

Each of these four regions at risk of famine face different dynamics and the food and nutrition needs of vulnerable groups vary significantly. To help address the food needs of those impacted by conflict in these four regions, as well as complex emergencies arising from conflict or from sudden onset natural disasters around the world, USAID must remain flexible and committed to using the right tool in the right place at the right time to provide the most effective and efficient response.

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO
THOMAS MELITO BY SENATOR BOB CORKER

Question 1. One of the scare tactics used by the maritime industry is to claim reforms would undermine our national security and sealift capacity. Is that even remotely true based on your research?

Answer. Statutory objectives for cargo preference include the development and maintenance of a merchant marine—both vessels and mariners—capable of providing sealift in time of war or national emergency.¹ We reported in 2015 that cargo preference for food aid (CPFA) supports some sealift capability by ensuring that a portion of the U.S.-flag vessels carry some food aid cargo.² We found that if CPFA requirements had not been applied, 97 percent of food aid tonnage after the July 2012 change in the CPFA requirement would likely have been awarded to foreign-flag vessels. Despite CPFA, the number of U.S.-flag vessels carrying food aid declined by 57 percent (from 89 to 38)³ and the number of mariners crewing such vessels declined by 54 percent from 2005 through 2014, and DCPFA's overall contribution to sealift capacity was unclear.

U.S.-flag Vessels

For its sealift capability needs, the Department of Defense (DOD) relies on commercial vessels, including those carrying food aid, and the reserve sealift fleet,

¹ Sealift is the process of transporting DOD and other federal agency equipment and supplies required during peacetime and war.

² GAO, *International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear*, GAO-115-666 (Washington, D.C.: Aug. 26, 2015). Our 2015 report analyzed cargo preference only for food aid, not for other government cargo; we did not examine the extent to which cargo preference for food aid addressed the intended objective of cargo preference to maintain the financial viability of U.S.-flag-vessel-operating companies. We reported in 2015 that, according to the Maritime Administration (MARAD), it did not have current and readily available data on ocean-borne commerce carried by U.S.-flag vessels but that a past MARAD study showed U.S.-flag vessels carried a declining portion of ocean-borne commerce from 1946 to 2002.

³ MARAD officials noted that, while all of the commercially owned vessels in the oceangoing U.S.-flag fleet are eligible to transport food aid cargo, some vessels, such as roll-on, roll-off vessels, typically do not participate in the food aid trade.

which, according to DOD, have been sufficient for its past needs.⁴ In the event that provided capacity does not meet DOD's needs, DOD will activate the Voluntary Intermodal Sealift Agreement (VISA)—a partnership between the U.S. government and the maritime industry to provide DOD with assured access to commercial sealift and intermodal capacity to support the emergency deployment and sustainment of U.S. military forces—to require that additional vessel capacity be made available, as necessary. DOD has never activated VISA or the entire reserve sealift fleet to meet sealift capacity needs.

U.S. Mariners

We also reported that the actual number of U.S. mariners qualified and available to fulfill DOD's needs under the most serious scenario was unknown.⁵ According to DOD, its most serious scenario requires a full and prolonged activation—for a period longer than 6 months—of the reserve sealift fleet as well as the use of commercial vessels. According to Maritime Administration (MARAD) officials, the estimated number of qualified and readily available mariners was sufficient to support the initial activation of the reserve sealift fleet for 6 months but insufficient to support the prolonged operations of all the vessels after the initial crew is rotated.⁶ However, MARAD did not reassess the sufficiency of the mariner pool by using different assumptions to include a greater portion of qualified mariners, such as the more than 1,000 Strategic Sealift Officers who were not actively sailing as of April 2015, or consider mechanisms it could use, in the event of a full, prolonged activation of the reserve sealift fleet, to reach out to the mariners it had excluded from its analysis. We recommended that the Secretary of Transportation direct the Administrator of MARAD to study the potential availability of all qualified mariners needed to meet a full and prolonged activation of the reserve sealift fleet. While MARAD has taken some steps to study mariner numbers, as of August 2017, it had not fully assessed the potential availability of all qualified mariners. Without a full understanding of both the need for, and the potential available supply of, mariners under DOD's most serious scenario, the U.S. government continues to be limited in its capacity to address any potential imbalance. We concluded that as a result, the U.S. government cannot guarantee that the use of food aid programming funds to pay higher U.S.-flag shipping prices under CPFA is achieving the intended benefit of maintaining a merchant marine capable of providing sealift capability in time of war or national emergency.

Question 2. GAO found that the Navy's Strategic Sealift Officer Program has never been used for sealift—and the Navy stated they can meet virtually all of our sealift needs. Ships capable of moving military cargo receive a \$5 million subsidy every year. Is there a case to be made that we have sufficient sealift capacity without cargo preference—at least without it applied to civilian and humanitarian shipments?

Answer. We reported in 2015 that, according to DOD, sealift capacity had been sufficient for its past needs.⁷ As of March 2015, there were 167 oceangoing U.S.-flag vessels that could provide sealift for DOD's needs.⁸ In March 2015, 99 oceangoing U.S.-flag vessels were enrolled in VISA, 58 of which were also part of the Maritime Security Program, which is intended to guarantee that certain kinds of militarily useful ships and their crews will be available to DOD in a military contingency. However, DOD has never activated VISA to meet sealift needs. We did not

⁴DOD had not had to activate the entire reserve sealift fleet at the time of our 2015 review. We reported again in August 2017 that DOD had not had to activate the entire fleet. See GAO, *Navy Readiness: Actions Needed to Maintain Viable Surge Sealift and Combat Logistics Fleets*, GAO-17-503 (Washington, D.C.: Aug. 22, 2017).

⁵GAO-15-666.

⁶MARAD officials told us that they analyzed U.S. Coast Guard data on the qualified mariners and applied certain assumptions to estimate the number of mariners able to support DOD needs and maintain commercial operations. According to the officials, the assumptions they used included the following: (1) excluded nonunion mariners, (2) excluded mariners sailing in the Great Lakes, and (3) excluded mariners for whom there was no record of sailing within the last 18 months. We requested MARAD provide us with more detailed methodology to explain how it made and quantified each of these assumptions in making its final estimate; however, MARAD told us it could not provide any more details about its methodology.

⁷GAO-15-666. DOD had not had to activate the entire reserve sealift fleet at the time of our review in 2015. We reported again in August 2017 that DOD had not had to activate the entire fleet. See GAO-17-503.

⁸These 167 vessels were oceangoing, self-propelled, cargo-carrying U.S.-flag vessels of 1,000 or more gross tons in foreign and domestic trades. According to MARAD's website, as of September 2017, there are 181 vessels in the U.S.-flag fleet that are oceangoing, self-propelled, cargo-carrying vessels of 1,000 or more gross tons.

assess the effect that the elimination of cargo preference for civilian or humanitarian shipments would have on existing sealift capacity.

Question 3. Maritime unions have negotiated for themselves pay and benefits that are not sustainable in the global market. Maritime industry has ensured that it takes three years for a ship to become U.S. flag. Yet, maritime blames the lowering of cargo preference requirements on food aid as the reason why their fleet is diminishing. What is the real cause of the decline.

Answer. We reported in 2015 that from 2005 to 2014, the number of vessels in the overall oceangoing U.S.-flag fleet declined about 23 percent, from 231 to 179 vessels. We did not assess the reason for the decline of the U.S.-flag fleet, but MARAD reported in April 2015 that the decrease in available government cargo is the most significant factor contributing to the loss of U.S.-flag vessels.⁹ The majority of the decline has been in DOD cargo, the largest source of preference cargo, accounting for approximately three-quarters of preference cargo in 2013. Food aid shipments have also declined. From 2005 through 2014, the amount of U.S. food aid commodities purchased and shipped from the United States by the U.S. government—and therefore subject to the cargo preference requirements—declined by 64 percent.¹⁰ During that period, the number of U.S.-flag vessels carrying food aid declined by 57 percent (from 89 to 38).

U.S.-flag vessels charge higher shipping rates and, according to a MARAD study, have higher operating costs than foreign-flag vessels. Specifically, the MARAD study found that U.S.-flag vessels face significantly higher cost, including crew cost, maintenance and repair cost, insurance cost, and overhead cost.¹¹ For 2010, MARAD found that the average U.S.-flag vessel operating cost is roughly 2.7 times higher than its foreign-flag counterpart. MARAD also found that crew cost, the largest component of U.S.-flag vessels' operating cost, was about 5.3 times higher than that of foreign-flag vessels. While crew cost accounted for about 70 percent of U.S.-flag vessel operating cost, it accounted for about 35 percent for the foreign vessels. We reported in 2015 that, from April 2011 through fiscal year 2014, U.S.-flag vessels charged, on average, \$61 more per metric ton than foreign-flag vessels for packaged food aid and \$55 more per metric ton more for bulk food aid.

We previously recommended that Congress consider amending the Cargo Preference Act of 1954 to eliminate the 3-year waiting period¹² imposed on foreign vessels that acquire U.S.-flag registry before they are eligible to carry preference food aid cargo.¹³ This could potentially increase the number of U.S.-flag vessels eligible to carry preference food aid cargo, thereby increasing competition and possibly reducing costs. This matter for congressional consideration has not been implemented.

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO
THOMAS MELITO BY SENATOR ROBERT MENENDEZ

Question 1. Given the number of humanitarian emergencies around the world, including famine or famine warnings in four countries, what is the appropriate balance between emergency and nonemergency humanitarian assistance, particularly food assistance?

Answer. We have reported on the importance of both emergency and non-emergency assistance to reduce global hunger and have made a number of recommendations to improve the efficiency and effectiveness of both emergency and nonemergency programs. For example, see *International Cash-Based Food Assistance: USAID Has Established Processes to Monitor Cash and Voucher Projects, but*

⁹U.S. Department of Transportation, Maritime Administration, *A Report to Congress: Impacts of Reductions in Government Impelled Cargo on the U.S. Merchant Marine* (April 21, 2015).

¹⁰The decline in food aid commodities provided by the U.S. government has been driven by many factors, including increases in (1) commodity and shipping costs, (2) food aid assistance in the form of cash or vouchers and local and regional procurement, and (3) the use of specialized—and therefore costly—products to meet the nutritional needs of the most vulnerable groups.

¹¹Department of Transportation, Maritime Administration, *Comparison of U.S. and Foreign Flag Operating Costs* (September 2011).

¹²See 46 U.S.C. § 55305(a). The 3-year wait provision from the Cargo Preference Act of 1954 does not apply to the 60 vessels enrolled in the Maritime Security Program. See 46 U.S.C. § 53102(b). Foreign-built vessels are eligible to carry Export-Import Bank financed cargo immediately upon registering under the U.S. flag.

¹³GAO, *International Food Assistance: Funding Development Projects Through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts*, GAO-11-636 (Washington, D.C.: June 23, 2011).

Data Limitations Impede Evaluation (GAO-16-819) and *International Food Assistance: Agencies Should Ensure Timely Documentation of Required Market Analyses and Assess Local Markets for Program Effects* (GAO-17-640). For additional GAO reports on U.S. food assistance, see the responses to questions 3 and 4.

Question 2. In what ways can we best leverage and utilize American-based companies and constituencies with strong connections to recipient countries? Often these organizations find they are unable to break through bureaucratic structures at USAID and contracting offices, preventing them from delivering much needed assistance and relief.

Answer. USDA's Kansas City Commodity Office is responsible for procuring food aid commodities for USDA's and USAID's international food assistance programs. Our body of work on food assistance has not focused on whether USDA's contracting practices leverage and utilize certain companies and constituencies.

Question 3. How does Food For Peace coordinate with international relief organizations including the World Food Program? How do we ensure that we are most effectively utilizing our resources and those provided by others in the international community?

Answer. To implement Food for Peace projects, USAID enters into cooperative agreements with implementing partners that design and implement food aid activities and distribute the food aid. Nongovernmental organizations implement Food for Peace development projects, and the World Food Program (WFP) implements most Food for Peace emergency projects.

We have issued reports and made a number of recommendations to help U.S. agencies ensure effective utilization of agencies' own resources, and resources provided to WFP and other partners. These reports include the following:

- *International Food Aid: Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System* (GAO-14-22)
- *World Food Program: Stronger Controls Needed in High-Risk Areas* (GAO-12-790)
- *International School Feeding: USDA's Oversight of the McGovern-Dole Food for Education Program Needs Improvement* (GAO-11-544)

Agencies have taken steps to implement our recommendations. For example, USAID and USDA have signed a memorandum of understanding outlining each agency's roles and responsibilities in the international food aid process as well as goals for collaborating. WFP has updated its risk management guidance and published organization-wide guidelines on third-party monitoring to address situations where WFP staff face serious access or security constraints. In addition, USDA has defined a list of standard indicators for the McGovern-Dole Food for Education program and updated its monitoring and evaluation policy to require semi-annual reporting on the indicators and targets.

Question 4. What specific steps can Congress take to ensure that we are maximizing efficiencies of direct food aid and monetized support for countries in crisis?

Answer. We have issued reports and made a number of recommendations to help agencies and Congress improve the efficiency of U.S. food aid programs. These reports include the following:

- *International Food Assistance: Cargo Preference Increases Food Shipping Costs, and Benefits Are Unclear* (GAO-15-666)
- *International Food Assistance: Funding Development Projects Through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts* (GAO-11-636)
- *International Food Assistance: Local Regional Procurement Can Enhance the Efficiency of U.S. Food Aid, but Challenges May Constrain Its Implementation* (GAO-09-570)
- *Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid* (GAO-07-560)

We have identified matters for congressional consideration that remain unimplemented. In August 2015, we recommended that Congress consider clarifying cargo preference for food aid legislation to define "geographic area" in a manner that ensures agencies can fully utilize the flexibility Congress granted to them in lowering the cargo preference for food aid requirement (see GAO-15-666). In June 2011, we recommended that Congress consider eliminating the 3-year waiting period for foreign vessels that acquire U.S.-flag registry to be eligible to transport U.S. food aid (see GAO-11-636).

Question 5. Owing to the disastrous policies of Nicolas Maduro and ongoing recession, Venezuelans on average last year lost twenty pounds because of chronic

shortages of basic goods and services. Furthering his grip on power, Maduro has refused to allow humanitarian shipments into Venezuela. What steps can the United States government or private organizations take in this scenario to support the people of Venezuela?

Answer. The 2015 report (GAO-15-666) that formed the basis for our testimony for this hearing focused on the cargo preference requirement on USDA's and USAID's food aid programs. We reviewed food aid programs from April 2011 through fiscal year 2014.¹ Since Venezuela did not receive funding for such programs in fiscal years 2011 through 2014, it was not covered in our review.

However, in 2009, we reviewed U.S.-Venezuelan counternarcotics cooperation. At that time, the United States had attempted to resume cooperation through a variety of measures, including negotiations, designations, and technical cooperation, but Venezuela—while initially supporting some of these efforts—had not reciprocated. See *Drug Control: U.S. Counternarcotics Cooperation with Venezuela Has Declined* (GAO-09-806). Furthermore, in our current review of democracy assistance implementing mechanisms, we have found that in fiscal years 2014-2016, USAID obligated at least \$11 million for democracy assistance projects in Venezuela. During the same time period, the Department of State's Bureau of Democracy, Human Rights, and Labor obligated over \$16 million for democracy assistance projects in the Western Hemisphere region as a whole.

Question 6. How can we work with neighbors in the region, notably Colombia, where some Venezuelans are able to access basic provisions?

Answer. As we reported in June 2017, the United States engages with other countries in the Western Hemisphere through its membership in inter-American organizations that, among other things, promote democracy, security, health care, agricultural development, and scientific exchange. These organizations include the Organization of American States (OAS), the Pan American Health Organization (PAHO), the Inter-American Institute for Cooperation on Agriculture (IICA), and the Pan-American Institute of Geography and History (PAIGH). The United States uses its membership in these organizations to promote U.S. interests in the Western Hemisphere. Colombia, Venezuela, and most of its neighbors in the region are member states of these organizations as well. According to the Department of State, the OAS is the premier multilateral forum in the Western Hemisphere for regional dispute resolution and promotion of democratic governance. The United States also works with PAHO, IICA, and PAIGH to provide technical support and guidance in areas including public health, agriculture, and cartography. See *Inter-American Organizations: Efforts Ongoing for Quota Reform at the Organization of American States, but Reaching Agreement Will Be Difficult* (GAO-17-572).

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO
DR. CHRISTOPHER B. BARRETT BY SENATOR BOB CORKER

Question 1. You mentioned the human toll from keeping the Food for Peace program unreformed in the Farm Bill—at least 40,000 needless deaths among children. What is the basis for that estimate? Is there any hard corroborating evidence?

Answer. Two different paths both yield a coarse-but-conservative estimate of 40,000 child deaths per year due to the waste arising from statutory requirements related to (i) domestic procurement, (ii) cargo preference, and (iii) monetization that currently restrict United States food aid programs.

First, the United States government (USG) wastes \$350-400 million each year on those three requirements relative to more flexible, best practices.¹ The best current estimates are that it costs roughly \$125 per child life year saved to manage the acute malnutrition that routinely arises in the wake of natural disasters and conflict.² Simple division suggests that waste of \$350-400 million effectively costs at least 3 million child life-years annually. Given global life expectancy at birth of

¹Our report focused on the ocean transportation of commodities procured and shipped for three U.S. international food aid programs: Title II Food for Peace, Food for Progress, and McGovern-Dole International Food for Education and Child Nutrition.

²Erin C. Lentz, Stephanie Mercier, Christopher B. Barrett (2017), International Food Aid and Food Assistance Programs and the Next Farm Bill (Washington: American Enterprise Institute). Several passages in this written testimony draw directly on that report.

³Zulfiqar A. Bhutta et al., "Evidence-Based Interventions for Improvement of Maternal and Child Nutrition: What Can Be Done and at What Cost?" *Lancet* 382, no. 9890 (2013): 452-77.

roughly 70 years, a conservative estimate is that we sacrifice roughly 40,000 children's lives annually because of antiquated food aid policies.³

The second route to the 40,000 child deaths estimate is similarly conservative. A recent peer-reviewed study in a leading academic journal reports the first known rigorous estimates of the impacts of constraints on USG food aid programs on severe acute malnutrition among children and resulting child mortality.⁴ That paper estimates that eliminating the cargo preference and domestic procurement restrictions on U.S. food aid policy could reduce child mortality in northern Kenya by 16 percent during severe drought episodes, a 0.7 percent drop in the absolute child mortality rate. Very conservatively, of the more than 41 million people served last year by the Food for Peace program alone,⁵ one-sixth are children. A 0.7 percent absolute reduction in the mortality rate of roughly 6 million children likewise yields a conservative estimate of 40,000 child lives saved. And please keep in mind that estimate ignores the benefits accruing to the lives and livelihoods of the adults.

Question 2. Based on your analysis of how Farm Bill requirements divide resources between feeding starving people and program overhead, does Food for Peace operate more like a humanitarian program or a maritime and agricultural subsidy program?

- Reforming the program would only reduce-not eliminate-reliance on U.S. commodities in lieu of more effective means of feeding people. Can we say unequivocally that this reduction would have little or no impact on our maritime and agricultural industries?

Answer. Even were the Congress to fully eliminate the domestic procurement requirement on U.S. food aid, surely a significant share would be purchased in the U.S. The simple reason is that ours is the most productive agricultural economy in the world. For deliveries to nearby destinations in the western hemisphere, and of processed, micronutrient-enriched products such as vegetable oils, therapeutic rations, and highly nutritious blended products, U.S. suppliers are typically lower cost than are suppliers in developing countries.⁶ And adequate, safe supplies are not available in all recipient nations at all times, so best practice based on response analysis will often call for commodities to be shipped from the U.S. rather than procured locally or regionally or provided for using cash transfers or vouchers.⁷

Those reductions would have no or negligible discernible effect on United States maritime and agriculture performance. That claim is supported by a large body of careful research, produced by a variety of researchers and institutions which all arrives at a common conclusion: farmers and mariners do not benefit from U.S. food aid programs, while a small number of ship owners and food processors do.⁸

The reason is intuitive. Food aid is tiny compared to the relevant markets.

Food aid commodity procurement in the U.S. amounts to just hundreds of millions of dollars in a several hundred billion dollar U.S. agricultural industry that is tightly integrated into a nearly \$4 trillion global agricultural economy. Food aid procurement has no effect on the prices farmers receive, even for the handful of commodities for which U.S. food aid programs absorb five percent or more of domestic production, such as sorghum, lentils, dried beans or peas.⁹ Not a single rigorous study has ever found an effect of U.S. food aid procurement on American farmers for the

³This is a conservative estimate because it makes the strong assumptions that only infants die and that life expectancy at birth equals the global average (rather than the shorter life expectancies that prevail in most food aid recipient nations), thereby maximizing the child life years lost per death, thus minimizing the estimated number of deaths.

⁴Alex Nikulkov, Christopher B. Barrett, Andrew G. Mude and Lawrence M. Wein, "Assessing the Impact of U.S. Food Assistance Delivery Policies on Child Mortality in Northern Kenya," PLOS ONE 11, 12 (December 20, 2016).

⁵See USAID's fiscal year 2016 Food For Peace Fact Sheet.

⁶Erin C. Lentz, Simone Passarelli, Christopher B. Barrett (2013), "The Timeliness and Cost-Effectiveness of the Local and Regional Procurement of Food Aid," World Development, 49(9): 9-18.

⁷Erin C. Lentz, Christopher B. Barrett, Miguel I. Gomez and Daniel G. Maxwell (2013), "On The Choice and Impacts of Innovative International Food Assistance Instruments," World Development 49(9): 1-8; Christopher B. Barrett, Robert Bell, Erin C. Lentz and Daniel G. Maxwell (2009), "Market Information and Food Insecurity Response Analysis," Food Security 1(2): 151-168.

⁸Among just the most recent such studies, see, for example, Phillip J. Thomas and Wayne H. Ferris (2015), *Food Aid Reforms Will Not Significantly Affect Shipping Industry or Surge Fleet*, George Mason University report; U.S. Government Accountability Office (2015), *International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear*, GAO 15-666; Stephanie Mercier and Vincent Smith (2015), *Military Readiness and Food Aid Cargo Preference: Many Costs and Few Benefits* (Washington: American Enterprise Institute); and Lentz, Mercier and Barrett (2017).

⁹Mercier and Smith (2015).

simple reason that farm prices and incomes are driven by global markets, not by U.S. food aid programs.

Similarly, the few hundred mariners on U.S. flag ships that carry U.S. food aid under cargo preference are an infinitesimal share of the almost 55,000 mariners qualified to crew and operate the reserve sealift fleet.¹⁰ The roughly two dozen U.S.-flag vessels that carry food aid under cargo preference restrictions are likewise a tiny share of the more than 38,000 U.S. flag coastal freight vessels operating under the Jones Act.¹¹ Food aid cargoes simply do not drive employment or compensation in the highly competitive international ocean freight market.

So who benefits if it is not farmers or mariners? A very small number of vessel owners and food processors (e.g., millers). Statutory restrictions are anti-competitive and thereby generate higher costs and windfall profits to those protected by cargo preference and domestic procurement provisions. A now somewhat dated study estimated that the large corporations that sold cereals to USG food aid programs earned an average price premium of 8 percent above market level.¹²

Similarly, the few owners of a small number of U.S.-flag bulk and break bulk vessels—many of them foreign corporations—earn 23-46% more relative to open market ocean freight rates.¹³

As other major donor countries—Canada, the European Union, etc.—recognized that the restrictions they had once placed on their own food aid programs generated no significant, widespread gains for their farmers or shippers but did cause real losses that impeded effective humanitarian response, they all ended those restrictions.¹⁴ It is time the U.S. similarly recognized that present restrictions hurt the effectiveness of humanitarian response without generating significant domestic gains.

Questions 3. One of the scare tactics used by the maritime industry is to claim reforms would undermine our national security and sealift capacity. Is that even remotely true based on your research?

- GAO found that the Navy's Strategic Sealift Officer Program has never been used for sealift—and the Navy stated they can meet virtually all our sealift needs. Ships capable of moving military cargo receive a \$5 million subsidy every year. Is there a case to be made that we have sufficient sealift capacity without cargo preference—at least without it applied to civilian and humanitarian shipments?

Answer. Detailed studies consistently find that existing sealift capacity provided by the Military Sealift Command, the Ready Reserve Fleet, and the Maritime Security Program—not to mention the Jones Act fleet—provides many times the vessels and mariners needed even under a Stage III deployment, in which the U.S. military must fight more than one major theater war at once.¹⁵

Questions 4. Maritime unions have negotiated for themselves pay and benefits that are not sustainable in the global market. Maritime industry has ensured that it takes three years for a ship to become U.S. flag. Yet, maritime blames the lowering of cargo preference requirements on food aid as the reason why their fleet is diminishing. What is the real cause of their decline?

Answer. The international ocean freight market is highly competitive. A Maritime Administration study based on (unaudited) data provided by shipping companies found that the daily operating costs of U.S.-flag ships average 270 percent more than comparable foreign vessels partly because, in general, U.S.-flag ships are older, smaller, and slower than foreign competitors.¹⁶ These cost structures are unsustainable in a competitive market.

The U.S. flag fleet has indeed declined sharply over time. In 1955, the first full year following the Cargo Preference Act of 1954, U.S.-flag ships carried 25 percent of U.S. foreign trade; today, that share has plummeted to 1 percent. The size of the

¹⁰GAO (2015).

¹¹Maritime Administration estimate

¹²Christopher B. Barrett and Daniel G. Maxwell (2005), *Food Aid After Fifty Years: Recasting Its Role* (London: Routledge).

¹³Lentz, Mercier and Barrett (2017).

¹⁴Christopher B. Barrett, Andrea Binder and Julia Steets, editors (2011), *Uniting on Food Assistance: The Case for Transatlantic Cooperation* (London: Routledge).

¹⁵Those studies are cited and summarized in Lentz, Mercier and Barrett (2017).

¹⁶Lentz, Mercier and Barrett (2017), drawing on MARAD data.

fleet in terms of vessels has also declined substantially over the same period, from 1,075 vessels in 1995 to 175 in December 2016.¹⁷

But the argument that decreased cargo preference leads to a diminishing fleet defies logic. The most basic tests of that hypothesis come from the two moments when the cargo preference proportion of food aid cargo changed. From 1954-1986, only 50% of food aid cargo was subject to cargo preference restrictions. The U.S. fleet declined in size over that period. In 1986, the share increased to 75%. Yet the fleet kept shrinking. Then in 2012 cargo preference coverage fell from 75% to 50% again. And the decline continued. Changes to cargo preference have had zero effect on the steady reduction in the size of the U.S. flag fleet, which arises entirely due to the industry's cost structure.

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO
DR. CHRISTOPHER B. BARRETT BY SENATOR ROBERT MENEDEZ

Questions 1. Given the number of humanitarian emergencies around the world, including famine or famine warnings in four countries, what is the appropriate balance between emergency and non-emergency humanitarian assistance, particularly food assistance?

Answer. Non-emergency (so-called “development”) food assistance is extremely important in advancing longer-term food security, poverty reduction and economic growth objectives. The returns to many non-emergency interventions supported by U.S. non-emergency food aid are high.

The highest returns nonetheless come from saving lives and protecting the scarce assets of poor populations in times of disaster. A significant body of research finds that unmitigated shocks in low- and middle-income communities often cause catastrophic losses from which families can never recover economically, not to mention the emotional trauma of loved ones’ lives lost.¹ Safety nets supported, in part, by humanitarian aid, including U.S. emergency food assistance, are essential to protecting vulnerable people from poverty traps. Indeed, effective safety nets can also induce investment by the poor by offering some assurance that in times of disaster they will not have to liquidate their livestock, businesses, etc. just to feed their families, thereby reducing poverty relative to spending just on cash transfers for longer-term development.²

This is the basic reason why virtually every year for decades the USAID Administrator has exercised the authority to use as much of the total Title II budget for emergency needs as necessary to respond to humanitarian disasters, obviating the statutory direction to meet a non-emergency minimum. This authority has without question diverted funds from other effective non-emergency food aid projects that build rural roads, provide school lunches, or enhance smallholder farmers’ productivity. But saving lives and preventing disaster victims’ collapse into poverty traps is the best use of food assistance. The populations affected by disasters and war are at all-time highs globally. Currently, there is insufficient food assistance available to address food insecurity associated with those emergencies, so resources should be provided where the bang for the food aid buck is greatest and where funds are most needed.

Question 2. In what ways can we best leverage and utilize American-based companies and constituencies with strong connections to recipient countries? Often these organizations find they are unable to break through bureaucratic structures at USAID and contracting offices, preventing them from delivering much needed assistance and relief.

Answer. USAID works with a range of partners based in the U.S. and recipient countries. In my experience, they are always seeking new partners, especially Amer-

¹⁷U.S. Department of Transportation, U.S. Maritime Administration (2016), “U.S. Flag Privately Owned Merchant Fleet, 1946-Present.”

¹Much of this literature falls under the topic of “poverty traps” and is summarized in Christopher B. Barrett, Teevrat Garg and Linden McBride (2016), “Well-Being Dynamics and Poverty Traps,” *Annual Review of Resource Economics*, 8: 303-327, and in Christopher B. Barrett, Michael R. Carter and Jean-Paul Chavas, editors (2018), *The Economics of Poverty Traps* (Chicago: University of Chicago Press and National Bureau for Economic Research).

²For an analytical explanation, see Munenobu Ikegami, Michael R. Carter, Christopher B. Barrett and Sarah Janzen, “Poverty Traps and the Social Protection Paradox,” chapter 9 in Barrett, Carter and Chavas (2018). For empirical evidence see Nathan D. Jensen, Christopher B. Barrett and Andrew G. Mude (2017), “Cash Transfers and Index Insurance: A Comparative Impact Analysis from Northern Kenya,” *Journal of Development Economics* 129: 14-28.

ican ones, able to provide high quality, affordable, safe products. The domestic sourcing and cargo preference restrictions imposed on the present procurement system (administered by USDA) make it much harder for new suppliers and constituencies to assist in disaster response because statutory restrictions limit the flexibility of humanitarian agencies. By ending or relaxing existing restrictions, the Congress can enhance the responsiveness of USAID and its partners, including to U.S.-based companies and constituencies eager to assist recipient countries.

Question 3. How does Food For Peace coordinate with international relief organizations including the World Food Program? How do we ensure that we are most effectively utilizing our resources and those provided by others in the international community?

Answer. USAID works very closely with its partners here and abroad. For many years, the United Nations' World Food Programme (WFP) has been the largest single partner, by dollar or physical volume, with U.S. international food assistance programs. WFP and a range of other highly impactful and professional relief and development organizations—CARE, Catholic Relief Services, Mercy Corps, Save the Children, World Vision, and others—are constantly refining their operating practices to continuously improve performance. The global humanitarian response system operates at a level of efficiency and effectiveness never before seen. And that is a very good thing given the unprecedented demands placed on the system.

Question 4. What specific steps can Congress take to ensure that we are maximizing efficiencies of direct food aid and monetized support for countries in crisis?

Answer. The specific steps the Congress can take are those that reduce unnecessary expenses and maximize the flexibility with which USAID and its relief and development partners around the world can respond to humanitarian emergencies and long-term development needs.

First, eliminate or sharply reduce the domestic procurement requirement on all U.S. international food assistance programs.

Second, eliminate cargo preference restrictions on U.S. food aid or direct the Maritime Administration to fully reimburse USAID and USDA for all excess costs incurred due to cargo preference so that the implicit subsidy of a few U.S.-flag ship owners is explicit and not taken from the scarce budgets used to feed starving people in disasters abroad.

Third, end required monetization and replace food aid programs, such as USDA's Food for Progress program, that monetize virtually all commodities with cash appropriations that can achieve more with lower budgetary outlays, since USDA recovers only 58 cents on the dollar in that program.³

Question 5. Owing to the disastrous policies of Nicolas Maduro and ongoing repression, Venezuelans on average last year lost twenty pounds because of chronic shortages of basic goods and services. Furthering his grip on power, Maduro has refused to allow humanitarian shipments into Venezuela. What steps can the United States government or private organizations take in this scenario to support the people of Venezuela?

Answer. I have no expertise on Venezuela and thus am unable to provide guidance on this specific context.

Question 6. How can we work with neighbors in the region, notably Colombia, where some Venezuelans are able to access basic provisions?

Answer. Again, I lack the relevant geographic expertise to provide helpful commentary on this important issue.



³U.S. GAO (2011), "International food assistance: Funding development projects through the purchase, shipment, sale of U.S. commodities is inefficient and can cause adverse market impacts."