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# MODERNIZING U.S. INTERNATIONAL FOOD AID: REACHING MORE FOR LESS

## HEARING

BEFORE THE

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# MODERNIZING U.S. INTERNATIONAL FOOD AID: REACHING MORE FOR LESS

**WEDNESDAY, JUNE 12, 2013**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
*Washington, DC.*

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2172 Rayburn House Office Building, Hon. Edward Royce (chairman of the committee) presiding.

Chairman ROYCE. This committee will come to order. If we could ask all of the members to take their seats.

Today we meet to discuss bringing more flexibility and more efficiency and, at the end of the day, more effectiveness to U.S. international food aid. It was 60 years ago during the Eisenhower administration that the U.S. Government set up a system to buy surplus food and then to donate it overseas.

In an effort to bolster domestic farmers and to assist shippers, this was mandated to be U.S. grown and U.S. shipped, and decades ago that may have made some sense. But farm markets have changed substantially since the policy was set in the Eisenhower administration.

Food prices and U.S. agricultural exports have reached historic highs. In fact, the past 4 years have been the strongest in history for agricultural exports. Food aid now accounts for less than ½ percent of net farm income, and this farm subsidy can no longer be defended.

Another impediment to an effective, efficient program is the requirement that 50 percent of U.S. food aid be shipped on U.S. flag vessels. Decades ago, this cargo preference was seen as a way to ensure a reserve of ships and crew for the U.S. Navy in times of war.

But by restricting competition to the few U.S. flag ships still sailing, the majority of which do not meet the Maritime Administration's age-based criteria. Cargo preference adds $140 million in transportation costs each year, and delivery times are lengthened by many, many months, which in times of emergency, in times of famine, doesn't make a lot of sense.

On average, only about two to four U.S. flag carriers place bids per food shipment, making the system prone to manipulation. Due to a complex set of holding companies, most of these American vessels are in fact foreign-owned. They are foreign-owned.

As one witness will testify today, in the past decade 50 percent of the food aid budget has been eaten up by transportation costs.

Fifty percent of the food aid budget eaten up by transportation costs.

Today, the U.S. flag requirement simply serves the interests of a handful of companies. In fact, the Pentagon has determined that an easing of cargo preference requirements would have, in their view, no tangible effect upon U.S. maritime security.

Perhaps the worst abuse of the U.S. food aid program is monetization, the process by which Washington supplies American commodities to private groups to then be sold overseas. The Government Accountability Office called monetization inherently inefficient and found that it resulted in a net loss of $219 million over 3 years. Worse, dumping commodities often destroys local markets, putting local farmers out of business while increasing the dependency on food aid that we would like to see end. That is why you have seen some countries like Rwanda shut down this easily abused practice.

Given our fiscal constraints, we must be prepared to do more with less. We must replace entitlements for a few with tools that would provide more flexibility, more efficiency, more effectiveness, and we can do this in a bipartisan way.

I am encouraged that President Obama has proposed to loosen the restrictions on U.S.-bought commodities, so that more food can be brought closer to a crisis. With the farm bill scheduled for floor consideration this month, members will have a chance to advance these common sense reforms.

In recent years, there has been a lot of focus in Washington on foreign assistance reform. In my eyes, this food aid reform proposal is an acid test. If Congress can't agree to help more people in less time and at less cost, then there is little hope for broader foreign aid reform. And I hope we can do better than that.

But I will now turn to our ranking member, Mr. Engel, from New York for his opening remarks.

Mr. ENGEL. Well, thank you. Thank you very much, Mr. Chairman. Thank you for holding this very timely hearing and for your leadership in tackling the issue of food aid reform. We have been working together on this, and we see these things in exactly the same way, and I think that is very, very important.

Administrator Natsios, welcome.

Secretary Glickman, it is great to have you back where you belong. For many years, you served in this body as a member of the House and very distinguished—in a very distinguished way, and then as Agriculture Secretary, of course, and we are all aware of the good work that you have done through the years. And so welcome to you as well.

Since 1954, the Food for Peace Program has fed more than 1 billion people around the world and saved countless lives. This reflects the compassion and generosity of the American people, and it is something that we should all be proud of. However, despite its great success, Food for Peace is now showing its age and is in urgent need of reform. One of the key problems with the current system is that it takes too long to deliver U.S.-grown food aid, an average of 130 days. That is a long time.

By purchasing food in the recipient country or region, we can cut that time in half, and in the process get food to starving people be-

fore it is too late. Hunger pangs shouldn't be subject to shipping schedules. In addition, it is very expensive to transport the food from the U.S. heartland to recipient countries. In fact, shipping, transportation, and handling costs accounts for approximately half of the food aid budget. We can save hundreds of millions of taxpayer dollars by purchasing food aid closer to the destination countries.

And, thirdly, the current system sometimes harms agricultural markets in the countries we are trying to help. This is the result of a somewhat bizarre process called monetization in which nongovernmental organizations sell U.S. commodities overseas in order to fund other development projects. Doesn't make any sense to me.

In my travels to Haiti, I have seen firsthand how the sale of American rice under this well-intentioned program has driven local rice farmers out of business, thus making it harder for Haitians to feed themselves. Monetization is also exceedingly wasteful. According to the GAO, at least 25 cents of every dollar is lost during this process. I commend the President, I commend the administration for its food aid reform proposal, and I am pleased to support it, along with Chairman Royce, whom I also commend.

In this time of increasing political polarization, I think it is a testament to the strength of good ideas and common sense, and this plan has garnered bipartisan support on Capitol Hill and from groups as disparate at the Heritage Foundation and Oxfam. And on this committee particularly, the chairman and I have worked together to promote bipartisanship. And this is another example of bipartisanship and it is all good.

Sometimes it seems that we lose sight of why we have a food aid program in the first place. It isn't to subsidize growers, shippers, or NGOs. It is to prevent men, women, and children in the developing world from starving to death.

For those who worry about the impact of this proposal on the farm community, there is a reason why Cargill, the National Farmers Union, and other ag interests have expressed support for additional flexibility in our food aid programs.

Mr. Chairman, the easy thing is to do nothing on the issue of food aid reform. But the right thing to do is to enact sensible reforms that save taxpayer money and, most importantly, save lives.

I look forward to working with you to get some of these reforms implemented, and I look forward to hearing from our distinguished witnesses.

I yield back the balance of my time.

Chairman ROYCE. Thank you, Mr. Engel.

We have two distinguished witnesses here today, Mr. Natsios—well, we were—in the interest of time, we were going to move forward at this point, and perhaps during your 5 minutes you could get that 1-minute statement in, if that is all right, Mr. Sherman.

Mr. Natsios is an executive professor at the School of Government and Public Service at Texas A&M University. For 6 years he served as Administrator of U.S. Agency for International Development. He served as U.S. Special Envoy to Sudan, and as vice president of World Vision.

Secretary Glickman is the executive director of the Aspen Institute, the congressional program there, and he served as the U.S.

Secretary of Agriculture for 6 years. And before his appointment as Secretary of Agriculture, he served for 18 years in the U.S. House of Representatives representing the fourth congressional district of Kansas.

So we welcome you both. And without objection, the witnesses' full prepared statements will be made part of the record. Members have 5 days to submit statements and questions for the record. And I would ask if you could summarize your statements.

Mr. Natsios, we will begin with you. Thank you.

**STATEMENT OF THE HONORABLE ANDREW NATSIOS, EXECUTIVE PROFESSOR, THE GEORGE H.W. BUSH SCHOOL OF GOVERNMENT AND PUBLIC SERVICE, TEXAS A&M UNIVERSITY (FORMER ADMINISTRATOR OF THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT)**

Mr. NATSIOS. Thank you, Mr. Chairman. Thank you for the opportunity to talk about an issue close to my heart. About 10 years ago, when I was aid administrator, we proposed a similar reform, which didn't go quite as far, because we wanted to just try it out, that 25 percent of Title 2 of the Food for Peace Act would be used—could be used at the discretion of the Administrator of Aid and the Director of Food for Peace Office and Aid for local purchase.

I presented the proposal to the Coalition of Food Aid, and I was astonished at the hostility of the reaction. When interest groups assemble around a particular law, they can get quite aggressive.

So this is not a partisan issue. This was proposed by President Bush. It has been proposed by President Obama, and they don't exactly agree with each other on a lot of issues. So given the comprehensiveness of the coalition behind this—Oxfam, the Heritage Foundation, there are conservators behind it, liberals behind it. Mr. Chairman, you have shown great leadership on this issue yourself. This is the time to approve these reforms.

There are four arguments for this. I will make them very quickly, and then talk about three cautions on this. The first is it saves time. When I was in charge of the Somalia response during the Somalia famine of 1991/'92 in which a ¼ million people died, I literally watched children die while we waited for food to arrive. It took 2 to 3 months. That is the thing that shocked me into realizing we needed changes to the system, but it wasn't my place at that point to propose the changes. Once I became Aid Administrator, it was a different story.

So there is a time factor. You have to order the food in the Midwest. It gets put on ships. It is shipped down the Mississippi River usually, depending on where it comes from in the U.S. It can go 7,000 miles to the other side of the world. It is offloaded, put onto trucks, and then moved to the famine or the emergency.

Frequently, it is through a war zone. Frequently, it is through a war zone. We have gone through several war zones, in some cases, to get the food to where it belongs. If the food is bought locally, in a local market, you can avoid a 7,000-mile supply chain.

Amartya Sen, who won the Nobel Prize for economics—he is a friend of mine, a professor at Harvard, and he wrote the seminal work on famine economics. And he argues that that supply chain makes it dysfunctional to use food aid under these circumstances

when there is an emergency that is right in front of us or we have to respond very quickly.

People cannot wait for food aid and can't suspend their nutritional requirements. They simply die. And I have watched too many people die in these emergencies over the last 23 years while I have been involved in humanitarian work.

Secondly, it saves money. The cargo preference law, with one or two exceptions over the last 20 years, has required us to spend much more money to ship than it would have been if we had gone to a free and open market. I am a free trader, and I think if we open this up to competition internationally we would not have to spend this much on shipping. So there is a cost savings involved here.

In addition, with respect to monetization, the two ranking members have mentioned the arguments—I am not going to repeat them, but I ran these programs when I was at World Vision, so I know very much the limitations. I used to sit and say, "Why are we doing this? This doesn't make sense."

The reason NGOs do it is because it is a source of revenue to run programs. And I understand people would say, "Well, we have to run the programs, Andrew." I said, "Yes, but we are damaging local markets, and this is not efficient." We have just spent half of the budget getting the food to where it is going, and then we only get back a portion of the value of the commodity when it is auctioned off in local markets.

So monetization doesn't make sense from a financial standpoint, and programmatically and economically doesn't make sense. I think, given the savings, we can in fact feed more people.

And, finally, we can encourage local agriculture. The World Food Program, in order to provide food aid to the people in southern Sudan during the civil war, made arrangements with farmers in northern Uganda over many years to produce the food locally, grow the food locally, and that stimulated agricultural development and stimulated markets. It strengthened markets. It put more money in poor people's pockets, and it was much faster and more efficient.

We know it works because we have already tried it. This is not experimental. The two things—three things I would mention is that we should take out the requirements, but don't put new requirements in. That is to say, there is one instance where we do want to be able to auction food off in local markets.

One of the causes of famines is spikes in food prices, massive price increases over a short period of time. We have three or four times in the last 20 years intervened in markets to auction food off to stabilize prices. When prices go up 700 to 1,000 percent in 3 months, if that happened in the United States we would have hungry people. In fact, some people might even die here if that happened. It happens regularly in famines.

We want the flexibility to be able to do that, and so the decision as to whether or not to use market intervention should be left with the Director of Food for Peace at the lowest level and not put into law to protect interest groups in the United States.

So I think, frankly, if we do these things, we do it right, we will strengthen the Food for Peace Program. It is a wonderful program. It is a jewel in the United States. We have saved millions of peo-

ple's lives. The question is, can we improve the system? And the answer is, yes, we can. These reforms do that; I support them.

Thank you.

[The prepared statement of Mr. Natsios follows:]

**Testimony of Andrew S. Natsios, Professor**

**George H.W. Bush School of Government at Texas A and M University**

**House Committee on Foreign Affairs**

**Hearing on June 12, 2013 at 10:00 am**

**"Modernizing U.S. International Food Aid Programs:**

**Reaching More for Less"**

Mr. Chairman and members of this committee, I appreciate the opportunity to speak today regarding U.S. food aid program reforms now under consideration by the Congress. My comments today are my own; I am not representing my school or university which has not taken a position on the reforms before the committee. The Royce-Bass bill you, Mr. Chairman with Congresswoman Bass, have proposed is badly needed, but it is not the first time these reforms have been before the Congress. President Bush proposed similar reforms in several of his budgets which allowed USAID to procure up to 25% of total U.S. food aid locally, in the country or the region the aid is to be distributed. President Bush pressed Congress to approve this legislation in his final State of the Union address and in a speech before the UN General Assembly. Thus, this is not a partisan issue, given that two American Presidents of opposing parties have proposed similar reforms. It is difficult to imagine any legislator who objectively examines the evidence on the merits in either party could oppose such a measure: it is a reform that encourages free market principles, improves government efficiency, saving lives, and lower costs while still providing expanding services to those in need. Opposition to the reforms comes from special interests. I would like today to speak to the merits of the reforms themselves.

I have been involved in food aid policy and programs for more than two decades, as a senior manager at USAID for nine years and as Vice President of World Vision which is a recipient of food aid grants from USAID. Now as a professor at the George H.W. Bush School of Government at Texas A and M University I teach courses and write about famines, war, and humanitarian assistance, including food aid policy and programs. During these years of aid work I personally witnessed the great strengths and weaknesses of our food aid program. In fast onset famines such as Somalia in 1991-1992 and wars involving mass population displacement such as in Darfur in 2003 and 2004 I watched people die waiting for food aid to arrive. The system needs reform.

The Food for Peace program has saved millions of lives around the world for more than a half century and has been perhaps the most powerful and visible symbol of American generosity to those in need. The question before the Committee and the Congress is not whether the

program has been successful in saving lives, but whether it can be improved to make it more effective, more efficient, faster, so that more lives can be saved?

The current law has changed relatively little since it was first passed in 1954. At the time, the U.S. government held enormous agricultural surpluses, and the PL 480 seemed an excellent way of managing that surplus and sharing it with the world. With the Food for Peace Act of 1966, the current system was created, where Food for Peace began to acquire surplus food for the express purpose of humanitarian aid (Barrett 2005, 38). Since 2003, the Food for Peace program has spent 49%[1] of its budget on transportation and handling costs and only 40% on actual commodities (USAID 2013). In other words, in the last ten years, the US government, through the Food for Peace program, has spent more on transporting, storing, and distributing the food to other regions of the world than on the food itself. This has not been a result of decisions made by USAID, but by an act of Congress through the Farm Bill with a periodic reauthorization of PL 480. The restrictions on USAID and the special interest protections enshrined in the law have hampered food aid programming since its inception. The world has changed since the initial legislation was passed, but the mechanics of the law have not kept up with the changes. While the bulk of the food went to Asia and the Sub-Continent fifty years ago and was used in stable countries in long term development programs, today 82% of it goes to sub-Sahara Africa in recent years and 78% is used to fight hunger in disaster relief operations and in famines during civil wars often in failed states. While the original program was provided government to government, nearly all of it now is programmed through the non-governmental organizations, the Red Cross movement, and the UN's World Food Program. The original program disposed of surplus U.S. grain owned by the federal government, today U.S. food aid is bought on private U.S. agricultural markets.

The process to procure US food aid and to ship it abroad is a long, complex, and expensive one. It begins with the USDA's Farm Service Agency (FSA), who extends invitations for bids to prospective sellers, usually only a handful of the largest agribusinesses in the US. This limited number of qualified bidders usually results in the FSA paying more than market price for the commodities; an issue pointed out by the General Accounting Office nearly 25 years ago, and largely ignored (Barrett 90, 2005). These goods are then shipped thousands of miles to their destination. Because of the Cargo Preference Act of 1954, 55% of food aid must be shipped on US flag-carriers, of which there are only currently 13 (US Department of Transportation, 2013) qualified firms. This greatly increases the costs of shipping these commodities by limiting the number of companies able to bid on the shipping contracts. Professor Chris Barrett has estimated that shipments on US flagged carriers cost 80% more than identical shipments on foreign-flag carriers (Barrett 97, 2005). In addition, prices are driven up even further by a requirement that much of the nonemergency tonnage be fortified, bagged, or processed, increasing the handling of the commodities and, therefore, the amount that can be charged by the shipping companies. No other industry benefits more from current US food aid

[1] Ocean Freight: 17.65%, Inland Freight: 7.46%, Internal Transport Storage and Handling: 24.38%

policy than the U.S.-flagged shipping industry, which is probably why they are the strongest opponents to reform (Barrett 93, 2005).

Once the food has been received, usually by the World Food Program (WFP) or NGOs, one of two things occur. Either the food is distributed to feed the hungry or in the case of NGOs, it is sold in the local markets for local currency that is used by the NGOs for other development projects (Murphy 2005). This monetization of food aid—selling food on local markets—has been one of the core disputes within the current food aid system and has been criticized over the years by NGOs, development professionals, and the international community. The current food aid system has not only allowed, but has even encouraged, the practice of monetization, which has created a funding system that is heavily dependent on it. Monetization is often seen as a source of revenue for the NGOs to fund their projects, but this indirect form of payment is a very inefficient and brings along an array of logistical and agriculture problems. For one, NGOs often sell the food aid at less than market prices, which rarely, if ever, make up for the original costs of procurement and shipping. (It would be much more efficient to simply provide cash grants to the NGOs to run their programs which President Obama's legislation would do). In addition, this influx of food aid at low prices into local markets often undermines local farmers making it difficult for them to compete (Timmer 289, 1983).

While monetization to raise money to run development programs does not make sense as a policy or program matter, there is one instance where it can be an important tool in fighting famines. One of the major factors leading to widespread deaths in famines is the sharp rise in food prices in local markets over short periods of time usually after a major crop failure. These dramatic prices increases mean only the wealthy can afford to buy food to survive the crisis. In Somalia in 1991, for example, the price of grain increased between 700-1200% in less than a one year period, this was the immediate cause of the Somali famine which killed 250,000 people. USAID has intervened in markets by auctioning food aid locally to reduce prices to a more normal level, so that more people can afford to buy food in the markets. Any food aid reforms should not preclude market interventions to stabilize food prices during famines. Where a drought covers a large geographic area in which most crops have failed local purchase might not be wise, as it would drive up food prices in this case food should be imported far from the crisis. The decision on when to purchase locally versus sourcing food in the US should be made in USAID by Food for Peace officers, not by law or by interest group pressure in the US.

That the reforms before the Congress would be an improvement on the efficiency and costs of the current food aid program, there can be no doubt. The General Accounting Office has issued two separate reports in the last several years that have looked at US food aid, and both reports have come to similar conclusions. In 2009, the GAO presented a study that looked at local and regional procurement, or LRP, the practice where food is bought locally rather than purchased in the US and then shipped. In that study, they suggested that LRP would be more cost effective and greatly shorten delivery times (GAO 16, 2009). In the same study, they pointed out that the World Food Program pays less for their food aid 95% of the time in sub-

Saharan Africa and 96% of the time in Asia than the US does for in-kind food aid (GAO 3, 2009). In their 2011 study, they confirmed many of the conclusions they drew in the 2009 study. They discovered the monetization of food aid rarely, if ever, recovered the money spent to procure the aid through this process. This resulted in $219 million over a three year period that could have been used on other development projects that was simply wasted (GAO 20, 2011). They point out that ocean transport alone has in the past resulted in up to a third of the costs to procure and ship commodities for monetization (GAO 2011). Because of a shift in the kind of food being procured that percentage has dropped to 18% on average over the last decade. Other government organizations have come up with similar conclusions. In 2012, the US Department of Agriculture, a department whose purpose is to encourage the purchase of American agricultural goods, ran a local and regional purchase pilot program commissioned by the US Congress, the conclusion of which condemned the current system. In the pilot program, the USDA found that, for nearly every type of commodity, the costs of procuring in the US and transporting the commodity was higher than purchasing the commodity locally.

The lower costs and greater efficiency are not the only benefits of the reforms; they will also allow our food aid to reach more people at the same cost. USAID estimates that as many as four million more people could receive food aid after the enactment of these reforms and without having to appropriate any additional money (Nixon 2013). In a well-researched and thoughtful brief on the issue, Kim Elliott and William McKitterick at the Center for Global Development put the figure of additional aid recipients even higher than USAID did: they estimate as many as ten million more people can be reached if the reforms are enacted.

Costs are, however, not the only problem with the current system. Response time is also a major concern. In the same pilot program, the USDA found that the total time for local purchases for emergency situations averaged 56 days, while the current system of purchasing the food from the US and shipping it to emergency location took 130 days, for a difference of 74 days (USDA 2012). That is 74 days, in an emergency situation, where men, women and children who are in desperate need of food aid, are not getting the food that they need to survive. In the 2009 study, the GAO found that the difference in delivery time for local and regional procurement and US in-kind food aid in sub-Saharan Africa and Asia was more than 100 days (GAO 3, 2009). Shipments from the US to ports on the other side of the world are subject to risks: the food aid warehouses in Texas were nearly destroyed during Hurricane Katrina, pirates off the coast of Somalia captured a food aid ship, and one shipment of food aid to North Korea sank in a storm. The current system is dependent on a long and complex logistics chain that was described by Nobel Prize winner Amartya Sen as an impediment to the efficacy of food aid as a tool to fight famines (Dreze and Sen 85, 1989).

Unfortunately, the time and dollars lost under the current system are not its only problems. There are longer term issues that we must consider as well. A great deal of research has been done to show the negative long term effects of injecting large amounts of free or inexpensive food aid into local markets under non-crisis circumstances. When I was

Administrator of USAID, we launched several programs to try and cut down on opium production in Afghanistan by creating alternate sources of livelihoods for farmers. Famine conditions were beginning to appear in several parts of the country in the summer of 2001, and we instituted an improved wheat seed program to encourage wheat production even before the alternate livelihoods program began.

However, things did not go as planned. An unexpectedly good rainy season occurred combined with the higher yielding wheat resulted in local farmers producing far more wheat than expected. Wheat prices dropped dramatically. Food aid continued pouring in, which depressed prices (Gullet 2003)—refugees and internally displaced persons when they get their food ration often sell part of the food to buy other commodities such as vegetables not provided by aid programs. Because of the low prices, harvesting wheat became more expensive than what they would earn on the markets, and so in some areas farmers did not harvest the wheat which ended up rotting in the fields. Not surprisingly, many Afghan farmers, despite Islamic teachings against the use or production of drugs, returned to poppy farming for opium production. If we had purchased this food locally and bought up the surplus rather than imported more US food aid, we could have ensured that the local Afghan farmers would have earned enough money to make sure the continued production of wheat was economically viable. Many have wondered why Afghanistan is still the world's largest producer of heroin despite all of our efforts to eradicate poppy production. Indirectly food aid played a role in the limited effectiveness of the eradication program. This is not to say the US food aid directly caused poppy production to increase, but locally sourced food aid could have been used to discourage opium production by making wheat farming more attractive as an alternate source of income. We could not do that because the existing law would not allow it.

In many cases, countries who have been hit by natural disaster have specifically asked us not to send them food, and yet we ignored them. After the 2004 tsunami hit Aceh, Indonesia, the Indonesian foreign minister asked the world to not send rice, because there was plenty of food in Indonesia we could have bought locally. But we did not have the flexibility our food aid program to do that. After the Haiti earthquake in 2010, the president of Haiti asked the world to not send food out of concern it would hurt local rice production. We did anyway, and local rice farmers were almost completely ruined (Rosenberg 2013).

We have considerable evidence that purchasing food locally provides additional support to local farmers and help to boost the local economy. In one particular article looking at the WFPs local purchase program in Uganda, the author found numerous favorable secondary effects of purchasing the food locally, including improved farmer knowledge of local markets, improved reliability of the markets, a lack of a middle man leading to higher prices for the farmers, and improved housing and cash income (Ferguson 2011).

The lower costs and greater efficiency are not the only benefits of the reforms; they will also allow our food aid to reach more people at the same cost. USAID estimates that as many as

4 million more people could receive food aid after the enactment of these reforms and without having to appropriate any additional money (Nixon 2013).

With such strong evidence pointing out the negatives of the current food aid system, why is there any opposition to these reforms? The answer is simple and lies within special interest groups. The main opposition consists of what has been described as "the iron triangle": domestic producers, maritime shipping, and a diminishing number of NGOs, most of which have now endorsed the food aid reforms. NGOs have historically been opposed to such reforms because of the monetization option that funds their development programs. NGOs see food aid as the only resource that would be made available, and so have supported the existing system where they must sell their food aid in order to access local currency they need for their various programs (Barrett 88, 2005). Increasingly, however, more and more NGOs have been refusing to participate in the monetization system because they realize the negative effects it has been having on local agriculture. CARE, one of the largest of NGOs involved in food aid, decided to stop taking food from the government to sell in 2007, and, in the process, lost $47 million a year from their budget. They were willing to lose the money, however, because they realized that purchasing the food locally allowed them to reach more people (Nixon 2013). As early as 2005 Oxfam, another leading NGO, criticized the current system (Oxfam 16, 2005) and strongly supports the reforms.

With the number of NGOs opposing these reforms quickly diminishing, the only opposition that remains is agribusiness, labor unions, agricultural processing plants, and maritime interests. Food aid is, first and foremost, an emergency response tool, not a subsidy for domestic economic interests. I have already discussed the inefficient bidding process that is used for the procurement and shipping of these goods, which results in the US paying higher than market prices both for the commodities and for the transportation of these commodities resulting in the US government paying roughly 11 percent more than market prices (Barrett 92, 2005). It may be in these companies best interest to support the existing system policies, but it is not in the best interest of American food aid, the American taxpayer, or, most importantly, the millions who rely on food aid to help them survive humanitarian crises. In fact, with food aid only accounting for 0.86% of US agricultural exports, and 0.56% of net farm income, the impact these reforms would have on the US agricultural industries would be negligible (Plumer 2013).

One cautionary note with regard to all of these proposed reforms. Under Secretary Clinton's reorganization of the State Dept. budgeting functions in 2009, the Administrator of USAID no longer has control over the spending of the Agency (prior to Secretary Clinton the Administrator of USAID was dual-hatted as Deputy Secretary of State for Foreign Assistance and controlled both USAID and State Department spending—the two positions have now been separated) which is entirely controlled with the State Department. Our humanitarian assistance programs in emergencies, including food aid, could be directed to short term geostrategic purposes if the Food for Peace budget line item is abolished and funding centralized in the International Disaster Assistance Account. I urge the Congress to protect the food aid budget should these reforms go

through by requiring by statute that funds be used for disaster relief and humanitarian feeding programs only.

There should be no question of the importance of these reforms. President Bush pushed strongly for them during my tenure in USAID because the evidence showed that they were greatly needed. President Obama is doing the same now because he does as well. Since that time, more and more evidence has shown that purchasing food aid locally is faster, more cost-efficient, and can have greater beneficial effects on local economies in desperate need of an economic boost after a humanitarian crisis. Two GAO reports, a USDA pilot program, several NGOs, and numerous academic articles have all shown that these reforms are greatly needed. I strongly urge the committee to approve the Royce-Bass Bill for the good of the American taxpayers and the people most desperately in need of aid. The legislation increases the flexibility of the current system for aid program officers, but would allow US purchases of food aid when they are the most appropriate response (in a widespread regional famine buying food locally might increase food prices and so importing large amounts of food aid from the US might be the most appropriate response). Their thoughtful legislation directly deals with many of the major issues facing the current US food aid system. Making US procurement of food aid optional, eliminating monetization (except during famines as a market intervention), and exempting of Title II of PL 480 from cargo preference would allow the Food For Peace program the flexibility and cost savings to improve their efficiency and save more lives.

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Chairman. ROYCE. Thank you, Mr. Natsios.

Mr. Glickman.

**STATEMENT OF THE HONORABLE DAN GLICKMAN, EXECUTIVE DIRECTOR, ASPEN INSTITUTE CONGRESSIONAL PROGRAM (FORMER SECRETARY OF AGRICULTURE)**

Mr. GLICKMAN. Thank you, Mr. Chairman, Ranking Member Engel, members. It is a delight to be here. I look up on the walls. I see Ben Gilman, Henry Hyde, Dante Fascell, Tom Lantos, and Clem Zablocki. Without dating myself, I served with all of these people. So it is just a great joy to be here at this committee room.

First of all, it is an honor to be here with Andrew Natsios, who very few people can claim the fact that they have saved hundreds of thousands of lives, and he and his agency have done that. So, and the Bush administration I must commend for their great efforts in these areas, particularly in global AIDS health, TB, and the food part of it has been remarkable. It is bipartisan. It is one of the things that makes America unique and great, and it is something that we should continue to reinforce.

I am going to—my statement talks about the great humanitarian needs which are increasing. We see that happening in the Middle East right now. The commitment is bipartisan, which we see from the chairman's own bill that he has talked about with Mr. Engel, Congresswoman Bass, and others. And we see a consensus growing on issues that Andrew talked about, which are need for greater flexibility, using cash transfers and food vouchers where appropriate, but supplying commodities in those cases where it is appropriate, not a one size fits all situation, great efficiency.

We talked about the losses that are in the current way we do business, and greater impact is achieved by having this more flexibility. But I thought I would talk a little bit about the agriculture side of this picture because of the impact on American farmers and ranchers and what this all means.

And as a former USDA Secretary, it is critical to underscore the benefits of food aid reform to agriculture. So we started this program in part because of big surpluses and the American moral desire to help the rest of the world, and those two facts work together.

More than 60 years later, U.S. agriculture productivity remains high. In 2002, agriculture was one of four categories with a U.S. trade surplus. Changes in U.S. agricultural policy and rising consumer demand outside of our country, where 95 percent of the people live, ensure that commodities not needed for American consumption now flow quickly into thriving global markets.

That means that food aid procurements have become an increasingly smaller proportion of U.S. overall commercial agriculture sales. From 2002 to 2011, the Food for Peace Program procured less than 1 percent of the total food that was exported from the United States. The volume of food assistance provided by the U.S. has been steadily declining over time due to higher food prices and lower overall appropriations for the program.

From 2002 to 2011, the purchases of U.S. food aid by the U.S. Government declined from 5 million to 1.8 million metric tons. Given these changes, the future interests of U.S. agriculture are

less in the provision of U.S. food aid and, to a greater extent, in the development of stable, thriving economies that can create new markets for American business and new consumers for American products and developing stronger economies and bringing these countries out of poverty.

The opportunities for American farmers for overseas are no longer on our soil but dependent on purchases and trade with countries overseas. Developing countries accounted for 97 percent of global population growth in 2012, and it is anticipated that nearly all future population growth will be in the world's less developed economies.

So it is firmly in the interest of American farmers to support greater efficiencies and flexibility within our food aid system, so that we can provide more food to more people and support the local and regional agricultural development systems of future trading partners. This would promote the well-being and health of populations and potential future consumers, opening up new trade and investment opportunities for U.S. agribusiness.

As the chairman mentioned, both the National Farmers Union and Cargill recently expressed support for food aid efforts. Cargill said it is time that we reassess the current program to make certain it is efficient and effective in meeting the needs and flexibility, and we can move people on the brink of starvation to the brink of development.

For example, South Korea, once a huge recipient of U.S. food aid, is now America's sixth largest trading partner and, in 2011, imported more than $4 billion worth of agriculture commodities from the United States. This can happen to the developing world in Africa and South Asia and Latin America, not overnight, and we realize that many of these countries, because of humanitarian desires and needs, will still need some food aid. There is no question about it. But we need to transition ourselves to building their economies, so that they can buy more from us.

In conclusion, the world has long possessed the collective resources and knowledge to end global hunger. What has often been lacking is the political will and sustained leadership at the highest levels of government. I think we now have broad agreement on what needs to be done to improve our food aid programs, and we must seize the opportunity.

With your leadership, with the leadership of the Obama administration, the historic leadership of the Bush administration, I am confident that we can modernize these programs, make them much more flexible to help the world, to help the humanitarian needs of people overseas, and to help America's farmers and ranchers as well.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Glickman follows:]

**HOUSE COMMITTEE ON FOREIGN AFFAIRS**

**"Modernizing U.S. International Food Aid Programs: Reaching More for Less"**

**Testimony by Dan Glickman, Executive Director, Aspen Institute Congressional Program, and Former Secretary of Agriculture**

**June 12, 2013**

Chairman Royce, Ranking Member Engel and distinguished Members of the Committee, thank you for the opportunity to be here today to discuss U.S. international food aid programs and support your efforts to modernize the programs.

U.S. food aid provides the backbone of the global emergency response system. For the past 60 years, when disaster strikes another part of the world—whether natural, economic, or political—and people are left without access to food, the U.S. government responds by providing American agricultural products through the Food for Peace program. Food for Peace resources fund life-saving, emergency programs as well as non-emergency programs that promote development, improve child nutrition, and build resilience to prevent costlier humanitarian interventions in the future.

For less than one-tenth of one percent of the federal budget, these international food assistance programs save lives and empower communities to more effectively respond to future crises. Last year in the Sahel, famine was averted due to the early, robust and comprehensive humanitarian food assistance provided by the international community, with the leadership of the U.S. government.

Furthermore, emergency food assistance remains vital to restoring and maintaining stability in volatile regions, including those that are of key national security concern for the U.S.

The question before us today is clearly not whether we should improve the U.S. food aid system but rather how can we reform the system in a way that creates the most benefit for both American farmers and hungry people. I would like to propose five key points for the Committee's consideration as it looks to modernize U.S. international food aid programs and identify the means by which reform can best be achieved.

## I. Humanitarian needs are increasing

Despite the great progress being made across U.S. international food security programs, humanitarian needs continue to grow as the number of people affected by natural disasters and conflict increases.

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Floods, droughts and other natural disasters have increased by 400 percent over the past two decades[i] and the number of people affected and displaced by conflict has risen from 17.4 million in 1997 to 27.5 million today.[ii] According to a recent Brookings Institution report, global demographic trends suggest that more people are living in areas vulnerable to sudden-onset natural disasters. Scientists at the same time predict that the frequency and intensity of these disasters are likely to increase as a result of the effects of a changing climate.

In 2013, the UN World Food Programme estimates that more than 80 million people will require food assistance globally, with significant increases in need in the Middle East. The Middle East region now comprises 25% of the estimated food assistance needs for 2013 – up from 10% in 2012 – largely due to doubling needs in Syria and Yemen. In Syria and neighboring countries, increases in food needs have been staggering over the past year, growing from around 300,000 people requiring food assistance in April 2012 to over 3 million in April 2013.[iii]

As we rightly look to reform these programs, we must keep in mind that needs around the world are not going down – but rather they are continuing to rise. Our efforts to improve the current food aid system must enable us to reach more hungry people.

## II. The commitment to food aid programs is bipartisan

Fighting global hunger has been a bipartisan effort that has united Administrations and Congresses without regard to party for the past 60 years. The Food for Peace Program, first known as "Public Law (PL) 480," was signed into law by President Dwight D. Eisenhower in 1954. Shortly thereafter, President John F. Kennedy underscored the importance of PL 480 by renaming it "Food for Peace" and placing it in the newly created U.S. Agency for International Development.

Since that time, international food aid programs have received support from Administrations in both parties. In 2008, the Bush Administration even initiated a food aid reform effort, proposing a legislative authorization in the Farm Bill to use up to 25% of Food for Peace funds available annually to procure food from selected developing countries near the site of a crisis. This year, the Obama Administration has proposed a set of reforms to further increase the flexibility and efficiency of U.S. food aid reforms and potentially enable the U.S. to reach 2-4 million more people globally.

In Congress, there is a similar story of deep commitment to international food aid programs. There are numerous examples of Congressional support for feeding hungry people, from the collaboration between Senators McGovern and Dole that eventually led to the creation of our McGovern-Dole International Food for Education and Child Nutrition programs to the bipartisan leadership of Senators Stabenow and Roberts last year in developing food aid provisions in the Senate Farm Bill. The Chairman's recent introduction of the Food Aid Reform Act (H.R. 1983),

is another important instance of Republicans and Democrats coming together to make improvements to our international food aid system.

In a political climate where bipartisanship can be a challenge, feeding hungry people remains a priority for many Members regardless of political affiliation.

## III. A growing consensus is developing on principles of reforming food aid programs

As previously noted, the reforms proposed in the Administration's FY14 budget request and in the recent legislation introduced by Chairman Royce and Congresswoman Bass build upon past reform efforts of the U.S. Congress and Administration and reflect food aid principles that are commonly agreed upon. While there has been substantial discussion and debate on the tactics and mechanics of food aid reform, this is widespread agreement on the overarching strategic goals.

Across foreign aid stakeholders, a desire for greater flexibility, efficiency and impact in our food aid system is evident.

Greater *flexibility* in our food aid system would allow the U.S. to employ the right tool at the right time when responding to crises. This means buying food locally and regionally when markets are functioning, utilizing specialized nutrition products when circumstances require them and allowing for the use of cash transfers and food vouchers in complex environments where U.S. commodities may be hard to deliver. Studies show that with favorable market conditions, local and regional procurement of food and other cash-based programs can get food to people in critical need 11 to 14 weeks faster and at a cost savings of 25 – 50 percent. While great progress has been made over the past several years to enhance the prepositioning of U.S. commodities to increase response time and strengthen early warning systems to better prepare for weather-related shocks, much more can be done to improve the flexibility of our food aid system.

Greater *efficiency* in our food aid system would enable the U.S. to reach more people in a time of fiscal constraints. In a 2011 report, the GAO estimated that $219 million was lost over a three-year period as a result of monetization – about 25 cents on every dollar.[iv] In eliminating the need to monetize food by using cash rather than U.S. commodities to fund development programs, we reduce waste and have more resources available for food assistance programs.

Lastly, greater *impact* is achieved by ultimately reaching more people with nutritious food assistance. Greater flexibility and efficiency mean little if we are not able to feed more vulnerable men, women and children and ensure that a great number of families and communities are given the opportunity to have a healthier, more prosperous future.

## IV. The future of U.S. agriculture depends on thriving global economies

As the former Secretary of Agriculture, it is critical to underscore the benefits of food aid reform to U.S. agriculture and U.S. farmers and ranchers. Helping to feed the hungry has been and continues to be a source of pride for American farmers and businesses.

In the 1950s, President Eisenhower promoted "sharing the bounty" of U.S. agriculture with countries too poor to purchase it on commercial terms by inaugurating the food aid program. At the time, this was a win-win. Not only did the food aid reach hungry people but it helped the government offload some of the commodity surplus that was accumulating as a result of federal agricultural support programs.[v]

More than 60 years later, U.S. agricultural productivity remains high. In 2012, agriculture was one of four categories with a U.S. trade surplus. Changes in U.S. agricultural policy and rising consumer demand outside of our country – where 95% of the world's consumers live – ensure that commodities not needed for American consumption now flow quickly into thriving global markets.

This means that food aid procurements have become an increasingly small proportion of overall U.S. commercial agriculture sales. From 2002-2011, the Food for Peace program procured less than 1% of total food that was exported from the U.S. Further, the volume of food assistance provided by the U.S. has been steadily declining over time due to higher food prices and lower overall appropriations for the program. From 2002 to 2011, the purchases of U.S. food aid by the U.S. government declined from 5 million to 1.8 million metric tons.[vi]

Given these changes, the future interests of U.S. agriculture are less in the provision of U.S. food aid and to a greater extent in the development of stable, thriving economies that can create new markets for American businesses and new consumers for American products. The opportunities for American farmers are no longer on our soil, but rather on overseas soils. Developing countries accounted for 97 percent of global population growth in 2012 and it is anticipated that nearly all future population growth will be in the world's less developed countries.[vii]

## V. American farmers can and should support food aid reform

It is firmly in the interest of American farmers to support greater efficiencies and flexibility within our food aid system so that we can provide more food to more people and support the local and regional agricultural development systems of future trading partners. This type of change in U.S. food aid policy would promote the well-being and health of populations and potential future consumers; open up new trade and investment opportunities for US agribusinesses; and ensure that our humanitarian commitments are met.

With the National Farmers Union and Cargill recently expressing support for food aid reform efforts, it is becoming increasingly clear that American farmers themselves agree that making our programs more efficient and flexible is not in opposition to their interests. In their recent statement on food aid, Cargill asserted: "[i]t is time we reassess the program to make certain it is efficient and effective in meeting the increasing needs and allow for some flexibility in the delivery of a portion of food aid assistance so that food can get more quickly to people on the brink of starvation." [viii] For example, South Korea, once a recipient of U.S. food aid, is now America's sixth largest trading partner and in 2011 imported more than $4 billion worth of agriculture goods from the U.S.

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In conclusion, the world has long possessed the collective resources and knowledge to end global hunger. What has often been lacking is the political will and sustained leadership at the highest levels of government. We now have broad agreement on what needs to be done to improve our food aid programs and we must seize the opportunity. With the Obama Administration's recent proposal and the leadership of this Committee in supporting reforms to our food aid system, I am confident that we are on a path forward that will deliver results for the hundreds of millions of people around the world that depend on U.S. food assistance.

I might add that change is not always simple and easy – particularly change to a long standing way of doing things. Food aid reform was attempted during the Bush Administration. In my view a key component to achieving these important and necessary reforms is to reassure everyone with a stake in food assistance programs that what will emerge from reform is a stronger American commitment to food assistance and help to our friends around the world. Food aid can help nations become economically stronger and effective partners and allies of the United States. This is an important investment for America and a terrific foreign policy tool for our government.

I look forward to answering the committee's questions. Thank you.

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[i] International Disaster Database. http://www.emdat.be/natural-disasters-trends
[ii] World Disasters Report. 2012. http://www.ifrc.org/PageFiles/99703/1216800-WDR%202012-HN-LR.pdf
[iii] WFP. Syria Talking Points.
[iv] GAO, *"Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts,"* June 2011.
[v] http://www.livinghistoryfarm.org/farminginthe50s/money_08.html
[vi] USAID. http://www.usaid.gov/foodaidreform/us-farmers
[vii] http://www.prb.org/Publications/Datasheets/2012/world-population-data-sheet/fact-sheet-world-population.aspx
[viii] http://thecaucus.blogs.nytimes.com/2013/05/22/food-company-and-farmers-union-back-changes-to-aid-program/?emc=tnt&tntemail0=y

Chairman ROYCE. Let me go to Mr. Natsios for a question about emergency aid to Syria that might make my point and your point here. The majority of food aid we have been discussing is through the Department of Agriculture's Food for Peace. Now, there is a small separate emergency food security program that USAID set up. All right?

This emergency program allows for cash resources to be used for local and regional purchases of food and food vouchers. And as I understand it, if not for the flexibility of that program, USAID would not have been able to launch a rapid food response to the Syrian crisis, and here is why: Because it is a very stark contrast.

The first shipment, U.S. food shipment, just arrived in the region in Syria. Just arrived 2 weeks ago. That is 2 years after the crisis began. But even with this shipment, it is now the case that trucking it in to the population in need, because of the difficulties of doing that, it is not conceivable to move major portions of food by truck into those regions on a daily basis, because there is a daily assault by the Syrian military unit. So that isn't likely to happen.

So this old structure, you know, frankly, comes 2 years late. And now the food aid is in country, but how do you get it to the region most in need, to those most in need?

So with a more flexible program, it seems to me, we have been able to respond quickly, we have been able to maintain access and help keep local markets running and reduce the probability of aid dependency over the long term, but I would like to just ask you for your thoughts on that, Mr. Natsios.

Mr. NATSIOS. Well, this goes back, Mr. Chairman, to this comment of Amartya Sen that when you have a 7,000-mile supply chain a lot of things can happen along the way. It is not just in the country. We had pirates in Somalia steal or take two ships. They pirated two ships of food aid from the World Food Program over a number of years, and we never saw it. Another shipment of food sank in a storm.

The warehouses down in Galveston, we were crossing our fingers when Hurricane Katrina—it barely missed those warehouses. We would have had people die because those warehouses had been destroyed. They weren't, but it was very close.

So the longer the supply chain, the more bad things can happen. But particularly the most serious problem we face is in civil wars where there is food and security. And most of the food now—82 percent of all food from Food for Peace is now going to emergencies, which is usually civil wars and famines. Most famines are also an offshoot of civil wars. The two things are a toxic mix with each other.

And what usually happens is one side sees the food coming in, because it is very visible. You can't hide 100,000 tons of food. You can't ship it electronically through a banking system, which you can do with cash, to an NGO doing local vouchers, for example. It is a giant red flag. And if a particular side in the civil war wants to starve their opponents to death, the way you do it is you blow up the food shipments.

And this is not new. The Sudanese Government starved hundreds of thousands of southerners to death during the Sudanese civil war which killed 4 million people over 50 years. There were

two civil wars, actually. And a lot of those people died of starvation because the government used the very long supply chain, the logical system to get food in, to simply stop the shipments.

Mengistu did the same thing, the Marxist dictator of Ethiopia, in 1990 and '91, and he was blowing up our shipments of food convoys going into Ethiopia because he was trying to starve the Tigrayans and the Eritreans to death during a famine.

And the way we in fact got around that is I, with congressional approval, used a couple of million dollars in the OFDA budget, which is a separate emergency account. It is not supposed to be used for food purchase. Not by law—by law we could do it—but the congress said that is for health and water and sanitation and shelter. The Food for Peace budget is for food.

But in this particular case, they let us do it. We bought 20,000 tons of sorghum in a surplus area that Mengistu did not control. We moved it into the famine area. We saved tens of thousands of people's lives by doing that. That is where I got convinced in that 1990 famine that this is the best way to approach this. And you, Mr. Chairman, have just pointed out not a 20-year-old example but a current example of exactly the same thing happening in Syria.

Chairman ROYCE. And I think now we need to go to the cargo preference, the impact on competition there. So I am going to ask you a couple of questions, because USAID reports that on average only two to four companies respond to solicitations to ship food aid to begin with. How does the lack of competition among shippers impact cost, and how does it impact accountability? I am going to ask you those questions, and then I would also—you know, during your tenure at USAID, we began to become involved in a number of major conflicts.

So I am going to ask you if during your tenures were any private U.S. flag commercial vessels called upon to protect U.S. maritime security during that period of time? And to your knowledge, since the Cargo Preference Act was enacted back in 1954, have any private U.S. flag commercial vessels ever been called upon to protect U.S. maritime security?

And I will just finish with this last question: Should U.S. flag vessels that fail to meet the eligibility criterion for the maritime security program continue to be eligible for cargo preference?

Mr. NATSIOS. Well, I didn't want to start casting aspersions on different industries, Mr. Chairman, but I am not a supporter of the cargo preference law, particularly with respect to USAID. It has outlived its usefulness. The argument during the Cold War was that we needed our Merchant Marine because there was an existential threat to the survival of the United States during World War II and then during the Cold War. And it was real, and we needed to protect our domination of the world sea lanes.

That is no longer the case. The threats to the United States are not of the same character. We are not facing a superpower that is threatening whole regions of the world. The threat now is completely different. Al-Qaeda is not threatening the sea lanes of the world; they are threatening terrorist acts in particular countries, but they are not the same kind of threat.

And so the general justification for the cargo preference law, in my view, doesn't exist anymore. And I think your questions answer

themselves, Mr. Chairman. There is no justification for doing this, particularly when there has been such a huge decline in the amount of tonnage we have been able to buy, because there has been a big increase in food prices. And there is an argument from some reputable economists that we are not going to go back to the era of cheap food anymore.

There has been a huge decline in the volume of food aid we have been able to deliver, and the principal source of most food aid in the international system is the U.S. Government. It is not other countries. We are the greatest agricultural power in the world. I mean, our farmers are the best in the world and the most efficient and the highest quality.

But the reality is prices are going up, and so we are able to buy less food. We need the reforms now in order to buy more food with a fixed budget, given the fiscal constraints that the Federal Government is facing. So——

Chairman ROYCE. Thank you, Mr. Natsios.

We will go to Mr. Engel.

Mr. ENGEL. Thank you, Mr. Chairman.

Mr. Natsios, we often hear from opponents of food aid reform that the current system doesn't need to be changed, that there is plenty of flexibility with the positioning, especially with the positioning of food stocks and limited cargo preference waivers that we have enough flexibility now.

In your experience as USAID Administrator, do you believe that is the case?

Mr. NATSIOS. No, I do not believe it. If I did, I wouldn't have come all the way from Texas to testify. I wouldn't have gotten President Bush to offer these reforms, which, by the way, he enthusiastically embraced when we explained them to him. And he has been an advocate even after he left office of these reforms.

So I think the notion that the current system works well, the facts don't support that. And I might add, it is not from one source that it is making this argument. The General Accounting Office has done a whole series of papers over two decades.

Professor Chris Barrett, a colleague of mine at Cornell University, wrote a book some years ago about this. USAID's internal studies show these reforms are necessary. OMB research shows it. The Center for Global Development has done an excellent brief on this paper, on this reform, and they have endorsed it. I mean, you can go through a whole series of sources all arguing reform is necessary.

I am not aware of one single source, other than special interest groups, who are affected financially by these reforms, who think the current system works well and works to our advantage.

Mr. ENGEL. Can you share with us an example of how the current food aid authorities hindered your ability to get food into emergency relief situations in a timely manner?

Mr. NATSIOS. Yes. In Somalia, we were caught. Because the famine was connected to a civil war, the U.N. had withdrawn, the International Committee of the Red Cross had withdrawn, and we had shut down the aid mission. There was literally no one there—this was 1991—to see what was going on until it was too late.

When I realized that there was actually—I went myself because I heard these reports that were trickling out. And when I saw the conditions, I was shocked how bad things were. It took 3 months to ship the stuff just to port. And because there was chaos in the country, it took even more months to get it to the epicenter of the famine.

So that specific instance was very clear, because I watched it myself on the ground. The second instance is the Ethiopian famine that I mentioned earlier. It didn't become a famine because we intervened in 1990, because we used a provision of OFDA's very limited budget, and we couldn't—what we did was we took money out of the health budget and the water budget, which kills people if you don't spend enough on it, to purchase food in one part of Ethiopia and move it to another.

Had we had more money and more flexibility in the Food for Peace account, we could have done that on a much larger scale. More recently, the Somali famine of 2 years ago, the same thing happened.

Al-Qaeda did not want the United States Government providing food aid, and I will tell you why. When we responded to the Aceh tsunami, al-Qaeda's poll ratings collapsed. I don't know if you know this, but they had a 63 percent approval rating, Bin Laden in Indonesia, before the Aceh tsunami, which took place I think in December of '04, as I recall. Yes, '04, December of '04.

After the U.S. Government's response, which was USAID and the U.S. military, his poll ratings went down to 26 percent, and our poll ratings, which had been at 23 percent, went up to 57 percent. So we had a massive spike in our popularity and a massive decline in his popularity because of our responses.

Now, I am not suggesting we just save people's lives to get more public support, but it has a consequence when we do it. A third example would be the Syrian example that was just mentioned by the chairman. The Syrian Government is trying to starve the opposition into surrender. The Sudanese Government did the same thing in southern Sudan over 22 years of civil war.

What did WFP do with European money, not American money because we couldn't use our food aid budget for this purpose, is they went to northern Uganda to farmers and said, "Grow the food locally; we will ship it in. It is much faster and the Sudanese Government can't stop it through Port Sudan." And that is what they did.

The Europeans went, and the Canadians, the biggest producer of food, went to 100 percent local purchase a long time ago. We are the last remaining outliers in this because of interest group opposition.

Mr. ENGEL. Thank you. I would like to just quickly ask Mr. Glickman a question. You served as Agriculture Secretary, and with distinction I might add. And you mentioned in your opening testimony something that surprised me initially is that the agriculture community is not opposed to this reform plan resolutely.

The National Farmers Union, as you mentioned, Cargill, and others, who are supportive of some of the President's proposal, are calling for more flexibility. If you didn't know that, you would think it would be counterproductive at first blush. So why is that?

Mr. GLICKMAN. Well, first of all, I think the agriculture community is probably split on this subject, being honest with you. And I think a lot of people are either fearful of what might happen if we don't have a statutory requirement that the overwhelming majority of the food aid that is sent is in commodities, because I think they fear that maybe with budget issues or other things it won't get the same priority here in the Congress or the administration.

But I think there is the growing recognition that we need a heck of a lot more flexibility. It is not all or nothing, and I think what the chairman is proposing, and what the administration is proposing, is just upping the amount of cash.

Mr. ENGEL. Do you think this would have much of an impact on American farm income?

Mr. GLICKMAN. No. In fact, my judgment is over the long term, this is a big plus for American agriculture, because it will create the opportunity for countries to become more self-sufficient and buy more things from us. And there are examples around the world, in Southeast Asia, and I mentioned Korea and others. It is tough in sub-Saharan Africa and other places to do this in the short term, but they desperately need us to help them become more food self-sufficient.

If I may just say that I owe a lot of my own knowledge of this to Catherine Bertini, who was head of the World Food Program for 10 years, and she and I co-chaired an effort for the Chicago Council on Global Affairs called Advancing Global Food Security, which I would encourage to the committee it could be part of the record, whatever you would want to do.

And it goes into great detail about what countries can do for themselves. And we need a combination of cash and commodities with much greater flexibility. And I think when the agriculture community realizes that, I think you are going to see more support than there has been in the past. But, yes, there is clearly some support.

[NOTE: The material submitted for the record by Mr. Glickman is not reprinted here but is available in committee records or may be accessed on the Internet at: http://www.thechicagocouncil.org/UserFiles/File/GlobalAgDevelopment/Report/2013__Advancing__Global__Food__Security.pdf (accessed 7/10/13).]

Mr. ENGEL. Thank you, Mr. Glickman.

Thank you, Mr. Chairman.

Chairman ROYCE. Thank you, Mr. Engel.

We go now to the chairman of the Subcommittee on Africa, Global Health, Human Rights, and International Organizations, Mr. Smith of New Jersey.

Mr. SMITH. Thank you very much, Mr. Chairman, for calling this very important hearing.

Welcome to our two very distinguished witnesses who have done so much for so long to save lives. And having worked with Mr. Natsios for so long when he was doing emergency help for refugees and others, particularly getting food aid out—and I remember those Mengistu years. They were awful, when he used food as a weapon.

I visited Banda Aceh after it was devastated by the 2004 tsunami, and you, Mr. Natsios, pointed out that the Indonesian For-

eign Minister asked us not to send rice. We did it anyway. And then you said the rice farmers were almost completely ruined. I would hope that you could elaborate on that, because I think that is a very poignant story and needs to be elaborated on.

Secondly, you have testified that as many as 4 million people receive food aid, and you mentioned that Elliot and McKitterick said that as many as 10 million could be reached if we went with local purchase. That is a big disparity, but it also is all in one direction. Maybe you might want to touch on that further.

And the response time issue, which you strongly highlighted, USDA 130 days to purchase—to actual delivery as compared with 56 days for local purchase, a whopping 74-day time when people could be literally starving. I wonder if you could perhaps elaborate on that a little bit as well.

And, finally, you mentioned in your testimony, with regards to the Food for Peace Program, when you break out the 49 percent savings, you have a number of variables in there. Seventeen percent, 17.6, for ocean freight; inland freight is 7.5 percent of the additional cost. Internal transport, storage, and handling is 24.3 percent.

And my question is about local purchase. Could you define that more clearly for the committee, because obviously in some war-ravaged and famine-ravaged areas local purchase could be two countries away, or several countries away? Just so we have a real sense of accuracy about what the true savings are.

There is no doubt that the savings are enormous, and the potential for lives saved is, in similar fashion, enormous. But just so we have clarity on that.

Mr. NATSIOS. Just to answer your last question first, the data, which I have in a footnote, you know, in my testimony is aggregated over many years. It is not for one specific emergency. It varies very substantially.

The food aid, for example, that went to Haiti, the costs were much lower. Why? Because Haiti is not too far from our coast. But the majority of food aid right now that we ship from the United States—not the majority, the overwhelming majority, 81 percent, goes to Africa.

Mr. SMITH. Right.

Mr. NATSIOS. And it goes to emergencies, not to stable areas where no one is shooting at you. When they shoot at you, the costs go up because you have to hire guards to protect the shipments from being looted, for example.

Some of this cost is security, in fact, guards to prevent the warehouses from being looted in a civil war. So it depends on the area. The percentages will vary very substantially, but we know historically over the last 5 or 10 years where most of this aid has been going, and it has been going to sub-Sahara Africa.

Now, that shifted because of what is happening in Libya now. Okay? So——

Mr. SMITH. If I can just be clear——

Mr. NATSIOS. Yes.

Mr. SMITH [continuing]. The internal transport, storage, and handling, that cost is evaded when local purchase is used? Or is it evaded in some instances?

Mr. NATSIOS. If we are shipping to Haiti, the cost is not going to be—the savings is not going to be as great, anywhere near as great. But that is not where most of the food is going. As I said, 80 percent is going to Africa. That is much further distance away.

If the emergency, like Liberia for example, is right on the coast and the food is going not too far inland, the savings will be less. If it goes to south Sudan or Ethiopia—Ethiopia doesn't have its own port, for example, or when we had the Rwandan genocide going on, you have a huge number of miles for the shipments of food to go.

The food that went to Darfur, we are still feeding people in those camps. It is very expensive to get food to Darfur. You have to go 900 kilometers from the port to Darfur to get the food into those camps.

Mr. SMITH. And where would the local procurement be for Darfur?

Mr. NATSIOS. Darfur—what I would do if I were—had the authority, I would do it in northern Uganda or northern——

Mr. SMITH. But there would be some shipping costs, but it would be far less than——

Mr. NATSIOS. It would be far less. Exactly.

Mr. SMITH. In terms of Banda Aceh—my time is almost out—you mentioned that the rice farmers were devastated.

Mr. NATSIOS. Well, they had a choice.

Mr. SMITH. Okay.

Mr. NATSIOS. It wasn't the rice farmers—it was the rice farmers in Haiti that were devastated, not in Indonesia.

Mr. SMITH. Oh. It wasn't clear from your testimony.

Mr. NATSIOS. Right. In both cases, the Foreign Ministry asked us not to ship the food and we said, "We cannot ship it, but we cannot buy the food locally because we are not allowed to do that under the law." And they said, "Oh, no, no, no, no. We have to have the food. We would prefer you to buy it locally." I said, "So would we. But if we can't, we will stop the shipment if you want." And they said, "No, no, no. We need the food." So we shipped it.

It devastated the Haiti rice farmers after the earthquake which took place a couple of years ago. And Aceh, Indonesia, is a much larger market, so we did not destroy markets because the country is so large. But it damaged markets, and that is why, you know, if we had a choice we should have bought the food in Indonesia, which has functioning agricultural markets.

Mr. SMITH. Well, as I saw and you saw and everyone else saw, the tsunami only went in 200, 300, 400 yards——

Mr. NATSIOS. That is right.

Mr. SMITH [continuing]. And after that it was totally untouched.

Mr. NATSIOS. Exactly.

Mr. SMITH. Okay. I am not out of time. On the response time, 130 days versus 56, 74 days, a huge improvement. That is a tremendous savings of time, which means life. Thank you for emphasizing that in your testimony.

Mr. NATSIOS. Yes.

Chairman ROYCE. Mr. Sherman of California.

Mr. SHERMAN. Thank you, Mr. Chairman.

So far every minute in this room has been spent advocating food aid reform. If every minute had been spent up until now trashing food aid reform, I would spend my 5 minutes promoting it. But that is not the case.

There are strong arguments for food aid reform. They were summarized well in the opening statements of the chairman and the ranking member.

I believe one of the witnesses has testified that all of the questioning of reform has come from special interests, so this will be a new experience for you, since we will spend a few minutes. As to me being a special interest, I have zero farms in my district, I have zero ports in my district, I have zero ships in my district, and my state pretty much doesn't grow anything you would want to ship in food aid because oranges are really not part of our disaster relief program.

But the fact is that there are some arguments on the other side. The one place, though, where there are no arguments is you can't let people starve in a disaster because of an inflexible statute. But much of our food aid could continue to be American-produced without that eventually happening.

Now, we are told that we have the lion's share of agricultural production; therefore, we provide the lion's share of food aid. Well, if food aid is no longer food aid, food aid is just money to spend in northern Uganda, yen can be spent there as well as dollars, Euros are accepted with the same glee, and the real pressure should be, and is not really put by the United States on our European and Japanese friends, to provide their share of food aid now that food aid is money to be spent locally.

As to shipping, I think it would be wrong to blame the 2-year delay in sending food to Syria on American ships. Most of that delay is not the speed of the ships. The current system of preferences may be very impaired, may be close to useless, but that doesn't mean our choices abolish it or preserve it.

We ought to give a preference only to U.S.-owned, U.S.-crewed ships that are not available to the military—and that may not be important to the military—but one thing we haven't talked about here is our trade deficit, our need for U.S. jobs.

You know, every part of the government could save money if we didn't make them buy American, and then we would have a lot fewer jobs. Now, I am reluctant to give the State Department flexibility in any issue involving U.S. jobs and our trade deficit because they are almost hostile to even talking about the trade deficit.

The last time I quizzed them they said there is no relationship between the trade deficit and U.S. jobs, so we need statutory formulas so that State will give due credit to U.S. jobs in shipping and agriculture. Otherwise, they will just give it lip service and say, "Well, they looked at it and then they hired the cheapest ship with zero U.S. sailors aboard." And I think that given the size of the U.S. trade deficit, we should never have a discussion of international financial transactions that doesn't include looking at the trade deficit.

Let us see, we also have to take a look at the possible negative effect on the local market. If you go into northern Uganda, you don't automatically create new food. You are buying food that was

going to be sold in Kampala, and now you are buying it and sending it into Sudan.

Maybe that is a good thing long term, because it gives farmers the money to improve their farms, or maybe it causes a famine or at least higher prices in urban Uganda. So we need to look at both the positive and negative effects on local markets.

Finally, and I do have a question in here somewhere, our Indonesian experience demonstrated that where there is American food going to disaster victims—and everybody knows it is American food and it is grown in America, it has got an American flag on the bag—that we get a response that is helpful.

Are we going to see a flag on a bag if the food inside isn't grown in America? And are we going to see those who carry out the food aid find it even more convenient to obscure the fact that they have anything to do with the United States because they are more popular with those they have to work with and more immune from terrorist attack if they say all of this stuff is coming from Europeans and Canadians? Mr. Glickman?

Mr. GLICKMAN. Okay. I will start this because—one is, under the President's proposal, 55 percent of the food aid that would be going would be required to be in the form of commodities, and that is the first year. They had no language on what future years would be. I think they probably should have put in some language on that.

And then under the chairman's issue, he is not changing the percentage in a revolutionary way. So all we are trying to do is to provide more flexibility, so that local food purchases——

Mr. SHERMAN. But my question was, what do we lose in Indonesia if the food isn't from the United States?

Mr. GLICKMAN. I can't answer that. The only thing I can tell you is that when I was Secretary, I was very much involved in both ways to both trade out and give out our excess and surplus commodities because we were growing way more than we could consume in this country.

Those days are over, and the supply-demand lines in the future will not be anywhere like they were in the past. So given that, I do agree with you that to the extent possible we need to make sure we use all relevant means to let folks know that the aid is coming from America. And my judgment is the overwhelming percentage of the aid is still going to be in the form of commodities, because of humanitarian needs that both Mr. Natsios and the chairman have talked about.

But at the same time, commodities are not suitable for everybody every place, and we should not be statutorily prevented from offering other ways of providing assistance. So I just think that this is a much more modern way to get our food and our aid into these desperate places that need it. That is my judgment.

Mr. SHERMAN. Thank you. My time has expired.

Mr. NATSIOS. Could I just add something with respect to Indonesia——

Mr. SHERMAN. Mr. Natsios.

Mr. NATSIOS [continuing]. And the branding campaign? I put in place when I was Aid Administrator the branding campaign that says, "U.S. Aid from the American People." So I am very familiar with it, very proud of it, but no one would argue that we should

only provide aid if we get credit for it, because a lot of the aid we provide makes the difference between whether people live or die.

You don't kill children in order to get better public diplomacy. In fact, if people actually knew the reality, they might say, "Wait a second. You denied us aid in order to get credit for it?" That doesn't make any sense. And I know, Congressman, that is not what you are suggesting, but we don't want—we want to understand the purpose of this program, by statute, is to provide humanitarian assistance. Public diplomacy is an offshoot of it, and a good offshoot.

Mr. SHERMAN. When we see al-Qaeda affiliated "humanitarian organizations" distributing aid that is actually paid for by the American people, because they get their hands on the bag, we have got a big problem for the American people.

My time has expired.

Mr. NATSIOS. Well, let me just answer that. The increase in our poll ratings in Indonesia, the dramatic improvement, and al-Qaeda's collapse in the poll ratings, took place before one bag of any U.S. food arrived. It took place over a 3-month period, and that is how long it took to ship the food from the United States.

So the data that I quoted to you, which is widely publicized, but it is in several reports that this happened, took place before any food aid arrived. And principally, as the chairman pointed out, or I guess it was Congressman Smith pointed out, this was not principally a food emergency because the Aceh tsunami came in a few hundred feet, killed a lot of people, and then it departed. But it didn't destroy the agricultural system of Indonesia, and so it wasn't principally a food emergency. We did send some food in.

But in the branding campaign, every NGO, every contractor, every partner of the U.S. has to put a big brand on the thing "U.S. Aid from the American People," red, white, and blue. And it is required. And we did this deliberately, and we also run some public service announcements on the media to show what we are doing.

So there are ways, without putting the flag on every single bag, of making it clear to everyone where the aid is coming from. And I can give you other examples, if you are interested, in other areas of the world where there was no food aid involved and yet there was a huge increase in American approval ratings because of our aid program. Nothing to do with food.

Chairman ROYCE. Let us go to Mr. Kinzinger.

Mr. KINZINGER. Thank you, Mr. Chairman. I am limited to 5 minutes, so I am going to cut you guys off at 5 minutes, so that this is fair.

I want to tag on to what Mr. Sherman was saying on that. Speaking very honestly, food aid, the reason we do it is for national defense. It is for defense policy. That is how I see it. I see, you know, foreign aid is—there is compassionate reasons, of course, but it is all really in interest of furthering American goals.

One of the concerns I have, and it was mentioned, so I don't want to keep rehacking this to death, is not only, will we lose the ability to put the American flag—I have a picture, by the way, here. This is what the—and you are very familiar with it, being involved, that this is what food aid looks like. It says, "From the American People, USAID." It makes it very clear that that is directly American product.

If we subcontract this out to a country that doesn't—as Mr. Sherman was saying, does have these huge surpluses of agricultural goods, and, in many cases, we may actually be driving up the local commodity price for that local nation, and it comes out in the form of a voucher with no real obvious, you know, anything.

And even if we do come around and say, "Okay. Well, we are going to have a way to put an American flag on this, so that they know, do we really want an American flag on commodities not grown in the United States?" with a different kind of maybe grain that is not up to an American standard, you know.

And I think there is also a huge point of pride from an American perspective in terms of this was grown here and now we are feeding you with it. And so I just want to—I will give you another chance, and I am going to keep you guys very short on that, because, again, I want this to be fair back and forth. But I think we are losing, and it is a concern I have.

And I am not fully decided on where to go on this, but I think we are losing a very impactful thing that we do, which is put right in front of the people of Afghanistan or Darfur, or wherever, that this is a gift grown in and from the American people. So I will give you another 15 to 20 seconds to address that, if you want.

Mr. NATSIOS. Congressman, if you could put up that picture of the food voucher——

Mr. KINZINGER. Yes.

Mr. NATSIOS [continuing]. It says on it, "U.S. Aid from the American People" on the right side.

Mr. KINZINGER. Yes. But it is not quite the same as a bag with food.

Mr. NATSIOS. We might want to make it a little bit bigger, but the point is it is there. And many of those bags actually don't get in the hands of the people at the retail level who get the food. They get it in cans or in bags that they bring themselves. So they may never even see the bag. It depends. It depends on the circumstance.

The other thing is, the NGOs that have trucks or vehicles bought with U.S. Government money, which is very often in these emergencies, has to have a thing on it that says, "U.S. Aid from the American People." Everything has to be branded. In fact, some people are getting tired of the level of branding, because we are everywhere. I mean, there are tens of thousands of these projects all—in fact, hundreds of thousands of these projects all over the world, not including food aid, that has that branding campaign. It is very clear in these emergencies where it is coming from.

Even if the bag itself doesn't have it on it——

Mr. KINZINGER. Just do this in 15 seconds, Congressman.

Mr. NATSIOS. Sure.

Mr. GLICKMAN. One is, my belief is a majority of food aid will continue to be in the form of commodities, just not statutorily required to have almost all of it because I think it—when you go—like I spent time in Tanzania, Mozambique, and Kenya, and other places, where it is just clear from the people on the ground, from USAID and the World Food Program, and others, that they need the flexibility to do both.

But I don't see a day where we will not be giving food aid in the commodity form. I just think the majority.

Second of all, you talk about national security. The main thing for national security is to build these economies up, so that they become more stable. They get these people out of poverty so that they can have an economic system that works, like in South Korea, where they used to depend almost entirely on food aid, and now they are one of our biggest customers. That is a big thing.

And the third thing is just supply and demand. We just don't have the food to give anymore. It is not in the quantities that we used to have, and that is going to continue. It will no longer——

Mr. KINZINGER. Yes. But you are saying—in one breath you are saying, "Boy, if we cut this off, it is less than 1 percent of agricultural products." In another breath you are saying, "Boy, we just don't have the food to continue to do this." And I don't—those two are competing goals.

Mr. GLICKMAN. Not necessarily, because one of the foundations behind the Food Air Program was huge surpluses in the '50s and '60s.

Mr. KINZINGER. I understand that.

Mr. GLICKMAN. We had them even when I was Secretary, you know, because we had low prices and high quantities of grain. I still think it is in our interest to provide traditional food assistance during many humanitarian disasters. Cash does not work everywhere. But we have tied our hands right now.

Mr. KINZINGER. Thank you. And I just want to add, and then I will be done, in terms of the situation in Syria—and I know this is a little off topic, but I think that delay and everything there is a result of an administration that really doesn't know where it is going in the Middle East, and, frankly, doesn't know where it is going in foreign policy. And it is sad, but I think that is a result of what we have seen there.

But, with that, thank you, gentlemen, and I yield back to the chairman.

Chairman ROYCE. We will go to Gerry Connolly of Virginia.

Mr. CONNOLLY. Gee, I was agreeing with my colleague from Illinois in some of his skeptical questioning until that very last editorial comment, and now I find myself on the opposite side.

But welcome, both of you, and thank you so much for your service. I guess I have two concerns. I completely agree that we need more flexibility. I completely agree that in some circumstances, with the best of intentions, massive commodities flooding a market actually depress local production, depress local prices, and can have the opposite—I mean, they might feed people in the short run, but have the opposite effect in terms of long-term self-sustainability. And so we don't want to be doing that. And if we can make it better, we certainly want to do that.

But, Mr. Natsios, I have two sets of concerns, and I ask you, Secretary Glickman, to address them as well. I was a staffer in the Senate Foreign Relations Committee who helped write the last foreign aid bill to become law. That was 1986. It has been 27 years since we passed a foreign aid authorization bill.

There is a reason for it. The coalition up here, after the Cold War, has fractured. It is extremely fragile. It is extremely difficult to find people to be enthusiastic about a bilateral foreign aid program of any kind. And anything that peels off support is a risk.

And while we may look, in an ideal world, at what is the perfect public policy—and this may very well be it when it comes to food aid—I am concerned about the downsize. And who do we replace those lost supporters with up here? And I wonder, having run the aid program, Mr. Natsios, whether you might reflect a little bit on that because you certainly had to deal with that.

And the second concern—I will just put both of them on the table—over and above the political consequences, you talked about the problems of managing large bulk commodities, correctly so. Logistics are tough, theft is rampant, spoilage is a problem, ships sink, pirates still—it is like we are talking about the 18th century, but pirates still, you know, capture ships, and so forth.

But what you didn't address, and I want you to, now let us look at the downsides of cash. Mr. Kinzinger talked, correctly I think, about there is an opportunity cost to the American taxpayer in terms of people not knowing, other than the central banker, that the taxpayers of America have helped.

And then there is the issue of theft. I mean, commodities you get take a little work, if you are going to steal them. Cash is pretty easy. And we do know that our—you know, with the best of intentions, again, cash transfers are not corruption-free.

So I wonder if you could address the downsides of those two aspects of what we are talking about here, understanding it is in the context of general support for improving a public policy.

Mr. GLICKMAN. Can we both get——

Mr. CONNOLLY. Absolutely. Mr. Glickman, in fact, if you want to go first, Secretary Glickman. You actually have protocol; you go first.

Mr. GLICKMAN. Well, no. I have more here, but——

Mr. CONNOLLY. You were a full Cabinet Secretary.

Mr. GLICKMAN [continuing]. Not much. The politics worries me a little bit, I will be honest with you. You know, I mean, I have been up here. I know what life is like, and I know the difficulties of it. But I would say nobody is talking about going to a cash-only system. Nobody. Not the White House; they have a 55 percent minimum on commodities. Not the chairman, whose—I think his is even—the flexibility with a larger amount of commodities.

I would not support going to a cash-only system. I don't care what country does it, I think that is a mistake. We have to have the right to move this thing around. Somebody has to make some judgment calls.

What we have now is we prevent judgment from being made as to what the wise thing to do is on a country-by-country basis. And Mr. Natsios talked about that. So from the political side of it, yeah, I worry a little bit about that this might fray the coalition a bit.

But, you know, I would hope that we would be looking at the long-term national security interest of the United States in terms of having stronger developing nations that could be more politically stable and economically stable. But we are not going to a cash-only system.

Mr. NATSIOS. Let me just mention, this is not cash to developing countries. We are giving cash to NGOs, and probably the best-run U.N. agency by far is the World Food Program. By far. And that is my experience over 23 years.

And they have the highest level of accountability of any U.N. agency. When we give money to WFP, we are very—we are assured that it will be well spent. That is not true in all U.N. agencies. I don't want to get into other names, but WFP is very well run.

The NGOs that do emergency response, the International Rescue Committee, CARE, Catholic Relief Services—I am going to forget some now—World Vision, the institution I worked for—they have, with respect to their cash, actually higher levels of accountability than the food program, because food is—it is just much easier to steal.

Now, if you compare our food programs to those of many other countries, we have very high levels of accountability. I am not arguing that. But it is not the commodity itself, whether it is cash or—it is the institution through which the program is being run. And we have a highly developed emergency response system that actually works very well, and we don't have a lot of leakage in it, at least in the American part of it.

Now, in terms of the politics of this, I have heard this argument before, and I—you know, I at first worried about it. However, there is one little interesting fact. There are two other big emergency accounts. One is the Office of Foreign Disaster Assistance. That was my first job under President Bush 41, 23 or 24 years ago. I am dating myself now. And that budget has steadily grown over 25 years. There have been no cuts in it.

The refugee account, which is something like $800- or $900 million in State, until last year or the year before had not sustained cuts either, even during the 1990s when there were big cuts in the food—in the development program of U.S. Government. Massive cuts. Those two accounts were not cut.

I think the reason that they didn't get cut is that Congress, in both parties, supports humanitarian assistance in emergency situations far more than they do development assistance. Senator Helms, Jesse Helms, when he was in the Senate said, "I would abolish all foreign aid except for disaster relief."

Patrick Buchanan, not a big supporter of foreign aid, the first thing when he ran for President in 1992 he said, "Abolish all foreign aid except for disaster relief." So even on the very conservative wing of the Republican Party, even the more isolationist wing, they support emergency response/disaster relief because it is very popular in a bipartisan way in the Congress. That is the reason that the budgets have been sustained even during difficult times.

And the final thing I would just emphasize is when President Bush proposed the reform, we said 25 percent. I would not support a requirement that we go to an entirely cash response. I don't think the political support for Food for Peace is going to decline because only half of the budget goes to buy American food.

I would support a maximum, personally, of 50 percent. We proposed 25 percent when we——

Mr. CONNOLLY. Sold.

Mr. NATSIOS [continuing]. Learned that 75 percent would have to be purchased in the United States. We just want more flexibility in emergencies where a response through NGOs with cash and vouchers is a more appropriate way, given the security situation and the economics of what we are facing.

Chairman ROYCE. The gentleman's time has expired.

We will go now to Mr. Perry from Pennsylvania.

Mr. PERRY. Thank you, Mr. Chairman.

And thank you very much, gentlemen, for being here. First of all, I agree with the chairman that the current International Food Aid Program suffers from gross inefficiencies and that we in Congress absolutely must strive to do better and be better stewards of the taxpayers' dollars.

However, I would like some clarification on the oversight of proposed local purchase programs which are designed to be more cost effective, and this is most to—this question I think would be to Mr. Natsios.

My concern is that food could be brought from a broker who could collect the commodity from various sources and not just from local area farmers. And so I wonder, how can we ensure that local purchase programs are actually locally and regionally grown programs, not just providing U.S. taxpayer funds to fuel our agricultural competitors?

Mr. NATSIOS. Well, the areas in which there are emergency—because 80 percent of this food goes to civil wars, famines, disaster relief. These are not the most stable and prosperous countries in the world. Believe me, they are not our competitors. This is not going to Brazil or Argentina or middle income countries. It is going to southern Sudan, it is going to Ethiopia, to Somalia, to Syria. They are not our competitors.

But you are right in terms of the risk of middlemen taking the money. In the first year that the World Food Program ran the local purchase program in northern Uganda, that is exactly what happened and they corrected the program. They corrected the problem. They cut out the middlemen and went directly themselves to the farmers. They did not use middlemen after they realized what was happening. So there is that risk if you don't run it properly.

What the intention is for USAID, and I have talked to some of the career officers, is to integrate this with our agriculture programs. If we have an agriculture program in Uganda, and one in Ethiopia, for example, one of the most food-insecure countries in the world, the idea would be to get the NGOs and the contractors that are doing the agriculture program to be integrated with our food local purchase program.

It would tell them we want a system put in place, so that if we are facing a multi-year emergency, which happens in these famines often, it is not just for a few months that you distribute food. We would use the agriculture development funding of USAID as a way of producing more food for there to be local purchase. You integrate the two, which we wanted to do for years but we couldn't do it because we couldn't do the local purchase.

But you are right, there is the risk, but the NGOs and the World Food Program I think have done a very good job in seeing to it that those risks are alleviated through good programming.

Mr. PERRY. Certainly we know that the recipients of the food aren't competitors, right? That is obvious. But it is where the food is coming from. Are you suggesting that the controls that are put in place—and you talked about Uganda in the past, so I would be interested to know how that was handled and if you are supporting

a legislative fix or if you would be supportive or you are advocating for flexibility within USAID or the other organizations involved to do it themselves, and then how would we monitor, how would we ensure oversight and accountability.

Mr. NATSIOS. Well, believe me, I had to deal with the General Accounting Office and the Inspector General's Office and OMB. There are more levels of accountability in our Government, frankly, on our aid programs than any—and I say this—and I have studied this, and I wrote a long article about it—than any country in the world.

There is far more accountability in our aid program than any place in the United Nations or any other developed country that has an aid program. There are just layers and layers and layers of accountability.

Mr. PERRY. If I can just interrupt because I don't want my time to expire. But I think Americans are right to be skeptical, with all due respect when we hear about the Food for Oil Program and you talk about accountability. Now, that wasn't just simply the United States, but, still, I think most Americans feel that millions, if not billions, of dollars were lost and unaccounted for, and so I appreciate what you are talking about regarding accountability and oversight, but on some levels it seems to have been lacking.

Mr. NATSIOS. Right. But that wasn't an aid program. I am saying the aid program of USAID and the State Department, with respect to our 150 account. That was not—believe me, that was not a 150 account program. If it had been, that scandal would not have taken place.

Mr. PERRY. But, again, are you advocating for a legislative fix or for flexibility within the organization?

Mr. NATSIOS. I think it would not be a bad idea, Mr. Chairman, to put language in your bill to say we would want you to integrate our local purchase of food aid with the agriculture program. We expect you to integrate them. That is number one.

Number two, we would want some reporting on a regular basis on how the program is being run and then ask the USAID Inspector General to produce a report annually, which he will do anyway, but putting it in the law emphasizes it. It would focus on accountability. I don't think it would be a bad idea at all to require an evaluation that would go to the committee. So I think it is well taken and should be put into the legislation.

Chairman ROYCE. I think it is a good idea, Mr. Natsios. Point well taken.

Mr. NATSIOS. Thank you.

Chairman ROYCE. We go now to Karen Bass of California, ranking member of the Subcommittee on Africa, Global Health, Human Rights, and International Operations.

Ms. BASS. Thank you. Thank you, Mr. Chair, and thank you very much for your efforts in having this hearing and also in raising this issue.

I am obviously working with the chairman on this piece of legislation, and so, obviously, I am supportive of it. But I want to figure out how to address some of the concerns of the opposition, and you mentioned from years ago that this was an issue, and so I am trying to get a sense of if the concerns that people are raising now

are historical concerns and what your ideas might be to address them.

What might replace, for example, you know, the resources that we use to purchase the commodities? How might we replace that on the U.S. side? You know, to me the idea that we have an opportunity to feed between 2 million and 4 million people, and some estimate as high as 10 million, and knowing what Feed the Future does in your vision, Mr. Glickman, which I am sure is shared by our other witness, the idea of sub-Saharan Africa one day being like South Korea, I think that is absolutely the model that we want to go for, which is increasing the capacity of countries to feed themselves and not be reliant on our food.

So I know that there have been concerns about an opposition, about the loss of business from the maritime industry. We talked a little bit about the cargo preference law. But I wanted to ask you how you might address the opposition. What do we need to do?

Mr. GLICKMAN. Well, you know, in terms of—I am not as familiar with the maritime issue as Andrew is, but I think you——

Ms. BASS. Okay.

Mr. GLICKMAN [continuing]. May need some transition assistance. The administration I think has proposed something in this regard. I don't know what the right numbers should be. That is a political decision. But I think that that is not inappropriate, to consider that, although I agree totally with what he said about the merits or demerits of cargo preference in this area.

I do worry about the total appropriations. I notice that the House Appropriations Committee has cut back on some of these accounts, and so I worry about if we don't appropriate the amount of money that is needed, it is going to impact these programs writ large, whether they are cash or commodities.

But the other side of the coin is my judgment is humanitarian needs are going to increase in the future, and you see this happening with droughts and extreme flood events, and so we are going to have greater and greater pressure on us to provide some stability to areas that are going to be suffering dramatically.

And I think that is just part of the U.S. culture and our U.S. fabric to do that. So I think ultimately Congress will respond.

And the second thing I would point out is, I say this again, we are not talking about cold turkey——

Ms. BASS. Right.

Mr. GLICKMAN [continuing]. All cash.

Ms. BASS. Right.

Mr. GLICKMAN. We wouldn't ever want to do that. We may want to do 100 percent commodities in certain parts of the world. But having been—I was at a place in Mozambique where they were having some issues and they were getting some Food for Progress—I mean, they were getting some Title 2 aid, and they got some money through the U.S. to actually create something called Food for Progress, working with the World Food Program where they were actually engaged in growing their commodities and selling them locally.

We have a real opportunity here to combine humanitarian concerns with what I call appropriate development concerns, realizing humanitarian efforts have to be key to this effort. That is the

foundational basis. And creating economies that are largely world-based.

Sub-Saharan Africa is largely rural agriculture, women-owned. I mean, but they are poised for significant development. And it is us in America.

And I will tell you one quick anecdote. I was there and I was in Tanzania, and I was meeting with some government officials and they said to me, they said, "You know, you have three of the greatest people in the world in your country." And I said, "Who is that?" And they said, "It is Bill Clinton, Barack Obama, and George W. Bush."

Ms. BASS. Right.

Mr. GLICKMAN. And I said, "I couldn't find 10 people in the United States that would say that." And I said, "Why?" And they said, "Well, Bill Clinton because of his effort to the Clinton Foundation and everything he has done. Barack Obama in part because he has carried on a lot of the Bush initiatives, plus, you know, his heritage. And George W. Bush was the greatest of all." And I said, "Why?" And they said, "Because he really realized the significance of potential in Africa, particularly when it came to health, global health assistance," which you may have been responsible for.

And I thought to myself, they like us here. We are——

Ms. BASS. I have found that every place I have been as well.

Mr. GLICKMAN. You know, I mean——

Ms. BASS. Exactly what you said.

Mr. GLICKMAN [continuing]. We have got great potential here. It is part of our national security areas, and so I think what we are trying to recommend in this area, which you and the chairman have agreed on, is how we can make it better.

Ms. BASS. Right. Thank you.

Mr. NATSIOS. I just might add that under President Bush the budget for all aid, not just health, all aid to Africa, went up 600 percent in that 8 years. It was a massive increase and it was done deliberately. Colin Powell and I had a discussion when we started, President Bush endorsed it, and then there were 24 different initiatives.

Ms. BASS. And it is well appreciated and acknowledged——

Mr. NATSIOS. Yes, it is.

Ms. BASS [continuing]. Around the continent as I have traveled.

Mr. NATSIOS. Exactly. Exactly. With respect to the maritime industry, let me just mention, I told you my personal opinion I don't like cargo preference. I don't think—I think the time has come to change it. But the proposal before you is much more accommodating than I would be. Okay?

And there is a proposal under the compromise. The effect would be only six or eight ships would be affected by the proposal the way the compromise is written now, and there would be 240 to 320 mariners who would be affected, and they would be eligible for a kind of a subsidy that is in the legislation.

I am not an expert on the actual provisions of the law, of the proposal that President Obama has made, but USAID's career staff has explained it to me and they have tried to make provision for it. If I had been around, I might have not been so accommodating,

but they are trying to deal with the objection of interest groups in terms of the more narrow focus.

Ms. BASS. You know, when I have talked to some of my colleagues who were concerned about the loss of jobs in their particular district, you know, one individual had a school for merchant marines, for example, and so they were concerned about that. And maybe it is a question of the transition, but some type of way because I see this as a long-term issue.

And so how are we addressing the concerns, you know, of members now so that we can garner more support for it. So the six to eight ships, you know, again, I think maybe we could look for ways.

Chairman ROYCE. I think we had better go to Mr. Meadows of North Carolina.

Mr. MEADOWS. Thank you, Mr. Chairman, and thank each of you for being here today. You know, it can be said, you know, when you are in the middle of a budget crunch that you should take the risk of looking at a program that works moderately well, even though it may not be optimal.

And so, obviously, we are looking at this today in the middle of this budget crisis. Can each one of you share with me why you feel like that this should be a priority this year and why these reforms need to be made now versus at a later date? Mr. Glickman or——

Mr. GLICKMAN. You know, I just think that you can make reforms that are not disruptive, and I think the chairman has proposed an adequate and successful way of doing that so it doesn't create havoc in terms of how to administer the programs. And I think he is right in substantively trying to give more flexibility and efficiency to the way the monies are being spent.

Based on my experience, I think that it is the right thing to do. We will help more people and in the process we will advance the long-term security interest of the United States. That is the best way I can tell you, and you have got the opportunity now, hopefully, in the farm bill to do it. You don't have a farm bill up all that frequently.

Mr. NATSIOS. I would make two arguments. First is that the world is changing. Price—food prices have dramatically increased over the last 4 or 5 years. There are several governments that fell or collapsed because of the price increases in the developing country.

The Haitian Prime Minister resigned over price increases 3 years ago because of riots. There are food riots across the world when these price increases take place. So we know that the world is changing; the program isn't changing.

We need to find ways of making the program more efficient given the shift in the market and the shift in our own markets. It is much more expensive for us to buy food in the United States than it was before. The era of cheap food is over. Most economists would say that now, and I think that is true.

The second thing I would say is, when we first proposed something like this under President Bush 10 years ago, we were doing it for the first time. No one had proposed this before anywhere with respect to the aid budget. We now have 10 years of experience because there was a $60 million pilot program that was in the appropriations bill for the Title 2 program, I think it was 4 years ago,

5 years ago. They went through that. USDA did all of these experiments. They did all of these reports. I read the reports to write the testimony.

United Nations World Food Program, which as I said is the best-run U.N. agency by far, they have a lot of field reports on what mistakes they made early on, how they fixed those mistakes, and how the program is running now.

So it is not as though this is new. We have a lot of research now as to what works and what doesn't work and how to do this the right way.

Mr. MEADOWS. Well, let us pick up there because I think that was a GAO report in 2008 that we—you know, we looked at that being part of that farm bill. And so as we see that, some 5 years ago that pilot program that was, you know, a local/regional pilot program. What would you both say are the two lessons learned from that, both pro and con, that we need to look at in terms of addressing this piece of legislation that is before us? I mean, what are the good points and the bad? Obviously, it wasn't totally successful or this would be—you know, we wouldn't be having this hearing. It would be a slam dunk, so——

Mr. NATSIOS. Well, I think interest groups would want the hearing held regardless of whether it was a slam dunk or not, because part of this debate is on the merits itself.

Mr. MEADOWS. Sure. Sure.

Mr. NATSIOS. Part of it is on how it affects the maritime industry and the shippers and, you know——

Mr. MEADOWS. Okay. But what would be the two cons? Other than on the maritime issue, what would be the two cons in terms of the implementation? Is what I am talking about.

Mr. NATSIOS. Exactly.

Mr. MEADOWS. And the two pros.

Mr. NATSIOS. I think there are two things we have to watch out for, and I have mentioned that in my testimony.

Mr. MEADOWS. Right.

Mr. NATSIOS. One is you have to have agricultural scientists and economists working on this, not just logistics people, who will see the effect on local markets. If you are in the middle of an emergency—and I will give you an example—in 1992, we had the worst drought in 20th century in Africa, and 13 countries had a 90 percent crop loss in southern Africa. Massive crop loss.

We intervened—I ran the program, so I remember it very well—with 2.2 million tons of U.S. food. Had that taken place now under this legislation, I would still ship U.S. food. Why? Because the price spikes that went on in southern Africa, with drawing in food from all over the rest of Africa, we could not have gone to local or regional purchase under those circumstances because the crisis was too big. So——

Mr. MEADOWS. I am going to cut you off there and let Mr. Glickman—and then I will yield back.

Mr. GLICKMAN. One thing. I think nobody has mentioned the word "nutrition," which has got to be a key part of this discussion, how to not only get quantities of food but qualities of food. And some of these pilot programs have created—they purchase locally and they have allowed the ability to include food with higher nutri-

ents being bought locally, and that has been a positive as well, which we don't get with just bulk commodities going over.

Mr. MEADOWS. Thank you, Mr. Chairman. I yield back.

Chairman ROYCE. Ami Bera from California.

Mr. BERA. Thank you, Mr. Chairman. As I have often said, the best part of this committee is it is pretty non-partisan. It is Democrats and Republicans working together to go toward a common goal, and the conversation taking place today is a great example of that.

You know, it doesn't take a fiscal crisis—and it shouldn't take a fiscal crisis—for us to look at programs and evaluate programs to make them more efficient and meet goals. And the goals of our food programs are to save lives, advance peace, advance diplomacy. So if we look at our Food for Peace Program, and affiliated programs, we should evaluate it amongst those metrics. How can we save the most lives? How can we be the most efficient? And, you know, I applaud both of our witnesses today for talking about that.

When you talk about the supply chain, efficiency is going to come from shrinking the supply chain. And we have had Dr. Shah come, you know, talk about a shift in mission for USAID from just being a donor organization to a capacity-building organization.

You know, my questions—and let me use an example that we have talked about in India. You know, India is a country that grows an abundance of food, but up to 40 percent of that food is lost to waste. It is lost to lack of infrastructure to move that food. It is lost to a lack of cold storage.

And, you know, there is a great example of a USAID-funded program at my home institution which I am faculty, the University of California Davis, that is looking for low cost ways to improve storage and going into countries in Africa, going into countries in South Asia, to help them develop low cost ways to store food, to develop cold storage, and I do think that is exactly where we should be going. Again, moving from countries that lack capacity, helping them build that capacity, moving them into self-sufficient countries, and then, as Mr. Glickman, you pointed out, once they get there moving them into countries that are partners with us, that, you know, are able to consume.

You know, I would ask both of you how—what you would advise this body as we want to move from just being a donor nation to being a capacity-building nation in our partner countries. Either one of you can take this.

Mr. NATSIOS. Well, we are a capacity-building nation. We have done that. The question is how much we do. We used to have a program in USAID which we stopped because the quantitative measurement people insisted that we have to quantify the results of all programs. And I know that is popular in Congress, but my own view is there are things of things you can't quantify.

We do help countries write constitutions. How do you quantify technical assistance writing a constitution? The scholarship program of USAID used to train people who are in critical institutions in the developing world. We did 20,000 scholarships a year for master's degrees, Ph.D.'s, and some undergraduate degrees, at the height of the Cold War. It was our most successful program if you talk to the career people.

We do 900 scholarships a year now. I think we should go back to the scholarship program, not just randomly giving out but focus on a sector. If you go to rural Haiti and rural Dominican Republic, we had a scholarship program at my university, Texas A&M, over 20 years actually to train people with master's degrees in the Ministry of Agriculture in the Dominican Republic. We did not do that in Haiti. Go to the two countries and see what the rural areas look like.

Mr. BERA. Would you suggest shifting some of our resources, then, to doing university-to-university exchanges?

Mr. NATSIOS. Yes. Absolutely. We should move back to that system, which, by the way, was very successful in India. A lot of those high-tech centers in India were actually built in the 1950s, '60s, and early '70s with a linkages program between American universities and Indian universities funded by USAID.

Mr. BERA. Well, again, it is certainly something that we are talking about at UC Davis, which is obviously a major agricultural university.

Mr. GLICKMAN. Can I just say, you know, I think this is what Administrator Shah is attempting to do in Feed the Future Initiative, which is to provide a holistic approach to dealing with issues like post-harvest loss, which you have talked about, where we lose in many of these countries 40 percent, 50 percent, of their production.

And so it is not all just relying on USAID when there is an emergency; somehow we have to build up these systems so they are able to be self-sufficient in food. And I think that that has—I think that in some of the countries that have been Feed the Future countries you have seen some significant metrics in achieving the goals that you have talked about.

I might mention one other thing which doesn't relate to this subject. The level of American commitment to agriculture research writ large is coming down. The rest of the world is going up. We face a catastrophe in the future if we don't fund and sustain adequate funding in both basic and applied research at our universities, land grant schools, and others.

They are the ones that are doing research here at home as well as around the world. And a lot of the work that they are now longer doing is either not being done at all, and especially as you deal with drought-resistant crops and the changing weather patterns, or else it is being done by universities in China and the rest of the world. And we are big losers if that continues.

Mr. BERA. Great.

Chairman. ROYCE. We go now to Mr. Yoho from Florida.

Mr. YOHO. Thank you, Mr. Chairman, and I appreciate your opening remarks, reaching more with less, and I commend you guys for being here.

Mr. Natsios, you said that you have been around for a long time with different policies under George Bush. And as frustrating that the policies haven't been enacted, and the reforms, what reforms would you recommend that should be implemented and—which ones and how? I mean, you have given kind of a list of them, but just—can you kind of just bullet point them and just say, "I would do this, this, this."

Mr. NATSIOS. Sure. First, I would phase out monetization to produce cash to run development programs through NGOs. That is a bad practice. I think we should simply move toward cash grants to the NGOs to do the same thing. We will basically double the efficiency of the spending of that money if we did that.

Number two, I think we should phase out the requirement that 50 percent of the food has to go on American ships. They could continue—there is a subsidy of some kind that they are talking about in the compromise, and all of that.

The third change is that we should allow I think it should be—no more than 50 percent of the Food for Peace budget, in the judgment of the Food for Peace Director and the Administrator of USAID, can be used—doesn't have to be, can be used for local purchase of food aid.

Some years you may want to use the whole 50 percent; some years you may not want to use that much. It depends on the kind—if it is Syria and southern Sudan, you may want to use the whole 50 percent. If it is a more stable thing, in a country that has security, for example, as Haiti or Indonesia, where there isn't the same circumstance, maybe the percentage would go down.

Mr. YOHO. Okay.

Mr. NATSIOS. But I think those three changes would have a profound effect on the flexibility and the efficiency of our program.

Mr. YOHO. Mr. Glickman, do you have anything to add to that?

Mr. GLICKMAN. No. I concur.

Mr. YOHO. Okay. My next question is, you mentioned that we were late to the table in helping other countries grow their own food. What policies would we need to reform to fix this and to create it to be more effective? You brought up Canada is doing a lot better job in Uganda, or several of the other countries?

Mr. NATSIOS. Yes. Let me say something controversial, and I—I always say something outrageous at every——

Mr. YOHO. It is all right. We are in Congress; don't worry about it.

Mr. NATSIOS [continuing]. Every hearing. Okay? When Peter McPherson, the USAID Administrator under Ronald Reagan and considered one of the most revered and able USAID administrators by the career staff, left USAID, the budget for agriculture was $1.2 billion, for agricultural development, not food aid. This has nothing to do with food aid.

See, what we are talking about today in food is the emergency side. That is 10 percent of USAID's budget. The other 90 percent goes for long-term development. Okay? So the long-term development program for agriculture was $1.2 billion. When I arrived in 2001, the budget for agricultural development was $250 million, and that is in 2001 dollars, which are not the same as 1985 dollars. Okay?

So what happened? I am quoting Norman Borlaug, who won the Nobel Peace Prize in 1970 for creating the Green Revolution in Asia. He probably saved 1 billion people's lives, if you read his obituary. He also taught at my university, Texas A&M. He was one of my heroes, and he is a friend of mine. Okay?

We wrote an article on this issue today for The Wall Street Journal 6 or 7 years ago. Dr. Borlaug gave a speech and he said the

environmental movement—the more radical, not the mainstream environment—said fertilizer is bad, pesticide is bad, irrigation is bad, we should go back to basically organic agriculture.

Now, it is easy for Americans to say that, but you cannot grow more food unless you put nitrogen back in the soil. What happened is the environmental groups, the more radical ones, went to Congress and said, "AID is doing all of this modern agriculture stuff. It is a bad idea. Cut the budget." And they did.

I think many people realized in the environmental movement that that is a disaster, and they have changed their position. And I support—President Obama's major initiative in foreign aid is the Feed the Future Program, which is not a food aid program. It is an effort to grow more food through agricultural development.

Mr. YOHO. Okay. Mr. Glickman, do you have anything to add to that?

Mr. GLICKMAN. No. The number of agriculture specialists within USAID went down about the same precipitous level as the funding went down. And so I would just say that, you know, the "teach the man to fish" has been the philosophy of the Feed the Future Initiative. And hopefully with the adequate resources, and with the research world involved with it, we can actually change their lives.

Mr. YOHO. Okay. You mentioned also a list of acronyms and NGOs that provide food aid. Would it be more—wouldn't it be wise to eliminate some of these and streamline it to make it more efficient to get our food aid out? Because it is almost like you could pick up a can with all of the alphabet letters in there and any four letters would be an acronym for one of the agencies we have or programs.

If there are some that you could recommend eliminating, I am out of time here, if you could submit them in writing, both of you, just say if we could combine these and eliminate them, or just streamline them, it would be a lot more efficient.

And I appreciate your time, and I yield back my negative time.

Mr. WILSON [presiding]. Thank you, Mr. Yoho.

We proceed to Mr. Lowenthal of California.

Mr. LOWENTHAL. Thank you, Mr. Chairperson. I want to compliment the chair and also the ranking member Bass for—to support the development of local sustainable food concerns. But I still have some of the same concerns, and I need to be reassured.

I think you have already said it, but I need to hear more about it, that Mr. Perry raised, I think Mr. Meadows raised, about what mechanisms are really going to be proposed that ensure that the funds are used to purchase food locally. How will we monitor these brokers who will collect the commodities from various sources and not just local farmers?

And as you pointed out before, if a broker country in Uganda or Nigeria is aggregating, let us say, imported Russian wheat or Brazilian soybeans, how will we know that? And even going further, we heard in this committee, the Subcommittee on Europe, Eurasia, on the threat of China's unsafe consumables, we learned about the health risks of unsafe food produced in China.

We have got to be really sure that we are not going to be spending money on food that is cheaper from countries with very low food safety standards. How are we going to know that, as we move

in this direction, that we are really not going to lower the standards as the—I like the goal; I am just not really yet feeling comfortable that we have in place the mechanisms.

Mr. NATSIOS. Let me just reassure you, Congressman. There is a program now. It was started by the Congress. The international affairs committees, as opposed to the agriculture committees, have supported this idea for some time now. OMB got tired of proposing this reform every single year and getting it killed in the Congress through the agriculture committees.

So what they did was they went to the appropriators and the international affairs/foreign ops committees and said, "Would you consider a separate line item called the Local Purchase Cash Voucher Initiative?" It is $375 million. It has been a very big success. It does exactly what you just mentioned. In other words, it does what this would allow Title 2 to be used for.

So we already have 5 years of experience doing exactly the same thing. All the proposal is is to extend this to Title 2, to this particular account. So what you can do—and I am not at USAID anymore. If I were USAID Administrator, I could send them to you tomorrow. But I am sure if you asked USAID, they would do it.

We have evaluations and Inspector General reports of how that money was spent in that account. The oversight systems that are in place for that account will be used because it is the same office running both programs. It is the Food for Peace Office that would be running both programs. They have already put in place those systems for the $375 million program that has existed for—I think it was passed in 2009 for the first year, or maybe—I think it was 2009.

So we already have it in place. It is simply a matter of extending the authority to use the same systems that are already in place for Title 2.

Mr. GLICKMAN. You know, Mr. Kinzinger made a point that I think is worthwhile repeating right now. And your concerns are well-founded, but, you know, this is a national security interest issue for the United States. How we deal with humanitarian disasters and how we stabilize the economies in the developing world, one-third of all members of the United Nations are in Africa alone. We are talking about 30 percent, actually. I mean, this is a big, powerful political force.

And, by and large, we have to look at our American relationship for that part of the world in a strategic way as well. In my judgment, we can be more helpful, it is in our interest, and it is better for the economies of both the United States and the rest of the world if we give more flexibility to these accounts. I mean, it is a part of our national security interest as well.

And we are not talking about a revolution here. I repeat that. This is what I call a necessary incremental step to give more flexibility to people on the ground.

Mr. LOWENTHAL. Thank you, and I yield back my time.

Mr. WILSON. Thank you very much, and I now yield to myself. And I would like to thank both of you for being here today. The Aspen Institute makes such a difference.

And, Mr. Natsios, I have just gotten back from Afghanistan, and I am always impressed to see throughout the country in front of

schools, clinics, roads, there will be signs, and it has the clasped hands with the U.S. flag and an Afghan flag. And what is impressive to me is that those signs are very rustic. And so if the people didn't appreciate the USAID projects, they know how to take the sign down.

So I just—you know, and it is so sad to me that we hear people in that country don't appreciate what we are doing. You know, to see the little girls going to school with the white scarves, the little guys going to school with baseball caps, that I know are not indigenous to Afghanistan, there is so much good, and USAID has been in the forefront. So I want to congratulate you on helping set this up.

Additionally, with Public Law 480, we stamp the U.S. flag from the American people on the bag. I have seen the residual of that. And when I saw in Darfur, it was heartwarming to see the shelters that were made, very primitive, but yet they were made out of the bags. And that was their home.

But it just—as an American citizen, I felt very good about that. And I also had the opportunity in Muzaffarabad, Pakistan, for earthquake relief to see the same from the American people. It was very heartwarming.

But under a cash-based program, how could we have a benefit, a hearts and minds benefit, which is so important trying to reverse, as you indicated in Indonesia, a negative view to positive? Because it seems like to me that there would be concern—by having foreign source commodities under a U.S. flag, there is a danger of reputation, safety, quality of the product.

How can we see that wiring funds would be more benefit than what we have—a program that works?

Mr. NATSIOS. Well, Congressman, in some countries where there is a civil war going on in which we are taking sides—Iraq, Afghanistan—those signs are a target for our enemies. Al-Qaeda murdered the headmasters of 50 schools that we rebuilt in Afghanistan because they were USAID schools or U.S. Government schools, and because they had the logo on them. So they are also a target, unfortunately, in civil wars.

And so some places we have to, for safety's sake, say don't use the logo and the flag, because if you do you are going to get the people killed in the war, if we are not—if we are participants in some way in what is going on.

The same thing happened in Iraq. Now, what we chose to do in both cases and several other countries is we found another way, without specifying a specific school, we did radio and TV ads, particularly radio ads because almost all of these countries, including Afghanistan, that is where people get most of their news and we did spot radio ads. They are very inexpensive. They cost a couple of dollars to do them, and we talk about our program without putting a target on the building that can get the headmaster killed.

And we did some surveys afterwards in the Palestinian areas, for example, in Gaza and West Bank, to see the difference after we did the ads. And we went from a 5-percent name recognition to 55 percent in a matter of 3 months using these ads. So we like the ads on the projects themselves, but in some cases when it is a security

risk to do it, an even more effective way is to do radio ads. And we have done that.

And, you know, if we tell people the food aid program is being run through the U.S. Government on a radio ad, which we have done sometimes in some places, then you have the option of an alternate way of getting the brand of the American people out there or acknowledging the American people. It doesn't have to be on the project itself, is what I am saying.

Mr. LOWENTHAL. Mr. Glickman?

Mr. GLICKMAN. Like was said before, a majority of this aid is going to continue to be in the form of commodities, not cash. Cash just—there may be some more cash in certain parts of the world because of flexibility.

The other thing I would tell you is that one of the most successful foreign aid initiatives that I have ever seen is the Global Health Initiative that took place. And that was a multi-faceted effort to try to immunize people, teach them about the prevention of disease, and U.S. got a huge amount of credit in that appropriately. And that one didn't have the flag and the bags on it, but it shows you you can accomplish your objectives in a multitude of different ways.

Mr. WILSON. Thank you very much.

And we now proceed to Congressman Jeff Duncan of South Carolina.

Mr. DUNCAN. Thank you, Mr. Chairman. You look good in the chair, by the way. We have already heard concerns over the practice of monetization of the commodities by the NGOs for the purpose of raising cash. So I am not going to go there, but I am concerned about that.

I think we have a responsibility to be good stewards of the American tax dollars, and I believe that the majority of Americans would agree with this type of foreign aid. Now, they may not agree with giving F–16s to Egypt, or M1–A1 tanks, but I think they agree with feeding the needy and starving, famine-stricken people of places like Darfur.

However, I am concerned that we are considering taking a transparent, reliable, accountable, and highly efficient program that has worked well for almost 60 years with strong bipartisan support and are replacing it with a black box program that operates without congressional statutory limitations and without real accountability.

So how is wiring cash to someone in a developing country a good idea instead of giving them wholesome, nutritious commodities grown by hardworking Americans? And is the risk of diverting cash-based assistance from its intended purpose greater than it would be for commodity food aid? And I will ask Mr. Natsios that.

Mr. NATSIOS. Well, first, Congressman, this is not a black ops program. We have been running the program for 5 years now with a $375 million appropriation from Congress. We already run the program, and it is not a black ops program. And it is not wiring money to people in developing countries. It is giving money to NGOs that are very responsible.

The Catholic Church runs Catholic Relief Services. World Vision is run by the evangelical churches, and Samaritan's Purse. I was just in South Carolina, as a matter of fact, to speak to a retreat of Samaritan's Purse. They distribute some of these—they run

some of these programs. And that is who would be getting the money, not black ops programs, and——

Mr. DUNCAN. I said "black box," but that is fine. Let me ask you this. We already see that——

Mr. NATSIOS. Black box. I am sorry.

Mr. DUNCAN [continuing]. NGOs have taken this food and sold it for cash purposes. And I am not saying they don't use that cash for good intentions. That is absolutely not what I am saying. Samaritan's Purse and other groups like that do tremendous work.

But I think we need to make sure that as good stewards of American tax dollars that the NGOs are doing with the money what they are supposed to do, or doing with the food what they are supposed to be doing with it. And we also need to make sure that this money doesn't find its way to the hands of the dictators around the world that have been notorious for lining their own pockets with U.S. foreign aid. That is documented.

And so I would just ask, what sort of accountability measures are in place to make sure that these NGOs, which I believe a lot more NGOs will be created, should be convert this to a cash-only system? What mechanisms were in place to make sure that those dollars are accounted for?

Mr. NATSIOS. Well, the first thing is—I am not sure, Congressman, you were here when I mentioned this. I have actually done some research since I left USAID. We have more levels of accountability on our USAID program run by USAID and State than any donor government. And it is not just the Inspector General of USAID. It is the OMB has a whole set of accountability systems separate from the Inspector General, and then there is the General Accounting Office.

General Accounting Office, on the food program, has done more research than probably any institution in the United States on this, a whole series of reports. So there are already very high levels of accountability on this program.

That same level of accountability would be applied to this as it is now, because it is easy—I have to tell you, I have watched food aid get stolen before. Food aid can get stolen, and it can get abused, and it has been before in emergencies. I can give you specific examples. I don't want to embarrass any institutions here now, but there have been scandals over food aid being misused.

So if you think food aid somehow is immune from abuse, but a cash grant to an NGO can be misused, I can just tell you from my personal experience there is risk in both circumstances. And the way you avoid that risk is put very strong accountability systems in place, which I have to say Administrator Shah—I don't agree with some of the things he has done, but he has put a whole bunch of new systems in place.

The money is being tracked, but, you know, we are in very risky circumstances. If you are in Somalia where there is no government, there is no functioning government, and there hasn't been for 20 years. And al-Qaeda is everywhere in Somalia, and they don't like us. I don't have to tell you that.

Mr. DUNCAN. Well, I would just reclaim my time because I am almost out. But we just want to make sure that, as the stewards of taxpayer dollars, that it doesn't fall in the hands of al-Qaeda, it

doesn't fall in the hands of rogue dictators, Joseph Kony, or anyone else.

I understand you mentioned southern Sudan and buying food in Uganda. Uganda has its own issues. And so, you know, I want to try to support American jobs, American farmers, American agriculture, American commodities, American maritime. I like the American bag on the product that is delivered. All of those are good things. They are good I guess ambassadorship-type things for America. But graft and corruption does take place.

And the chairman just got back from Afghanistan. You know, I went over there and investigated the fuel theft and graft that was going on in Afghanistan, the hospital plus-ups, and American dollars being spent on a hospital there in Kabul, the Afghan-Kabul banking system money.

So we need to make sure that the right accountability and checks and balances and transparency is in place, and that is all I am saying. As we move forward on this, we need to make sure that those systems are in place, that American tax dollars aren't lining the pockets of dictators or going to fund terrorists that don't like us very much.

Mr. DUNCAN. I have got 2 seconds.

Mr. GLICKMAN. I think your concerns are well-founded. I would point out that we are not talking about changing this from an all-commodity to an all-cash system. We already commit a little bit of cash. We want to give more flexibility for that, but it is still going to be largely commodity-driven, even under the changes that the chairman has proposed.

Mr. DUNCAN. I yield back.

Mr. WILSON. Thank you, Mr. Duncan. You have done so well. As we proceed to Mr. Deutch, you will now be presiding. Thank you.

Mr. DEUTCH. Thank you, Mr. Chairman. Welcome to the new chairman.

I appreciate, Mr. Chairman, your holding this hearing today, and I would like to thank our distinguished witnesses for coming and for staying and for answering all of these questions. As an outspoken supporter of U.S. foreign aid, I believe that providing food aid not only aids in the fight against global hunger but also stabilizes critical regions in the world, in turn providing a low-cost opportunity to bolster our efforts to protect our national security as well.

And like my friend, the chairman, I support American maritime and American agriculture and American jobs, and I also support American values. And the proposed food aid reform I believe strengthens our foreign policy by reducing costs, by maximizing efficiency, and, most importantly, by ensuring that a minimum of 2–4 million more people will receive U.S. food aid. I understand that there is hesitancy among many of our colleagues to support change at this time, but it is good policy and I support it.

And I would like to ask our witnesses, given that we have seen in our pilot program that we have already—we have seen the ability to increase the number of lives that we save, if you could address the concern that some of my colleagues have raised, that if we move forward with reform like this, the United States isn't going to get the credit or may not get the credit that it deserves.

Can you speak to that, please? Mr. Natsios first.

Mr. NATSIOS. U.S. Aid from the American People, the regulations for branding which we call the branding campaign, I put in place when I was USAID Administrator. And I did that because of the threat of al-Qaeda and the change of the world. We were facing a threat that was very psychological in many respects and we wanted to show what we were doing.

We did not have those regulations in place to the degree before. We also used red, white, and blue. I know those regulations thoroughly. Everything we do, every NGO project, every contractor project, has to be branded. And I don't mean just food bags. If you go into a project and you see the headquarters, if it is a school being built, if it is a health clinic, if it is commodities that are being distributed through the health system, not food, has to have the brand on it.

So it is thorough and complete. I have to say, the NGOs were very upset when we put them in place. They said, "We will be targeted, you know, we object to this," because they like to put their own brand on stuff, to be very frank with you. But everybody has accommodated themselves to it now.

It is very difficult for people not to know, under the existing rules, that this comes from the American people. You don't have to have it in every single thing, but we—so if only half the bags have it on it, people will still know United States is where the resources are coming from.

Mr. DEUTCH. And if we—again, just consistent with the values that the chairman and Ms. Bass and I and the other members of our committee all share, if reforms—if we don't enact some reform here, will it impact America's ability to continue to be a leader in providing food assistance, particularly to the most vulnerable populations in the world? Secretary Glickman.

Mr. GLICKMAN. My answer is yes, but it has to be combined with the kind of reforms that Administrator Shah is doing in the Feed the Future Initiative and other things to build self-sufficiency, education, training, all sorts of other things, responsible research, all of that stuff. But, you know, my experience is anecdotal, but I go back—I don't know if you were here.

I was talking with government officials in Tanzania. They know how valuable America has been in a variety of areas, from agriculture to health to other places. They know the commitment we have made to the developing world from the Bush era to the present. And I think this augments that, enhances that, but it doesn't eliminate—I think people are afraid that we are going to absolutely close down the shop of providing commodities and only go to another way of doing business. That is not the case at all.

We are going to keep as a foundation what we are doing, providing food assistance in humanitarian cases where needed. But we are going to give ourselves the flexibility to help build local purchasing, nutrition, other kinds of things that will build self-sufficiency.

Mr. DEUTCH. And what will the benefits—or what benefits will enure to us if the perception globally is that the United States is modifying its program in a way to help address the needs of an additional 2 million or 3 million or 4 million people?

Mr. NATSIOS. Well, let me just say, when we go out—the Food for Peace officers and the USAID agricultural officers go out and work with the NGOs to buy the food locally, they are going to know there are Americans buying the food. Don't you think that will make the farmers happy in terms of the United States? We keep thinking it is only the recipients, but the people who are going to—we are going to buy the food from locally, they are going to be tied to the United States. They are going to see our aid program in a much more favorable light.

So we should see this as a whole, not as—just in terms of the beneficiary. The beneficiaries are not going to be just the people who are going to be eating, but the people who are going to be growing the food with assistance from the United States Government. And that will help us across the world.

The biggest example of our success story in terms of our aid program is the shift in public opinion polls in sub-Sahara Africa when President Bush increased aid by 600 percent. I mean, he was not popular in some areas of the world. I don't need to tell you that. I am a Republican, okay? To say that I know that in sub-Sahara Africa he had 70, 80, 90 percent approval ratings. He is a very popular—when he visited Ghana when they opened that big road up, he was treated as a conquering hero when he came. This is after he left office.

So why is that? Because the African people know what we did. And the United States is popular because our aid program, in my view, is the best image of the Unites States we want to project around the world.

Mr. DEUTCH. I appreciate that. And, Mr. Chairman, I don't know if Secretary Glickman wanted additional time. Okay. I appreciate it, and I yield back. Thank you, Mr. Chairman.

Chairman. ROYCE [presiding]. All right. I thank the gentleman from Florida.

In closing, let me just make a quick observation here and that is that one of the more confounding arguments against reform is that moving toward a more flexible, efficient, effective system will make it vulnerable to cuts. That is kind of a conundrum, to hear that argument, but in the current budgetary environment I believe the opposite is true.

Why should the Congress, why should the American people, continue to provide up to $2 billion to support a program that is anything less than stellar if we can make it stellar? We can do better. And we must do better. And we have before us a bipartisan proposal that will enable us to reach more people in less time at less expense. That is the point. We can save lives and reduce the deficit. How can you argue with that?

So I plan to support reform, and I hope my colleagues will do the same, and we greatly appreciate the time and expertise of our two witnesses here today. Thank you for coming all the way.

We stand adjourned.

Mr. NATSIOS. Thank you for your leadership on this issue, Congressman.

Chairman. ROYCE. Thank you, Mr. Natsios.

Thank you, Mr. Glickman.

[Whereupon, at 12:08 p.m., the committee was adjourned.]

# APPENDIX

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## Material Submitted for the Hearing Record

**FULL COMMITTEE HEARING NOTICE**
**COMMITTEE ON FOREIGN AFFAIRS**
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

**Edward R. Royce (R-CA), Chairman**

June 12, 2013

**TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS**

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

**DATE:** Wednesday, June 12, 2013

**TIME:** 10:00 a.m.

**SUBJECT:** Modernizing U.S. International Food Aid: Reaching More for Less

**WITNESSES:** The Honorable Andrew Natsios
Executive Professor
The George H.W. Bush School of Government and Public Service
Texas A&M University
*(Former Administrator of the United States Agency for International Development)*

The Honorable Dan Glickman
Executive Director
Aspen Institute Congressional Program
*(Former Secretary of Agriculture)*

**By Direction of the Chairman**

*The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.*

# COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Wednesday* Date *06/12/13* Room *2172*

Starting Time *10:09 a.m.* Ending Time *12:08 p.m.*

Recesses *0* (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

**Presiding Member(s)**

*Chairman Ed Royce, Rep. Joe Wilson, Rep. Jeff Duncan*

***Check all of the following that apply:***

Open Session ☑
Executive (closed) Session ☐
Televised ☑

Electronically Recorded (taped) ☑
Stenographic Record ☑

**TITLE OF HEARING:**

***Modernizing U.S. International Food Aid: Reaching More for Less***

**COMMITTEE MEMBERS PRESENT:**

***See Attached Sheet***

**NON-COMMITTEE MEMBERS PRESENT:**

***None***

**HEARING WITNESSES: Same as meeting notice attached? Yes** ☑ **No** ☐
*(If "no", please list below and include title, agency, department, or organization.)*

**STATEMENTS FOR THE RECORD:** *(List any statements submitted for the record.)*

***SFR - Cicilline, Glickman (linked report: http://www.thechicagocouncil.org/UserFiles/File/GlobalAgDevelopment/Report/2013_Advancing_Global_Food_Security.pdf)***
***SFR- Kinzinger***

**TIME SCHEDULED TO RECONVENE** _____
or
**TIME ADJOURNED** *12:08*

**Jean Marter, Director of Committee Operations**

**HOUSE COMMITTEE ON FOREIGN AFFAIRS**

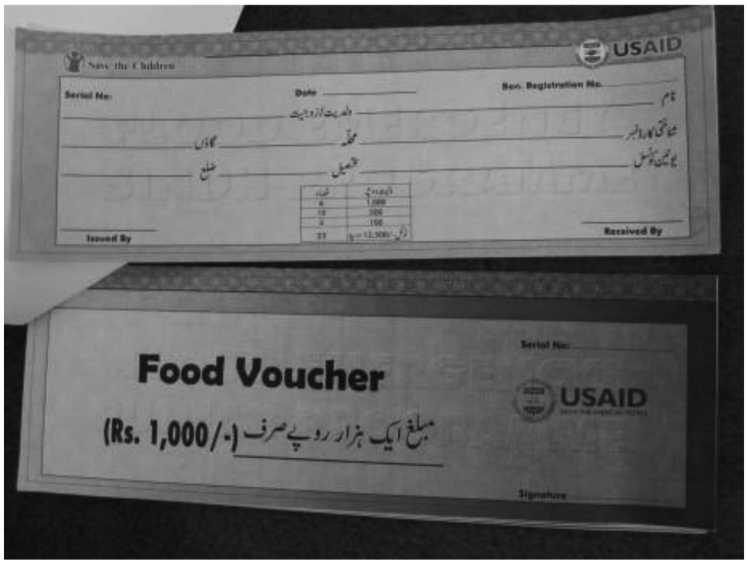
"The Call for Economic Liberty in the Arab World"

May 21, 2013

| *Present* | *Member* |
|---|---|
| X | Edward R. Royce, CA |
| | Christopher H. Smith, NJ |
| X | Ileana Ros-Lehtinen, FL |
| X | Dana Rohrabacher, CA |
| | Steve Chabot, OH |
| | Joe Wilson, SC |
| | Michael T. McCaul, TX |
| | Ted Poe, TX |
| | Matt Salmon, AZ |
| | Tom Marino, PA |
| | Jeff Duncan, SC |
| | Adam Kinzinger, IL |
| X | Mo Brooks, AL |
| X | Tom Cotton, AR |
| X | Paul Cook, CA |
| | George Holding, NC |
| X | Randy K. Weber, Sr., TX |
| X | Scott Perry, PA |
| | Steve Stockman, TX |
| | Ron DeSantis, FL |
| | Trey Radel, FL |
| X | Doug Collins, GA |
| X | Mark Meadows, NC |
| X | Ted S. Yoho, FL |
| | Luke Messer, IN |

| *Present* | *Member* |
|---|---|
| | Eliot L. Engel, NY |
| | Eni F.H. Faleomavaega, AS |
| | Brad Sherman, CA |
| | Gregory W. Meeks, NY |
| X | Albio Sires, NJ |
| X | Gerald E. Connolly, VA |
| X | Theodore E. Deutch, FL |
| | Brian Higgins, NY |
| X | Karen Bass, CA |
| | William Keating, MA |
| X | David Cicilline, RI |
| | Alan Grayson, FL |
| | Juan Vargas, CA |
| | Bradley S. Schneider, IL |
| X | Joseph P. Kennedy III, MA |
| X | Ami Bera, CA |
| X | Alan S. Lowenthal, CA |
| | Grace Meng, NY |
| | Lois Frankel, FL |
| | Tulsi Gabbard, HI |
| | Joaquin Castro, TX |

**THE HONORABLE ADAM KINZINGER**
**INSERT FOR THE RECORD**
June 12, 2013



***Questions for the Record***
*Submitted by the Honorable Luke Messer*
*To the Honorable Andrew Natsios*

**Question 1:**

**Some have suggested that moving away from commodities-based assistance to a system that is reliant on vouchers or cash transfers will expose U.S. food aid programs to corruption. The current system of international food assistance has it shortcomings and vulnerabilities, to include corruption and mismanagement. Mr. Natsios, as a former USAID Administrator, from your experience, would the current system of commodities-based assistance be less vulnerable to corruption over a voucher or cash transfer system?**

The same USAID partner organizations—NGOs and the UN/World Food Program—which run food aid programs will be also run the cash-based or voucher systems, so I don't see a major improvement or reduction in accountability. Unless USAID has changed the business model I don't except they will be using indigenous governments to manage these voucher programs.

**Question 2:**

**Is the risk of diverting cash-based assistance from its intended purposes greater than for commodity food aid?**

There is no greater or lesser likelihood of U.S. money being diverted than food aid as the accounting systems for monitoring cash grants is as highly developed as it is for food aid.

**Questions 3:**

**The United States has earned enormous goodwill when bags of grain or cans of vegetable oil, for example, labeled as a gift from the people of the United States arrive to provide emergency food aid. It provides a great sense of national pride. Mr. Natsios, can you provide some specific examples of how the U.S. could still get acknowledged for its contributions under a voucher or cash transfer assistance program? Or, is that a concession that would have to be made should the U.S. move away from a commodities-based assistance.**

Since we put the program in place in 2003, all USAID projects—most of which are cash-based—require the USAID brand (USAID from the American People) be attached to the project through signage. It has worked very well. The same rules would also exist for a cash—based system.

**Question 4:**

**How feasible is it to label locally procured grains, vouchers, or cash transfers? How do other countries label their food assistance products?**

You could require the USAID brand to be displayed at distribution centers for cash—based or voucher—based food distributions. In fact my reading of the current regulations is that this would be required now.

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