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HALF A LOAF—THE IMPACT OF EXCLUDING SURPLUS COMMODITIES FROM AMERICA'S RESPONSE TO GLOBAL HUNGER

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING, AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

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TUESDAY, JUNE 4, 2002

U.S. SENATE,
OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING,
AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:27 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Richard J. Durbin, Chairman of the Subcommittee, presiding.

Present: Senator Durbin.

OPENING STATEMENT OF CHAIRMAN DURBIN

Senator DURBIN. Good afternoon, and welcome to this hearing. I apologize for the tardiness in starting. Occasionally, the leadership just does not call me to coordinate these votes with our planned Subcommittee hearings, but I am sure that both Senator and Congressman McGovern are aware of that problem from their public service.

I am pleased to welcome you today to this hearing before the Senate Subcommittee on Oversight of Government Management, focusing on "Half a Loaf—The Impact of Excluding Surplus Commodities from America's Response to Global Hunger."

Where is my next meal coming from? It is a question that not many people in this room have ever had to ask, but for hundreds of millions of people around the world, it is a reality of everyday life. Today, Tuesday, June 4, 2002, over 20,000 people will die from hunger and related causes. Most of them will be children under the age of 5. The same will be true tomorrow, and the day after that and every day for the foreseeable future, 20,000 victims a day.

Out on the margins, the scourges of poverty, natural disaster, armed conflict, lack of education, and poor infrastructure keep great numbers on the edge of starvation. The cruel irony is that the world's farmers produce more than enough food to nourish every man, woman and child on the planet. It is impossible not to be moved by images and stories of malnourished children and despairing parents, and it is very natural to want to help them, and help them we do, as a government and as individuals.

Many people remember collecting coins for themselves and their kids for UNICEF with Halloween candy. Washington's response is on a considerably larger scale, roughly $2 billion worth of food aid

this year alone. We provide about half of the world's humanitarian food donations, but hunger is not going away.

Next week's review conference on the 1996 world food summit is likely to conclude that progress toward the target of reducing by half the number of hungry people in the world by the year 2015 is woefully behind the pace needed to reach that goal. There is no easy answer to this challenge. What is certain is that America's values and our bounty compel us to lead the way in trying to meet it.

The food aid programs we have developed over the years have lengthened and improved the lives of countless numbers of people in every region of the world. A daily ration as small as this can mean the difference between life and death, and our farmers produce enough to fill millions of these a day. U.S. farmers work hand-in-hand with nongovernmental organizations like those represented here today and with the U.S. Department of Agriculture and the U.S. Agency for International Development to channel grains, and dairy products, oilseeds, and other products to food aid recipients around the world. But even the best-run and most effective programs can benefit from regular oversight.

The Bush Administration's review of U.S. food aid policy and activities provides an opportunity to step back for a moment and ask important questions about our objectives, our organizational structure and the impact of our current programs. We should start by asking what our ultimate goal is in providing food aid and the degree to which food aid should be integrated with other programs we are using in pursuit of development goals. If we do not know our goal, it is difficult to know how to reach it.

The ideal, I think everyone would agree, is achieving a state of food security in which everyone has enough to eat so they can live a healthy and productive life. In the post-September 11 world, it is not too difficult to see how food security would contribute to America's homeland security if more people around the world saw the United States as a compassionate helper of the less fortunate.

Well, we are not quite there yet, either in terms of having the goal of food security in our grasp or receiving credit for the good things we do. It is also true that our commitment to fighting global hunger does not necessarily translate into reliable, overall levels of assistance on a year-to-year basis.

Part of the fluctuation is beyond our control. Surpluses are simply larger in some years than others. But another part of the unpredictability of our program comes from conscious decisions here in Washington. We need to seriously address the management side of that challenge. For example, when the quantity of food provided through the Section 416(b) program, which relies on surplus commodities, goes from more than 3.5 million metric tons in 1993 to zero in 1996, 1997, and 1998, and it mushrooms to over 6 million tons in 1999, that is a problem.

When the global school lunch program we will hear about shortly begins raising the hopes and the nutritional levels of students, especially young girls, around the world and their parents in dozens of countries, but then faces a steep cut in funding, that is a problem.

Our witnesses will give us their views on solutions that are within reach for our food aid programs. Our dialogue today may touch on policy decisions, organizational diagrams, but ultimately our goal is to have more people every day know the answer to the question, where is my next meal coming from?

I would like to welcome, as our first panel, two witnesses that have at least three things in common: Their surnames, their outstanding service as elected officials, and their strong dedication to ensuring that America does the right thing by sharing its bounty with hungry people around the world.

First, the distinguished former Senator from South Dakota, and former Ambassador to the Food and Agricultural Organization in Rome, the Hon. George McGovern. Senator McGovern, you may want people to believe that you are retired and living quietly in Montana, but we know better. [Laughter.]

Whether you are advocating support for the Global Food for Education Initiative that Congress has renamed for you and your former colleague, Senator Robert Dole, serving with me on the board of the Friends of the World Food Program or continuing to write and speak on a variety of subjects, you are an inspirational example of how a life can be lived in service to others.

Your involvement with food aid dates back to the beginning, more than 4 decades ago, as President Kennedy's choice to direct the Food for Peace Program, and from that time forward you have been a tireless advocate for adequate nutrition, both in the United States and around the world. We are honored to have you here today.

Representative Jim McGovern of Massachusetts and I both look back happily on 1996 as the year when we moved up in the world, he to the House and I to the Senate. Since coming to Washington, he has followed his namesake's example in urging fellow House members to recognize the importance of giving food aid programs the resources they need to carry out their vital work.

I want to thank you both for coming, and I am looking forward to your testimony. I will just recount to you one experience, and I am sure each of you have similar ones in your private and public life, of visiting a dusty little village outside of Calcutta in India, and it was a time when the children were gathering for lunch. And lunch for these kids was some sort of a mixture of grains, with a little bit of water added to it, which there is not a kid in America who would look at with a smile. You would have to force them to eat it. These kids were jumping at it like it was Baskin-Robbins' ice cream because this was basically what they had to eat for the day.

Two things about that I remember in particular. When I went to look at the bag of grain sent by U.S. AID to this little village in India, I realized it had been packaged in Peoria, Illinois, from my home State. The second thing I remember is that before they could reach down and start eating, and they did voraciously, they had to pause and for a moment say a Hindu prayer in thanksgiving for whoever it was that was kind enough to send them that day's food. I will never forget that as long as I live: That our bounty out of the Midwest made its way halfway around the world to a little village and kept children alive.

Senator McGovern, more than anyone I can think of, you are responsible for our Nation's consciousness of that responsibility. I welcome you here today, and I invite your testimony.

TESTIMONY OF HON. GEORGE McGOVERN,[1] FORMER U.S. SENATOR, AND FORMER U.S. AMBASSADOR TO THE FOOD AND AGRICULTURE ORGANIZATION

Senator MCGOVERN. Well, thank you very much, Chairman Durbin, for your very generous words and for your own leadership on this effort to combat hunger. When I first started talking in Rome about a universal school lunch program some 2 years ago, you were the first member of Congress who called my office and told me that you wanted to do everything you could to move that program along, and that is precisely what you have done in helping to bring about the passage this year of the McGovern-Dole International Food for Education and Child Nutrition bill.

When I was here as a Senator, Senator Durbin, I had trouble getting bills through with my name on it, but now that I have left—— [Laughter.]

Senator MCGOVERN [continuing]. People who are more effective, like yourself, get these bills through. So I am grateful for that. I think it helps being teamed up with Bob Dole, who is a great champion of feeding the hungry, both in this country and abroad.

I am glad to be here with Congressman Jim McGovern. I wish I could tell you he is my son, but I can tell you that we have been colleagues in this effort from the very beginning. He has been the obvious leader in the House of Representatives in carrying forward this legislation.

Like you, I have had these experiences with children in dusty villages around the world and even in this country. I never tire of telling about a little youngster in South Carolina that I saw on television in a school lunch room at a time when the American Federal School Lunch Program did not provide for free or reduced-price lunches for poor kids. If you did not have the money to pay, you did not eat. And in this particular incident, the television camera zeroed in on this one little guy standing over along the edge of the cafeteria wall, and they asked him what he thought when he had nothing to eat and had to watch the other children eat. I thought he would say that he was angry or that he was disgusted. He said, "I am ashamed."

And the reporter said, "Why is that?"

And he said, "Because I have not got any money."

Well, that is the problem in so many parts of the world today. We have straightened that out in the United States with the free or reduced-price lunches that Senator Dole and I sponsored here many years ago, but it is not straightened out in most of the countries of the Third World, where youngsters do not have enough to eat.

Three hundred million school-age kids, by school age I mean the first grade through the sixth grade—we will have to worry about the middle school and the high school people later—three million of those little folks, ages 6 to 12, that go to school that have noth-

[1] The prepared statement of Senator McGovern appears in the Appendix on page 33.

ing to eat. Actually, 130 million of them do not go to school, and most of those are girls because of the favoritism towards males.

But this program that we are considering here today, and that you co-sponsored, Senator Durbin, addresses that problem. It would provide, under U.N. sponsorship, with the United States taking the lead, for school lunches for these youngsters who are not now being fed. That has an immediate result in increasing enrollment. It brings the girls in, as well as the boys, and why should it not? Once parents hear that their children can get a good nutritious meal every day just by showing up at the village school, they are going to see to it that more children come to school. The grades are going to go up, the academic performance, the athletic performance, the overall health of these youngsters.

Girls who do not go to school, many as early as 10 or 12 years of age, and have an average, according to United Nation's studies, of 6 children. Whereas, the ones that go to school even for 6 years, have a better understanding of what life is all about, marry later and delay marriage for several years, and have an average of 2.9 children. Education cuts the birth rate in half, without abortions or surgical procedures of any kind—the power of education. It is facts like that that keep me awake nights trying to figure out how we can advance this program more swiftly.

Now I appreciate, as does Senator Dole, the fact that Congress authorized an initial $100 million for this program. Even if they had only authorized $1, it would have been worthwhile because it means that Congress has said it is OK for the United States to go ahead with this program within the United Nations.

We previously received $300 million for this current year that was decided on by President Clinton before he left office. The Congress has now come forward with an additional $100 million. I wish, with all my heart, that had been $500 million, but I am glad we got $100 million.

I know that one of the reasons why we are told that money is tight is because of the so-called "war on terrorism," and I am not against going after the terrorists. I do not criticize the administration and the Congress for this, but I would say that we need to be asking ourselves why is it that so many of these young men in the Third World are so angry at us? What is it about us that makes people want to blow down our buildings. I wonder if there is not some relationship to that problem from the fact that half the people around the world are in poverty?

We are told that these young followers of Osama bin Laden, a wealthy misguided zealot, that the reason impoverished young men, by the tens of thousands, sign up for his cause is because they are told they can fly into the arms of Allah. I do not believe that. I think that people that have a decent life are not all that eager to fly into the arms of Allah or into heaven or anywhere else. I would like to go to heaven someday, but not now. I am having too good a time here on this earth, but a lot of people are not having a good time. They are miserable. They are hungry. They are homeless. They cannot find a sanitary glass of water, and so when a zealot like Osama bin Laden comes along and says, "follow me," they are vulnerable to that kind of appeal.

The President says he thinks that they are attacking us because they hate our freedom. In all due respect to the President, whom I want to be successful, I would like to see him be a great President, as I would every President, I do not think he is right about that. I do not think the people that flew those airplanes into the World Trade Center did that because they hate our freedom. I think there is something else behind it that is not that simple. It is a more complicated matter of anger, and resentment and feeling of helplessness and powerlessness.

Is it just possible that some young guy sitting out there in Calcutta or Saudi Arabia or Afghanistan heard of this murderous attack on the Trade Center in New York, and instead of being horrified as were all Americans and much of the world's people, said to himself, "we showed these rich people, we showed these people with all of the military power that we are not to be ignored?"

I can only tell you that it is my own deep-held conviction that if this country would take the lead at the United Nations, with the help of our friends there, to provide a good nutritious lunch every day for every school child in the world, I cannot help but think that that would help us, in terms of our dealing with these Third World countries around the globe.

So I hope and pray that the Congress will take this $100 million and add to it, from time to time, to keep this program going. I think it is a good investment for us.

Thanks ever so much.

Senator DURBIN. Thank you very much, Senator.

Congressman Jim McGovern, you have been a great ally. You called me during one of our breaks when the farm bill was being considered in conference, and we were both on the phone begging the conferees not to kill this program. We kept it alive. I am sure you feel, as Senator McGovern does, that it is a great idea. I wish it had more funding, but at least we are going to proceed from this point forward, and I thank you for your support in joining us today.

TESTIMONY OF HON. JAMES P. McGOVERN,[1] A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. MCGOVERN. Why thank you, Mr. Chairman. Before I begin my remarks, I ask that my entire written testimony be in the record.

Senator DURBIN. Without objection.

Senator MCGOVERN. And I would ask the same, Mr. Chairman.

Senator DURBIN. Without objection.

Mr. MCGOVERN. I also ask that an attachment by Land O'Lakes describing a recent conference in Indonesia on U.S.-funded food feeding programs and two articles about what happened in Pakistan during the 1990's, when the United States and other donors cut off food aid and development aid, be included in the record as well.[1]

Senator DURBIN. Without objection.

Mr. MCGOVERN. Mr. Chairman, I thank you very much for holding this hearing. I thank you for inviting me here today. It is an

[1] The prepared statement of James P. McGovern appears in the Appendix on page 39.

[1] The information provided by James P. McGovern with articles appear in the Appendix on pages 108, 113, and 115 respectively.

honor to appear on a panel next to Senator George McGovern, whose leadership to end world hunger is legendary. I am proud to work with him, and you, and Senator Dole, on the House side, in trying to see that the Global Food for Education Initiative becomes a reality. I think it is an incredibly important bill that has added significance in the aftermath of September 11.

I should add one thing. In addition to George McGovern and I sharing a passion about ending hunger and sharing the same last name, we do have another thing in common, and that is that we both carried Massachusetts. [Laughter.]

So I would add that to the list.

I should say that my knowledge of agriculture and food aid issues are nowhere near what yours are or Senator McGovern's or some of the PVOs and other experts that are going to be testifying here today. But as you know, because we have worked closely together on these matters, I have taken a special interest in ending hunger among the world's children. This is not a simple matter, but I strongly believe that our failure thus far is mainly a failure of political will and a failure to dedicate the resources required to achieve success. This is a failure not just of the United States, but of the international community.

Mr. Chairman, I believe that this is a moment when the United States should be expanding and not constricting food and development aid abroad. I believe doing so promotes and protects our national interests, including our national security. I believe such aid is a tangible demonstration of America's values, character and priorities. I believe that the programs supported by our surplus commodities are not only needed to combat global hunger, they are an integral part of a strategy to defeat global terrorism, as Senator McGovern has outlined.

We have no problem finding money to increase our defense budget. We have no problem finding money for homeland security. We have no problem finding money for increased border security or for our intelligence budget. But when we talk about using surplus commodities to support programs that reduce hunger and attack the root causes of hunger, poverty, illiteracy, the lack of economic opportunity, we are told we simply cannot afford it.

Well, Mr. Chairman, hunger, poverty, illiteracy, and the lack of economic opportunity may not be the root causes of terrorism, but they certainly provide the fertile ground that terrorists use to exploit and justify their actions.

President Bush just signed the new farm bill into law. Under that bill, our hardworking farmers are likely to continue to produce surplus commodities. Yet the White House recommends that we eliminate surplus commodity donations abroad, reduce our overall outlays for food aid and sharply reduce monetization of commodities. The President's budget provided no new funding for the Global Food for Education Initiative, which is a program that, as you know, is designed to make sure that every child in this world gets one nutritious meal a day in a school setting, not only promoting the cause of ending hunger, but also promoting the cause of universal education.

But I was very pleased that in the farm bill, in that reauthorization, there is $100 million in fiscal year 2003 to help bridge the gap

during the transition of the GFEI from a pilot program to a permanent program. However, substantially greater funds will be required in the President's fiscal year 2004 budget to continue, let alone expand this program. This $100 million we are all grateful for, but it is nowhere near what we need to do the kind of job that all of us know needs to be done.

The President's budget also shifted commodity, supported food and development programs carried out by private voluntary organizations and the World Food Program, from USDA's jurisdiction over to USAID. This shift alone creates a substantial shortfall in resources for development and emergency food aid programs.

At a time when the United Nations is predicting that 18 million metric tons of food aid will need to be imported by the poorest countries just to meet basic needs, a significant increase, Mr. Chairman, we are cutting back on the very programs that have proven effective in addressing those needs.

In Monterrey, Mexico, the President announced that he intends to provide an additional $5 billion in development aid over the next few years. I welcome the President's announcement, but these funds genuinely need to be in addition to our existing emergency humanitarian development and food aid programs. I do not want to have to draw upon those ostensibly new monies to make up for cutbacks that are mainly the result of a prejudice against off-budget commodity surplus programs.

Mr. Chairman, I want to bring to the Subcommittee's attention just one set of programs currently funded through USDA's Section 416(b) surplus commodity allocations, one of the programs the administration recommends be eliminated.

In Indonesia, over 900,000 needy school children receive nutritious food through school feeding programs carried out by Land O'Lakes, ACDI/VOCA, Mercy Corps International and International Relief and Development. You have samples of fortified milk and wheat biscuits provided to these children, these little containers here with the American flag, and the Indonesian flag, and these little biscuits here, the same thing. A soy beverage and wheat and soy noodles are provided in other schools.

I have pictures over there of some children who benefit from these Section 416 programs. These children, Mr. Chairman, are the future of Indonesia, and we have a role to play in what kind of future that will be. If reducing hunger were the only accomplishment of these programs, I would find that sufficient reason for continuing them. But USDA, and the U.S. PVOs, and cooperatives do a great deal more. These groups work with PTAs, school administrators and elected officials to build local capacity and involvement in the programs.

Workshops are held on nutrition and health. All of the products are processed locally, developing a more viable commercial dairy and food-processing sector and creating jobs and income from more families.

The beverage packets can be recycled, and teachers and students are actually involved in an environmental awareness program. These programs have also created interest in U.S. agricultural products, increasing our commercial exports to Indonesia, and there is more detail about some of these programs, and their many

impacts in my written testimony. It takes a great deal of time, work and personal capital to get these programs up and running.

What are we supposed to tell these children when this program ends because we have eliminated Section 416(b) and no longer provide surplus commodity donations abroad? What are we to say to their parents and their teachers? How will the local dairy and food processors judge us as partners? Will the Indonesian Government see us as a reliable partner in reducing hunger and malnutrition when we stop our programs at the very point in time when Indonesia hopes to expand them to several of the outer islands? What do you say to the U.S. PVOs and cooperatives that have put their reputations on the line for us?

Mr. Chairman, other witnesses will be providing the Subcommittee with concrete facts and figures about how these changes in policy and funding will affect our food and development programs in the field, but I would like, however, for you to remember the faces of these children while I end on a cautionary note.

What kind of future do we court if we reduce our efforts to end global hunger? This is not the time, Mr. Chairman, to abandon programs that have done us good service for many, many years. How can we possibly make up the shortfall if they are eliminated? Improve them? Yes. Strengthen them? Yes. We need to exploit every available tool to meet the challenges posed by global hunger and poverty. As you rightly put it, Mr. Chairman, we cannot do that by providing a half a loaf.

I would just say, in conclusion, that there are differences on some of these issues between the Congress, and the administration, and some of the PVOs, and other organizations that are trying to combat hunger. We need to work these issues out. We need to work our differences out without reducing the amount of resources that are available to deal with this problem. This is a huge problem, and I worry that what the administration has put forth, you know, makes less resources available and makes this challenge that we are all committed to of trying to end hunger in the world much more difficult.

Thank you, Mr. Chairman.

Senator DURBIN. Thank you, Congressman McGovern.

Let me ask only one question of both of you, if you have the time. You may have a vote or something you have to go to, Congressman, but if you can.

Senator McGovern, when you first wrote the article for the *Washington Post,* one of the things that intrigued me was not just the idea of a new approach, the idea of an initiative from the United States, but also kind of an invitation or challenge to the rest of the word to come join us. We are not going to do this alone. There are a lot of children out there. We can all do a little bit of it and come together in a global effort from the developed countries to the Third World and underdeveloped countries with this kind of approach.

Now you were in a position, as an ambassador in Rome, to see it in terms of other participants and nations getting involved. I want to commend President Bush for naming, as your successor, our great friend, Congressman Tony Hall, who has devoted his career to fighting world hunger. But tell me about this involvement of other nations so that we can even expand on a small investment,

like $100 million, considering the global challenge, to make it stretch even further.

Senator MCGOVERN. Mr. Chairman, when I learned that Congress had authorized $100 million for this coming year, the thought went through my mind that it is going to be very painful to see this program cut back that far from the $300 million we have been operating on in the current year and that there might be two alternatives to building that up. No. 1 would be to go to other countries and make clear to them that Congress has authorized this program for a forward period of a number of years and that we have to have the help of other countries, either in the form of commodities or cash. A country like Japan presumably would offer cash, rather than commodities. Canada and Australia might come forward with commodities. Other countries might be the source, I would think, of $100 million.

And it may be possible to raise another $100 million from private corporations and foundations in this country. In a sense, that makes the United States contribute more than its share. The usual U.N. formula is one-fourth from the United States, three-fourths from the rest of the world. But to get this program rolling, I think the United States is going to have to be out in front in a bold way.

I have not yet had the opportunity to go to work on the foundations and corporations, but I know some of them that may be favorable to this, and it is just possible that we could raise another $100 million there, which if we got that much from other countries, that gets us back up to the $300 million that we are operating on in the current year.

Countries have all kinds of excuses for not wanting to do this, and they suspect, some of them, that we are doing this to get rid of our farm surpluses. I have tried to explain to every ambassador in Rome and every head of state I could reach that we do not dump surpluses on international markets. We will operate this program with great care. We are the leading commercial exporter in the world. We have a self-interest in not disrupting commercial markets. We do not want to disrupt the markets of local producers in the receiving countries, and we take care not to do that.

Senator DURBIN. Congressman McGovern.

Mr. MCGOVERN. If I could just build on that. I agree with Senator McGovern that we, in the United States, need to demonstrate the leadership that we are serious about this program, and we need to be out front asking other countries to participate. At G–8 summits, at other kinds of international conferences, I think the President of the United States needs to raise this issue and say this is a priority of the United States of America, and we want you to be a partner in this. Every foreign leader I meet with I raise the issue, but I do not have the persuasive powers of the President of the United States, none of us do. I mean, we need it to be at that level.

It is frustrating to me that we have not demonstrated more leadership because, as Senator McGovern pointed out, this concept that all of us are behind, and it is a bipartisan effort, not only deals with issues of hunger, but also addresses a whole bunch of other social challenges around the world. You cannot talk about real economic development, you cannot talk about empowering women, you

cannot talk about tolerance or dealing with some of these dreaded diseases without education. This is a way to get kids into school.

In the pilot program that is going on, all of the evidence is that when we do this, we introduce food in these school settings, two things happen: Class attendance increases, attendance among girls, in particular, increases. I regret that, well, because one of the pilot programs that we had is in Pakistan, aimed at getting more women into school. I think our U.S. ambassador should have been there for the opening of this program. I think we should have sent out whoever we could to say that this is what we are about. The Pakistani Government now is talking about a school lunch program throughout the country because they understand, as we all now know, is that one of the reasons why a lot of young children go to schools that are run by extremist groups is because they feed them. I mean, something as simple as a meal can make the difference here.

So I think we need to persuade the administration to join with the rest of us and to get out there and to fight for us, not just say they are sympathetic, but to put some real money behind this and to get out there and talk about it when they are at these international settings.

Senator DURBIN. I think that is good advice, and I think we all want to take on a task of calling our friend, Tony Hall, and asking for his help, and guidance, and advice, and counsel, in terms of expanding the reach of this and involving other nations in this effort.

Thank you both for joining us. I appreciate it, and your testimony is going to be part of our record as we proceed.

I want to welcome our second panel. It includes Dr. Loren Yager, Director of the International Affairs and Trade Group with the U.S. General Accounting Office; the Hon. Ellen Terpstra, Administrator of the U.S. Department of Agriculture's Foreign Agricultural Service; the Hon. Roger Winter, Assistant Administrator of the U.S. Agency for International Development in the Bureau of Democracy, Conflict and Humanitarian Assistance; Ellen Levinson, Executive Director of the Coalition for Food Aid; and from Highland Park, Illinois, Jason Phillips, who is the Country Director for Kenya Programs with the International Rescue Committee.

Before you all get comfortable, I will tell you that the custom of the Subcommittee is to swear you in as witnesses. So, if you would not mind rising and raising your right hand.

[Witnesses sworn en masse.]

Senator DURBIN. Thank you very much.

Let the record note that the witnesses answered in the affirmative, and I will ask you now if you would please be kind enough to make your oral statements. If you could keep them around 5 minutes, that will give me a chance to ask a few questions after you have completed your testimony.

Dr. Yager, would you please proceed.

TESTIMONY OF LOREN YAGER,[1] DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE GROUP, GENERAL ACCOUNTING OFFICE

Mr. YAGER. Thank you, Mr. Chairman.

[1] The prepared statement of Mr. Yager appears in the Appendix on page 45.

Mr. Chairman, I am pleased to appear again before the Subcommittee at this time to discuss the management and operation of U.S. food aid programs. The United States is, by far, the largest provider of food aid in the world, and U.S. food aid programs account for a considerable portion——

The United Nations Food and Agriculture Organization estimates that about 800 million people are chronically undernourished in the developing world and that there has been limited progress in meeting the 1996 World Food Summit goal.

My written statement covers the full set of food aid programs, but in my testimony this afternoon, I will concentrate on food aid surplus programs. My observations are based on recent interviews with and documents from administration officials and from GAO's series of reports on food aid over the last 10 years.

Specifically, I will discuss three topics:

First, the structure of surplus-related food aid programs; second, the contribution of surpluses to the fluctuations in U.S. food aid; and, finally, observations on the management of surplus programs.

In terms of the structure, U.S. food aid is provided through six programs administered by two different agencies. These programs are summarized in the large poster that I have provided in the front of the room. This poster is also included as Table 1 in my written testimony.

However, the program of the six shown that has historically been used to provide food aid through surplus commodities is Section 416(b). This program is administered by the Agriculture Department and can use these commodities to fund Food for Progress, as well as Title II and Title III-type programs. Even though Title II and Title III are typically run by USAID, when they are funded by Section 416(b) commodities, the programs are managed by USDA.

The other program that exists to fund food aid through surpluses is the Emerson Reserve, which was formally known as the Food Security Humanitarian Reserve. It exists to meet humanitarian food needs in developing countries and can hold up to 4 million metric tons of grains. In any fiscal year, up to 500,000 tons can be used for urgent humanitarian relief.

The second issue I will discuss is the role of surpluses in the fluctuations in U.S. food aid since 1990. I have also brought a graph of these expenditures, but it is also included as Figure 1 in my written testimony.

As I mentioned in my written statement, these fluctuations or the fluctuations in these shipments have been the result of three factors: U.S. food aid policies, U.S. agricultural surpluses, and international events.

As you mentioned in your opening statement, Mr. Chairman, surpluses were particularly important during two periods since 1990, the years 1990 to 1993 and from 1999 through 2002. It is shown by the medium-gray box labeled Section 416(b). It disappears, as you also mention in your opening statement, from the years 1996 through 1998. Over this entire period, the Section 416(b) program contributed $2.4 billion, which made it the third-largest of the six food aid programs funded by the U.S. Government.

An additional observation on the use of surpluses in food aid relates to the volume of commodities rather than the level of food aid funding. As shown in Figure 2 of my written testimony, the volume of food aid shipments fluctuates even more sharply than the spending itself. The reason is that commodity prices tend to be lower during periods of surplus so that the quantity of grain that can be purchased with the same dollars increases.

Finally, I will address two policy implications of the use of surpluses in food aid programs. One is that the effective use of surpluses creates significant management challenges due to the highly variable nature of the shipments from year to year. For example, our recent study of the Global Food for Education Initiative suggests that surpluses are not well-suited to programs that are designed to achieve long-term goals.

On the other hand, the existence of surpluses presents a difficult trade-off. In surplus years, it is possible to purchase and distribute significantly more food aid because of the lower prices.

However, it raises particular challenges because of the on-again/off-again nature of these surpluses, and there is also no guarantee that the surpluses will be available in those situations when the needs are the greatest around the world.

Mr. Chairman, thank you for the opportunity to appear before the Subcommittee to address this important topic. As you have mentioned, it is particularly timely, given that the Food Summit: Plus Five Years, is scheduled to begin in Rome next week.

This concludes my statement. I would be happy to answer any questions that you might have.

Senator DURBIN. Thank you. I will have some questions after the panel is completed.

Ms. Terpstra, thank you for joining us.

TESTIMONY OF HON. A. ELLEN TERPSTRA,[1] ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Ms. TERPSTRA. Thank you very much, Mr. Chairman. I am pleased to be here with you this afternoon to discuss the food aid programs operated by the U.S. Department of Agriculture.

As a leader in agricultural production, the United States has long recognized its responsibility to assist in alleviating world hunger through food donations, financial aid, and technical assistance. The United States began providing food aid in the 1920's. It was not until 1954 that legislative authority created the P.L. 480 or Food for Peace Program.

Over the years, the goals of our programs have changed in response to varying economic, financial, political, and agricultural conditions at home and abroad. Today's recipients include countries that did not exist in the 1950's, countries that have been struggling after major upheavals.

Other more traditional developing countries, such as Bangladesh and Ethiopia, also continue to see their people benefit from P.L. 480 and two other food aid authorities—the Food for Progress Act and Section 416(b) of the Agricultural Act of 1949. The United

[1] The prepared statement of Ms. Terpstra appears in the Appendix on page 66.

States continues to be the world's chief provider of food aid, although other developed countries now play a more active role. We are actively encouraging other countries to join us in this effort.

We are always seeking to improve the effectiveness and efficiency of our programs. To that end, in 2001, the administration undertook a comprehensive review of U.S. foreign food aid programs. The review reemphasized that the broad objective of U.S. food aid is to use the agricultural abundance of the United States to meet humanitarian and foreign policy objectives related to global food security, while enhancing global agricultural trade.

In addition, U.S. food assistance programs should increasingly target the most food-insecure populations. The administration supports increased direct distribution and continues to support development programs.

The review identified several areas of concern:

First, the number of U.S. food aid programs and the agencies involved in administering them has inevitably resulted in inefficiencies.

Second, expanded use of surplus commodities has led to uncertainties about future food aid availability on the part of both recipient countries and distributing agencies.

As a result of the review, the administration developed a series of recommendations:

First, end the use of the CCC Charter Act to purchase commodities that are then donated through Section 416(b);

Second, increase the funding requested for Title II;

Third, increase reliance on the Bill Emerson Humanitarian Trust;

Fourth, improve the focus of our food aid programs; and,

Fifth, provide better service to our partners.

With that background, let me now turn to some of your specific questions. The administration believes that the food aid review proposals I outlined will increase food aid reliability and allow for a greater focus on direct feeding of needy people, an administration priority. The administration plans to increase the amount of food available under Title II for emergencies and for direct feeding.

The administration also hopes to increase nonfood development assistance to make up for part of the decrease in development programs from monetized food aid. Based on these shifts, U.S. food aid will focus more on direct distribution to needy people and on U.S. Government funding for development programs.

In addition, the administration plans to eliminate redundant functions of USDA and AID to allow each agency to focus its efforts. Overall, I think we can be proud of our record on providing food aid to the most needy citizens of the world. The United States has, and continues to be, the largest donor of food aid, providing more than half of all global food aid. We have a history of stepping forward to respond to crises wherever they exist.

Our infrastructure is the envy of the world. We can procure and ship our products in a timely way so that private voluntary organizations and the World Food Program know they can count on us. Today, USDA and AID together are providing food assistance to help meet food needs in about 80 countries around the world.

You also asked about whether the USDA will be retaining oversight of the McGovern-Dole International Food for Education and Child Nutrition program. The Farm Security and Rural Investment Act of 2002 gives the President the authority to designate one or more Federal agencies to implement the program.

USDA appreciates the opportunity to have implemented the Global Food for Education pilot program and is currently evaluating the initial projects. This evaluation will be used to assist in developing a recommendation for the President on how the program should be structured in the future.

Mr. Chairman, we recognize the magnitude of the problems we face in our efforts to alleviate hunger and suffering around the world. The Food and Agriculture Organization recently estimated that about 800 million people in the world are suffering from hunger and that number is not declining as hoped.

Every year, in addition to chronic problems related to poverty, the world faces new hunger emergencies. Yet, in relation to the current needs, the resources available are limited. In this era of tight national budgets, the United States and other food donor nations all face difficult decisions about where to allocate our precious resources.

Next week, Secretary Veneman will be leading the U.S. delegation to the World Food Summit: Five Years Later. There she will be reaffirming the continuing U.S. commitment to reducing the number of people suffering from chronic hunger. But food aid is just one part of achieving world food security. Food aid efforts must work hand in hand with development efforts, sharing technology, expanding trade, and promoting economic reform. These factors all help produce growth and reduce poverty, the keys to food security.

Mr. Chairman, that concludes my statement, and I would be happy to answer any questions.

Senator DURBIN. Thank you. Mr. Winter.

TESTIMONY OF HON. ROGER WINTER,[1] ASSISTANT ADMINISTRATOR, BUREAU OF DEMOCRACY, CONFLICT AND HUMANITARIAN ASSISTANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. WINTER. Chairman Durbin, thank you for having me here. I appreciate it.

I am going to make comments, particularly focusing on the perspective of USAID. Let me just reiterate, though, what my colleague just indicated, and that is the United States provides about 50 percent of food aid worldwide, and that is far more than any other country. The administration is committed to maintaining this leadership position and affirms the World Food Summit's goal of cutting in half by 2015 the number of undernourished people.

We spoke a moment ago about the food aid review conducted by the administration. USAID was an active participant in that food aid review and agrees with its results. The food aid review's principal aspect of replacing reliance on Section 416(b) with a sustained increase in Title II budget levels for food aid will provide us, at

[1] The prepared statement of Mr. Winter appears in the Appendix on page 78.

USAID, a more dependable source of funding and enable USAID programs to be managed more rationally.

USAID also agrees with the realignment of responsibilities between USAID and USDA. This realignment will allow both agencies to specialize, will streamline the process and will improve management of U.S. Government food aid programs.

The increase requested in the USAID budget of $335 million in Title II resources will, if appropriated by the Congress, position us well to respond to food needs in fiscal year 2003, as compared to the average response levels over the last decade. I will come back to that point.

If for some unforeseen reason, the appropriation proves inadequate, we would seek additional resources from the Bill Emerson Humanitarian Trust. Our requested increase of $335 million in Title II funds will establish a new floor for Title II food aid, but will undoubtedly require adjustments in future years based on our actual experience in implementing the new approach.

You asked the question, "what impact would phasing out of surplus commodities have on USAID's food programs." As I indicated, USAID was an active participant in the administration's food aid review, and we agree with the results. These results, when taken together, will, when fully implemented, we believe, strengthen our food aid and food security programs.

Specifically, however, to the question, we believe these changes will improve feeding effectiveness by ensuring more dependable levels of food aid. Assuming congressional approval of at least the $335 million bump-up that we requested for fiscal year 2003, our appropriation would actually slightly exceed the resources we have had available on the average over the last 10 years for food aid, if you combine the availability of Section 416(b) and Title II appropriations.

In addition, the changes in the program, we believe, will improve our ability to manage these programs. Our resources will be known to us as we begin a fiscal year. The process will be more transparent as we seek to plan our programs and, in fact, we will be able to plan them better, we will be able to target them better, and we will be able to evaluate them better.

If, in fact, the appropriation, even with these benefits of the changes, proves, to some degree, inadequate, the surge capacity continues to exist. The Bill Emerson Humanitarian Trust is available. In fact, we are seeking, given the lateness in the fiscal year, to draw down on the Bill Emerson Humanitarian Trust for the emerging situation in Southern Africa right now.

Of course, the Section 416(b) authority remains if, for some reason, the President wished to consider its utilization. On balance, this administration is not out of touch with the humanitarian realities of the world, and the increasing commitments that we are making to humanitarian assistance, as well as development assistance, I think, are an indication of that. However, this new approach to food aid is a work in progress. The commitment this administration has to the underlying goal of reaching food security globally is a real commitment, and it is, to some degree, a story we will continue to tell for the next couple of years. Thank you.

Senator DURBIN. Thanks, Mr. Winter. Ms. Levinson.

TESTIMONY OF ELLEN S. LEVINSON,[1] GOVERNMENT RELATIONS DIRECTOR, CADWALADER, WICKERSHAM AND TAFT, AND EXECUTIVE DIRECTOR, COALITION FOR FOOD AID

Ms. LEVINSON. Thank you very much, Mr. Chairman. I am Ellen Levinson, Government Relations Director at the firm Cadwalader, Wickersham and Taft. I also am Executive Director of the Coalition for Food Aid, which is comprised of private voluntary organizations and cooperatives—I guess we always call them PVOs—that conduct overseas food aid programs.

We have a very fundamental disagreement with the gentleman and the woman to my right, both of whom I adore and think highly of. I think we have a good administration team on food aid and development. But we have fundamental differences.

We are very disappointed in the administration's food aid review and its conclusions. We feel very strongly that it is somewhat superficial and also does not look at the basic types of needs that food aid is supposed to be addressing.

First of all, what GAO was saying earlier, and we agree with this, is that Section 416 is a source of surplus commodities and is not a reliable mechanism for food aid. You cannot get the right types, and you cannot get the adequate amounts when you need them. So, in that sense, we all agree, I think, that Section 416 should not be relied upon for either chronic needs, meaning Food for Education, mother-child health care, agriculture development, nor for emergencies. What if we do not have surpluses, like in 1996 and 1997, when we have emergency needs? So, we are all in agreement on that, I believe.

However, when you break down to the next level, what do we do then as a fundamental way to deal with food aid needs? There are two types: Chronic needs—there are about 800 million people in the world who are hungry and do not have enough food day in and day out. The people you see when you go to the field, these are not emergencies. They live like that.

Those people can be helped with American food aid, and have been over the years. It is not just through direct feeding. For example, Food for Education programs often have a take-home ration because it is the reward mechanism, in a sense. You send your kid to school, we will give you something to take home for the betterment of the whole family.

Food for Work programs, those are take-home rations. The same with agriculture development. Oftentimes, there is monetization, the sale of the commodity. What do we end up with at the end of that? We end up not just with food delivered, but rather a household that only had 3 months' worth of food during the year now has 9 months of food during the year. I call that progress and success. That happens under P.L. 480 Title II. It is not "feeding," but these are programs that work.

What we are trying to say is do not forget we are working with local communities. We have to adapt programs to meet local needs. Just food handouts or what the administration calls "feeding" does not do it. However, it is very important to have emergency feeding

[1] The prepared statement of Ms. Levinson appears in the Appendix on page 85.

and to have access to commodities above the amount of food aid that is provided for P.L. 480. Just funding P.L. 480 is not adequate.

It is wonderful that the administration asked for increases in P.L. 480, Title II. That could be used immediately. But, I have a question. If they asked for these increases, why, in the fiscal year 2003 program cycle, are my members, the PVOs, being told by USAID that there will not be enough food for development programs? PVOs are being asked to cut back on their proposals because the administration is holding back Title II food aid in order to keep it in reserve for emergencies.

Well, the Bill Emerson Humanitarian Trust is for emergencies, why do you not use it for emergencies? Why are they taking food away from developmental Title II programs? Seventy-five percent of Title II food aid, according to the law, is for developmental programs, not emergency. When the 25 percent of Title II that is for emergencies is used, the administration should go to the Trust, which is a reserve of commodities. The problem with the Trust is that when you draw down on those commodities and use them for an emergency, you have to pay back the Trust in the future. USAID has to pay CCC for those commodities that were used.

What the administration wants to do, basically, is to draw it down, and encumber future funding for P.L. 480 to pay it back. That is not sufficient. All you are doing is taking it out today and then taking away from food aid in the future. If Congress appropriates $900 million, let's say, for Title II or a billion dollars, but that money will not go to Title II. It is going to go to pay back the Trust in the future.

This reserve has to be set up in such a way that USAID does not have to pay it back by encumbering future Title II funds or P.L. 480 Title I funds. That is really important.

The second problem with the Trust is that when you take commodities out, you have to fill it back up. The money USAID pays back to the Trust does not go to buy more commodities. It just goes back to the Treasury, except for $20 million. That is all they can use, and that will buy, maybe, 140,000 metric tons of wheat. That is all.

There needs to be a mechanism to put the commodities back in. There is a mechanism. Right now, USDA could, through CCC Charter Act authority, buy commodities off the market because prices are low. There is definitely abundance of availability, which I know you hear from your constituencies regularly. USDA could buy commodities off the market, taking them into CCC inventory and then designate them as part of the Trust and replenishing the Trust.

I think the administration's food aid policy is a half loaf. It definitely is not a full loaf. Congress tried to make some changes in the Farm Bill, calling for improved management at AID and USDA, which should be terrific. But, the administration really needs to think again, about how we address chronic needs, as well as emergency needs. Thank you.

Senator DURBIN. Thank you. Mr. Phillips.

TESTIMONY OF JASON PHILLIPS,[1] COUNTRY DIRECTOR, INTERNATIONAL RESCUE COMMITTEE, KENYA

Mr. PHILLIPS. Mr. Chairman, thank you for inviting me to testify today.

As the International Rescue Committee's Country Director for Kenya, I spend a good deal of my time managing IRC's health and feeding programs in Kenya's Kakuma refugee camp.

I would like to offer some brief observations on the problems in the camp related to food security and ask that my more detailed, written testimony be submitted for the record.

Senator DURBIN. Without objection.

Mr. PHILLIPS. There is a high rate of malnutrition in Kakuma, reflective of an abandonment of minimum international humanitarian standards in food assistance. According to the United Nations High Commissioner for Refugees and World Food Program guidelines introduced in 1998, the minimum caloric requirement for one person for 1 day is 2,100 kilocalories.

For the past 2.5 years, the Kakuma general ration has fallen woefully short of these standards. In the year 2000, the average twice-monthly general ration distributed was 1,877 kilocalories. In 2001, it was 1,770. Since January 2002, the situation has deteriorated even further and can only now be described as critical. The average ration distributed from January to mid-May 2002 was 1,449 kilocalories. This is perhaps best graphically illustrated on the chart that is here for your review.

According to the last camp-wide nutrition survey conducted in Kakuma in April 2001, the global malnutrition rate stood at 17.3 percent. While alarming, in and of itself, what is more alarming is that these rates in Kakuma have not significantly deviated from this level for the last 6 years.

Since 1995, the rate has not dropped below 14 percent and was as high as 18.3 percent in May 1999. These are rates that one would expect to see in nutritional emergencies and represent levels in excess of what one would find in protracted, stable refugee camps in neighboring countries. While, fortunately, the rate of severe malnutrition, which requires therapeutic intervention to save life, is very low, the high global rate suggests there are many vulnerable people in Kakuma who, under continuing poor or deteriorating general rations, stand to slide into a life-threatening situation.

IRC has been running supplementary and therapeutic feeding programs to cater for the needs of the malnourished, particularly the most vulnerable members of this refugee community, children under five and pregnant and lactating women. As long as the general ration remains compromised, it is impossible to envision an end to what should be temporary feeding programs.

In April 2001, IRC, in conjunction with the United Nations High Commissioner for Refugees and the Institute of Child Health in London, undertook a micronutrient survey in Kakuma. The results suggest that the composition, as well as the amount, of the general ration leaves a lot to be desired. According to the analysis, the general ration was deficient in three of six key micronutrients. Overall,

[1] The prepared statement of Mr. Phillips appears in the Appendix on page 99.

Vitamin A deficiency was found in 47.2 percent of children under five, and anemia was present in 61.3 percent of children. The latter was flagged as a situation of high public health significance.

To some extent, the picture I have just given you is the good news. The entire World Food Program food pipeline for the protracted refugee operation in Kenya has been consistently underresourced throughout the year and remains in critical condition.

As of 15 May, WFP reported that wheat flour stocks are only expected to last through May, although a U.S. pledge sufficient to cover 5 to 6 months has been made, but not arrived yet.

Pulses, such as lentils, have not been distributed since mid-April and only a 3-month supply is in the pipeline. Oil has run out completely in Kakuma, and there is nothing in the pipeline, and salt is only sufficient until June.

What is particularly notable about this situation I have recounted is that this is happening not in an acute emergency setting, but in a care and maintenance camp that has been in existence for over 10 years. The cruel irony is that a nutritional emergency in Kakuma will not only lead to a loss of life, but also significant financial cost to donors above and beyond the costs of meeting minimum food assistance standards, to treat and rehabilitate the victims of increasing severe malnutrition.

Given all of the circumstances I have described, what would be the implications of a further reduction in food assistance to Kakuma? The short- to medium-term impact would be an increase in hardship and a decrease in household food security leading to increased malnutrition for the vast majority of the 64,000 refugees living in Kakuma. The effects of this reduction will be felt first and most acutely by the most vulnerable members of the community. The condition of children under five in supplementary feeding programs will deteriorate, leading to increases in admissions in therapeutic feeding.

Pregnant women stand an increased risk of delivering low-birthweight babies. Malnutrition makes one more susceptible to other diseases and, thus, malnutrition-related morbidity will increase. Depending on the severity and the duration of the reductions in the general ration, one would expect this cycle to eventually lead to a rise in malnutrition-related deaths.

Reductions in food aid to refugees in Kakuma could also be expected to lead to an increase in insecurity. Evidence shows that under worsening conditions, there are other coping strategies that refugees can, and will, resort to when all others are exhausted. These include theft, banditry, and violent conflict with neighbors in order to access food.

Finally, I want to touch on the special role that the United States plays in Kakuma and review some of the options going forward. To speak of an international community in support of refugee assistance in Kenya is a bit misleading. This is because, by and large, it is the U.S. Government that is financing the care and maintenance of refugees there. The Bureau of Population, Refugees and Migration itself provides over 50 percent of the International Rescue Committee's $3 million annual budget for Kakuma and

makes sizable contributions to other organizations such as Lutheran World Federation, CARE and UNHCR.

Nowhere, however, are Kenya refugee operations more dependent on U.S. assistance than in the area of food aid. According to statistics provided by the World Food Program, the United States provided 68.3 percent of donor food assistance to refugees in Kenya during the period October 1, 2000, to March 14, 2002. Were it not for a very recent sizable cash contribution from the Japanese Government, that figure would have stood at approximately 80 percent.

This represents a significant shift in the overall financing of the refugee food assistance program in Kenya from 4 years ago. From October 1, 1998, to September 20, 2000, the U.S. contributed 39 percent of the total resources. Refugee food aid in Kenya has gone from a multilateral to almost a unilateral affair.

As I have tried to outline in my testimony, cutting back on food at this stage is neither cost-effective nor humane. From my experience in the camp, I would make the following recommendations aimed at reducing the U.S. share of assistance to Kenya and providing more durable solutions for the refugees.

No. 1, engage in multilateral diplomacy with the rest of the donor community to share the burden of caring for refugees in Kenya.

Two, engage in bilateral diplomacy with the Government of Kenya to expand opportunities for local integration and remove fundamental barriers to self-reliance.

Three, continue to generously support and fast track resettlement for those for whom repatriation is not an option and for those who face protection problems in the country of asylum.

Four, explore with the U.N. High Commissioner for Refugees more aggressive and creative opportunities to support voluntary repatriation, not just to Sudan, but for all nationalities resident as refugees in Kenya.

Five, continue and increase assistance to developmental projects in Southern Sudan to make it an attractive place to go home.

Finally, six, continue and expand the U.S. role in bringing peace to countries generating refugees in Kenya, particularly Sudan and Somalia. Peace is the most durable solution to the plight of the refugee.

Mr. Chairman, thank you very much, again, for giving me the opportunity to appear before you today.

Senator DURBIN. Thank you, Mr. Phillips.

Let me follow up on your last comment, and from what I hear, if you do not have basic food security, you are fomenting instability, individually, by family, by community, and inviting the very problems that we are worrying about around the world. This is the kind of instability in societies that lead to violent conduct by young people and extremism being an appeal to the poorest of the poor. Is that what you have seen? I do not want to take it any further than you want me to, but that is a conclusion which I find inescapable from what you just said.

Mr. PHILLIPS. Well, I think evidence definitely shows that under conditions of poor resourcing for these types of programs, that violence is one option that people resort to, when you have scarce resources that have to be divided among a growing population, and

I think we have heard testimony today to the fact that these problems are not diminishing; in fact, they are increasing. When we have scarce resources, those often become the subject of competition. And certainly in a very micro-local context like the one camp that I work in, we see evidence of that on a daily basis.

Senator DURBIN. I have a number of questions. You are going to help to educate a Senator, which is no mean feat, on some questions that have been on my mind for a while. Let me just preface it by saying that I hope to go to the floor this afternoon or first thing in the morning to offer an amendment to the supplemental to make a rather substantial increase in our contribution to the global AIDS crisis.

To put this in some context, we talked a lot about food here. I do not think we can discount this from health care, and the problems that are facing these same people are not just starvation, but AIDS, and malaria, and tuberculosis and so many other things that also can compromise an ordinary life and make it very difficult to survive.

We spent last year $300 million on the global AIDS effort. This year we will spend $200 million. If you think the AIDS epidemic is under control and that is why we are spending less, just the opposite is true. The estimates are 40 million infected people in the world. Ninety-five percent of them do not know it. Twenty-five million in Africa is the last figure I heard, some 15 million AIDS orphans in Africa. Mr. Wolfensohn, at the World Bank, says that in the next 5 years we will have 20 million infected people in India alone.

So take this food discussion to a health discussion and try to visualize what this world starts looking like 2, 3, 4, 5 and 10 years from now, when our children are looking for some stability and absence of fear in their daily lives. I think that is part of this discussion.

I hope we all concede as a starting point that we are not making sufficient progress, in terms of world hunger, to reduce our commitment. Is there anyone who quarrels with that premise, for what I am about to ask? I do not believe anyone does.

Let me ask you then, Ms. Terpstra and Mr. Winter, I understand what you are saying, and your terminology, from a management viewpoint is, Mr. Yager agrees and we all agree, using surplus commodities is totally unpredictable. You just do not know what you are going to have, and when you are going to have it, and you try to build a program around a surplus, it may come pouring in at a time when you do not need it and be absent when you do.

I think what you have suggested is, from a management viewpoint, you have used words like dependable, transparent, rationalized process, streamlined, and all of that suggests that if you are not dependent on surplus, you can manage better what you are dealing with and know where to allocate it and the impact it is likely to have.

Am I putting words in your mouth or is that the conclusion that you are bringing to us, in terms of moving away from Section 416(b)?

Ms. Terpstra, is that fair?

Ms. TERPSTRA. Yes, I would say that sums it up very well.

Senator DURBIN. But then let me ask you, in fairness now, I mean, if you eliminate the surplus, you are, clearly, at least in the good times, eliminating food aid to some people. Let us assume that you have a group of 30 children somewhere in the Third World, and the United States is feeding 15 of them, since we provide about half of the aid there, but in a great year, with a great surplus, we may feed 25. Now we are in a situation where we have eliminated that surplus, so the best we can do is 15, even in the bad years, because I do not see the overall spending for food aid going up, I just see the elimination of the surplus.

Mr. Winter, is that a fair characterization of where we are headed?

Mr. WINTER. Well, I mean, at least for USAID, we will have a significant increase in the coming year, if appropriated. Our request is quite substantial. In addition, I think you have to take food aid in the context of a whole series of other factors that relate to it. For example, within USAID, agriculture and improving agriculture in these food-deficit countries is a high priority for us. As a matter of fact, it is USAID's major priority area right now. We have already reprogrammed this year from the appropriation an additional $30 million to improve agricultural productivity in the countries that we are talking about. We have asked for a 25-percent increase in our agricultural programs for next year. We expect to continue to do that.

If you take the country that Jason was talking about, in terms of Sudan, we have just made a $22.5-million commitment to agricultural extension services and a whole range of compatible efforts to help those countries actually begin to produce more so it is not just food aid, it is food in the context of an overall development program that we are——

Senator DURBIN. Can we go there next? Because I could not agree with you more, but I want to make that the second phase of the question.

The first phase of the question relates to direct food aid to people who are hungry. Now development—I want to get into next because I think that is a critical issue, but in terms, I want to make sure I understand what you are saying. You are saying if the administration's request is approved by Congress, there will be more money spent on food aid in the next fiscal year than is being spent this year?

Mr. WINTER. No, because the last couple of years have been atypical. There have been the Section 416(b) resources that have been very high. There was a big spike that occurred in 1999, as we were discussing earlier in 1999, 2000, and 2001. So the last several years have been atypical even for the pattern of the last decade or so.

What I am saying is, if you take the average of Section 416(b) availability in the last decade and Title II availability, and package them together, you will find out that what is budgeted solely to USAID in Title II funds is in line with the 10-year average. Now that does not mean we think that is the end of the story, because we are just beginning to implement the administration's new packages now, and there are going to have to be adjustments in subsequent years as we do it. So I think you should not take the imme-

diate budget as the be-all and end-all. We have a lot of sorting out still to do.

Senator DURBIN. At least in the first year, there will be less food aid available, less money available for food aid for feeding hungry people around the world than this year.

Mr. WINTER. Because of the atypical highness of Section 416(b) for the last couple of years.

Senator DURBIN. Ms. Terpstra, do you disagree with that or is that the way you see it as well?

Ms. TERPSTRA. My impression was that it is just a slight decrease.

Senator DURBIN. Do you have any idea what the number might be, the reduction, perhaps?

Ms. TERPSTRA. No, we are still estimating that you are going to have about 3.7 million tons of commodities available. Perhaps we could give you more information in writing to clarify the situation.

Senator DURBIN. I wish you would.

Mr. Yager, could you make some observations on that?

Mr. YAGER. Yes, Mr. Chairman. I think that what we have done in Figure 1 in our testimony, as well as in the board here, is show the actual dollars that are being expended from 1990 through the year 2003. Now I should also comment that these are real dollars. So this is the buying power of these dollars in 2002.

So you can see that the planned expenditures for the year 2003 are not the low point for the 13-year period, but they are certainly not the high point either. So this represents the planned expenditures for the current year. As you see the Title II share is the dominant share during this last year.

Senator DURBIN. Now our numbers that we have from the USDA suggest that fiscal year 2001, total food aid from the United States, $2.29 billion. This year, fiscal year 2002, total food aid from the United States, $1.97 billion. Budget request for the next fiscal year, total food aid, $1.4 billion. Now that is a substantial decrease from this year to the next, but these figures, I believe, are from the budget summary from the U.S. Department of Agriculture. If someone here has different figures, please tell me right now because it looks to me like the amount of money we are putting into total food aid is going to be substantially less next year, from $1.97 billion to $1.4 billion.

Mr. WINTER. My figures are not displayed like that. I apologize for that. What I can tell you is, for USAID it is actually obviously a substantial increase that would be taking place in 2003.

Senator DURBIN. So perhaps it is between the two agencies where the difference is.

Ms. Levinson, the point you have made is not just the decrease in the total amount of food aid, but also is this new administration-proposed accounting wrinkle, where they have to replenish from the surplus, the Emerson surplus, from future Title II? Is that a new approach?

Ms. LEVINSON. Well, actually, the Bill Emerson Humanitarian Trust is imperfect in the way that it was developed in the law.

Senator DURBIN. Though he was a pretty good guy.

Ms. LEVINSON. He was a good guy. That is why it is named for him. But, the way that it was developed over time is the problem.

Remember back in 1979, when we had the embargo on grain from Russia? You will never forget that because everybody in agriculture was furious at President Carter because he said we are not going to ship anything to the Soviet Union during the Afghan war. What that meant is that wheat sales, 4 million metric tons of wheat sales, fell out that were supposed to go to the Soviet Union.

Instead, the Congress established something called the Food Security Wheat Reserve and bought 4 million metric tons of wheat off the market and established this reserve.

The reserve had a purpose, and the purpose was a back-up to P.L. 480, a back-up emergency reserve for food aid. In years when USDA could not buy commodities off the market. For example, in 1996–1997 when there were very high prices in wheat and a tight market, and the Secretary did not want to buy wheat off the market. Secretary Glickman bought food aid from the Wheat Reserve, which was then called the Grain Reserve because it's name has changed over time.

The Secretary used P.L. 480 money and bought right from the Reserve.

The law has been changed over the years so that now up to 500,000 metric tons in any year can be withdrawn without having just to pay for it.

Senator DURBIN. This is for emergencies that come up.

Ms. LEVINSON. For emergencies, and that has to be for urgent emergencies; emergent needs. When that occurs, though, the Trust has to be repaid in future years. So, what USDA does is basically wait a year or two and pay back the Reserve with money that has been appropriated for P.L. 480.

Senator DURBIN. So let me stop you there——

Ms. LEVINSON. So that is in the law.

Senator DURBIN. Let me go back to Mr. Winter, and perhaps this is more USDA than USAID or Ms. Terpstra. So, if we run into—not only do we see an overall reduction in total food aid, what I hear is that if we run into an unanticipated emergency in some part of the world, and we have to draw down from the Emerson Surplus, it is going to jeopardize Title II funding, P.L. 480 Title II funding in the next fiscal year. It is a payback.

One of the first things you have to do is not only fund the program, but pay back what you borrowed from it in the previous year. Is that your understanding too?

Ms. TERPSTRA. You would need to go to Congress for appropriations. You could seek additional appropriations.

Senator DURBIN. So not only would the overall amount come in the next year, if we run into an unanticipated emergency, the following year may be worse. So, I mean, we cannot predict. It could be wonderful and no problems, it could be an emergency, and we find ourselves really starting to see a steady decline in U.S. food aid around the world, if that happened.

Ms. TERPSTRA. Well, it is up to congressional appropriations.

Senator DURBIN. Sure, I know where the buck stops.

Mr. WINTER. Mr. Chairman, if I understand it correctly, there is no limitation in the law that says it has to be paid back in the subsequent year. We have a number of cases where there have been draw-downs from the Emerson Trust that have not, in fact, been

reimbursed at all at this point in time. So I would just say the idea of talking about next year we get cut, is not necessarily the case. There is a provision in the law that basically does indicate it does need to be paid back at some point, but it does not say when.

Senator DURBIN. Mr. Phillips, your testimony, on the ground, how long have you been in Kenya?

Mr. PHILLIPS. I have been personally in Kenya for the last almost 2 years.

Senator DURBIN. But the testimony you have given us talks about the caloric intake over a longer period of time. So someone has kept track of it. When we are in a position where the United States is a major donor and you said 60 to 80 percent, depending on Japan and other countries coming forward, and so the United States starts cutting back in Kakuma refugee camp, and so you see the caloric intake for the refugee families going down, in terms of the amount of nutrition and sustenance they are receiving, what impact does this have on actual people that you are witnessing, the lives that they are leading?

Mr. PHILLIPS. Well, I think the first thing, to put the topic in a broader context, is that, even with the incredibly generous support that the U.S. Government has been giving at this time and the almost unilateral nature of the food aid support for Kenyan refugees, we are still falling far short of some of the standards and targets that we, as an international humanitarian community, have set for refugee assistance.

So the backdrop that we must start from is that current conditions are already, in many ways, in this particular camp, substandard. So, to start from that base and then you can extrapolate exactly some of the issues that I described, exactly what can we see on human terms, we can see an increase in the number of children under five that will require supplementary feeding and therapeutic feeding. We will see or there is the potential to develop low-birthweight babies as a result of the poor nutritional status of mothers.

I mean, the realities, the way these macro-level forces that we are discussing here actually come together is in the case of the human being that is on the receiving end in a place like Kakuma.

Senator DURBIN. So we are dealing with emergency feeding programs for refugees primarily from the Sudan, is that correct, in your camp?

Mr. PHILLIPS. In my camp, yes, it is particularly Southern Sudanese.

Senator DURBIN. And the point made by Mr. Winter, I do not think anyone will argue with, and that is that we certainly want to keep these children and families alive, but we understand that this is a temporary emergency nature or should be under the best circumstances. You made the point, Mr. Winter, and I do not disagree with it, you have to be thinking ahead saying, OK, someday we want them out of the camps back into a normal life where they can sustain themselves, which goes to the whole question of development.

Mr. WINTER. Right.

Senator DURBIN. Maybe beyond USDA, Department of Agriculture, but certainly in your jurisdiction——

Mr. WINTER. Absolutely.

Senator DURBIN. I think you complement one another in the way that you approach it.

Ms. Levinson has made the point that many of the Food for Work programs and Food for Education programs are really trying to be development programs that are fueled by food so that you create the incentive that Senator McGovern and Congressman McGovern spoke of.

Do you see a problem then, if we do not have the food to use as incentives for development programs?

Mr. WINTER. Actually, we think there needs to be both. There needs to be direct food assistance, most particularly in an emergency context, but direct food assistance in my opinion does not actually produce development. It is a different kind of approach that is required, and food security requires developmental inputs. So, in fact, we need both, and the purposes are a little bit different for the two.

Senator DURBIN. But the money through USAID that you anticipate next year, will it be enough to sustain the programs that link food and development? Going beyond the emergency feeding, trying to get to the development level so that people are more self-sustaining, less dependent, do you think that your budget request for next year is going to give you the same, more or fewer resources?

Mr. WINTER. At this point, we think we can sustain both kinds of programs. However, as I said, this is, to some degree, a work in progress. If we get at least our request, we believe that we can sustain both our development programs and our emergency feeding programs, and if, for some reason, something unforeseen occurs, we will proceed to try to draw down the Bill Emerson Trust.

But, ultimately, our first-year experiences I think will be very determinative in what the nature of our requests are past 2003. We do think we are OK for 2003, but we are going through a learning process in the implementation of this new framework.

Senator DURBIN. Mr. Phillips, you have seen it on the ground. I mean, beyond subsistence from this feeding effort by the United States, have you seen families, people graduating from this dependence into more independence, through developmental programs?

Mr. PHILLIPS. I think the camp that I am particularly discussing right now may not be the best example to use for the success or graduation, as you call it, from dependency in this context. There are tremendous—I did not get into them in my oral testimony—but in the written testimony I elaborate on many of the structural conditions which militate against strategies of self-reliance in the particular context of Kakuma, and it is unfortunate, but largely as a result of those barriers, that the need for continuing strong support, particularly in the area of food aid remains.

In the absence of the abilities to actually move in these more developmental directions that Mr. Winter and others have articulated, we need to continue and, in fact, in some ways, on a multilateral basis, find ways to increase the types and the quality of assistance that we are providing in these contexts.

Mr. WINTER. Mr. Chairman, can I pick up on what Mr. Phillips said?

Senator DURBIN. Sure, of course.

Mr. WINTER. We have a real problem here. What he is talking about, that is, the absence of other donors, the increasing disinterest of other donors, is a serious problem. In Afghanistan, we covered 90 percent, basically, of the food assistance. In many of these circumstances, we may be covering sometimes up to 70 percent.

In the case of Sudan, again, not to pick on Jason's refugee country, we negotiated, as he pointed out, a peace arrangement that opened up areas for humanitarian access where we could begin to provide food for the first time in a decade or so. The Europeans and others expressed great admiration for our accomplishment in negotiating this but did not put up much of anything to actually put the food in the hands of the people who are now newly accessible.

So we have a donor problem, and the United States is doing the lion's share. We want to. We are not backing away from that. Somehow we have to mobilize these other donors to be more productive in terms of their donations, too. This is a real problem.

Senator DURBIN. Let me follow up, since you raised Afghanistan, it is one of the questions. In yesterday's *Christian Science Monitor*—I do not know if you saw the article—entitled, "A Fight to Feed Hungry Afghans," a new report commissioned by your agency has found that the level of food security in Afghanistan is now down to 9 percent from nearly 60 percent 2 years ago.

Would you tell us what efforts USAID has underway in Afghanistan, for example, and whether you foresee any negative impacts for those programs from this reduction in commitment to food aid in the next year.

This is really going to be, is it not, in the near future a test for the United States? This was the first battlefield in the war against terrorism, and the way we leave Afghanistan is kind of a message to the world; if you want to let the U.S. cops show up to take out your terrorists what is left behind.

Is this not kind of a special-needs case that is going to perhaps call on Congress and the administration to think about more resources?

Mr. WINTER. It is. We have, obviously, a political commitment, as well as all kinds of other commitments when it comes to the case of Afghanistan. I am not going to avoid your question, but I have been out of the country. I have not seen either the article or the report that is being cited in the article.

In the way we have been structured, we have had a special task force dealing with the issue of Afghanistan, specifically. So I would prefer, if you will OK it, to give you a response on the steps we are going to take on Afghanistan in writing.[1]

Senator DURBIN. I wish you would. I was there in January for just a very brief visit. It was the first daylight Codel into the country. Senator Lieberman and McCain preceded us at night, and I say, half jokingly, that the Pentagon decided it was worth risking four Democratic Senators for a daylight flight, and so they let us come in there.

And I will tell you that as we went along the roadway from Bagram to Kabul, that the children standing by the roadway,

[1] The information on Afghanistan Food Aid supplied by Mr. Winter appears in the Appendix on page 117.

pointing at our speeding vans as we were going through dangerous territory, pointing to their mouths. It was all about food. We think about the political stability there, but I think we had done a lot by then. We probably are doing more now, but I think the demands are going to be so much greater. So, if you could fill me in on that, I would appreciate it.

Mr. Yager, the GAO has looked at our food programs year after year after year and made recommendations of ways that you think we can manage them better. Can you highlight some of those or point to areas where you think we might be able to be more efficient because we bear this major responsibility?

Mr. YAGER. Certainly, Mr. Chairman. Let me just get back one moment to the other questions you were asking about trying to take advantage of the benefits of surpluses, while trying to minimize the downside. The more that we talked about this in preparation for this hearing, the more that we really thought about this idea of a reserve, and the more attention that you pay—as Ms. Levinson did—to the Bill Emerson Humanitarian Reserve. What it does is offers the opportunity to try to hold some of the benefits of these surpluses during the good years for the tough years.

But what you also hear, in her testimony, as well as others, is that there needs to be a clear strategy for both the use of the reserve, as well as the replenishment of the reserve. This involves trying to model what you might use it for and trying to anticipate the kinds of changes that do occur over time in farm prices and in shipments. This might allow you to make a better effort at taking advantage of this vehicle, the Bill Emerson Reserve, which has not been used extensively over the last decade.

Just in putting this in scale and context, the 500,000-metric tons of grain is about one-tenth of what is shipped in a typical year during the food aid program. So it gives you some idea of the scale of what could be done with this——

Senator DURBIN. Under Section 416?

Mr. YAGER. Well, no, we are talking about all programs in general.

Senator DURBIN. All.

Mr. YAGER. So it would not create the kinds of peaks that were created through the Section 416(b) program, but it does offer some ability to try to improve or try to increase the level of resources that are provided to food aid. However, it has to be done in a very thoughtful way, and I think it has to be managed with a strategy both for the use, as well as for the replenishment.

Senator DURBIN. Ms. Terpstra, I live in a farm State and just met with some farmers last week talking about the new farm bill and their challenges. In the last 10 years, the general economy has been very good, but not in the farm belt. We have seen, even in strong agricultural States like Illinois and Iowa, a lot of problems with low prices, limited income, more dependence on Federal payments.

And so if the administration walks away from using the surplus for Section 416(b), will that create more supply on the domestic market, pressing prices even further, calling then for more government payments to farmers because of these depressed prices?

Ms. TERPSTRA. Let me answer that by noting that we have two places where we would continue to use surplus commodities. One is the opportunity to replenish the Bill Emerson Trust. I think my colleague from GAO is very correct. We need to be thoughtful about how to use that more aggressively in the years ahead and how to replenish it, and that is an issue currently under interagency discussion because we are faced with utilizing it for Southern Africa. So we need to look at how we can replenish that trust, which currently, I think, is about 2.5 million tons out of the 4 million that it can be held at.

The second thing is I wanted to also reiterate that we are not seeking to end the authority of Section 416(b) and that we will continue to use any commodities in CCC inventories for food aid programs.

Senator DURBIN. You used dried milk in your testimony as an example.

Ms. TERPSTRA. For example, yes, we have those commodities available currently.

Senator DURBIN. But if you follow my logic, and if my economics course is going to hold up for this explanation here, if we are not careful, we are going to run into the following circumstance:

We stop exporting the surplus; we leave it on the market here; the domestic prices go down; and so the Federal Government then makes greater payments to the farmers because of their depressed prices. So we pass a supplemental appropriation bill to give farmers in Illinois more money because we are not using corn, soybeans and wheat that they produce.

In the meantime, the recipients, at the other end, are not receiving the benefits of the additional surplus in the good years. So there is less food aid going out, and we are really not gaining anything from it on a budget viewpoint. We are instead sending it back to farmers because of depressed prices.

Now that is, as I look at this just from the outside, I do not know if I am missing something here, but that strikes me as a quandary. We are not saving money by reducing the surplus. We may be making it more dependable, in terms of what we can provide, but it may be costly.

Ms. Levinson, since you used to work for me, I guess you have to agree with me—— [Laughter.]

Ms. LEVINSON. One hundred percent.

Actually, this is an issue that has been raised. When you go to CBO, the Congressional Budget Office, or OMB to make the argument that they should show some savings in farm payments because of purchases of surplus off the market should have an elevating effect on prices, from what I understand, they do not buy it. They will not agree to that, as a budget matter. They will not look at it and say, yes, it is an offset, and therefore increase spending on food aid.

However, as a practical matter, this offset should happen and I think some of the commodity groups have figures that show this and we would be happy to share that with you. PVOs worked with the agricultural groups in an Agriculture-PVO Coalition on Food Aid that came up with food aid recommendations, including replenishing the Trust.

I want to make an important comment about surpluses. In the past few years, many of them have been used very constructively. The CCC-funded food aid programs are Section 416 and Food for Progress, but Food for Progress is a small program. It had a cap of 500,000 metric tons before, and the new farm bill creates a minimum level of 400,000 metric tons. At least this requires some CCC-funded food aid.

At USDA, they received 250 proposals for 1 year for the Food for Progress program, 250 proposals for something that ended up being a couple hundred thousand metric tons.

The request is for 3 million metric tons of food aid. There is demand and it's not just to dump commodities. These are proposals for programs; agriculture development programs, Food for Education, many different kinds. The United States paid for recovery after hurricanes in Central America and emergencies all over the world with Section 416, which was used as a back-up to Food for Progress.

The demand is there for food aid, and Congress is not providing enough through CCC funding. I am glad there is a request for higher Title II funding, but we could be spending more money on food aid. The demand is very high for very good programs.

Senator DURBIN. I want to thank the panel for their testimony and for your patience as I have asked these questions. I thank you all for what you do, for all of the agencies involved here. Particularly, Mr. Phillips, thank you for coming here to tell us the story firsthand that you face in Kenya.

I can understand, from a management viewpoint, why this decision has been made, but I think the net impact on poor people around the world is, at least in the next year, going to be very painful.

If there was ever a time in history when the United States needs to project a different image, an image of compassion and caring, I think this is the year to do it. The McGovern-Dole program is an example. There are others, Food for Progress, Food for Work and others, that can start telling the story of America that can confound some of our critics around the world, and I think we are moving in the wrong direction in food aid.

I hope we, in Congress, can look at this thoughtfully, work with the administration and come up with an approach that does not have that negative impact.

Thank you all for joining us today. I appreciate it.

This Subcommittee is adjourned.

[Whereupon, at 4:05 p.m., the Subcommittee was adjourned.]

APPENDIX

STATEMENT OF

GEORGE McGOVERN

Before the

COMMITTEE ON GOVERNMENTAL AFFAIRS

UNITED STATES SENATE
June 4, 2002

I would like to thank you, Chairman Durbin, for calling this hearing and for your leadership in the fight against hunger. Also, I would like to thank you for your work in helping pass the McGovern-Dole International Food for Education and Child Nutrition Program—legislation of which you were an original co-sponsor.

Let me begin my testimony today by focusing on that legislation and on the importance of school feeding as a tool to promote education and address hunger. As I speak to you, 300 million school-age children in the world are chronically malnourished. Often their mental and physical development is impaired as a result.

Tragically, of these 300 million hungry children, 170 million go to school on empty stomachs and do not receive any food during the day, and 130 million, mostly girls, do not attend school at all. As we all know, education is the key to creating literate, self-reliant and healthy societies. School feeding programs can have a tremendous impact both in reducing hunger and in promoting education. In addition to increasing a child's ability to learn, providing meals at schools significantly increases enrollment and attendance rates.

School feeding programs have been in operation around the world for many years—usually on a pilot basis. These programs have had a tremendous impact on the

children that have had access to them. When school feeding programs were implemented in Bangladesh, student enrollment increased by 35 percent with girls' attendance increasing by 44 percent. According to the United Nations World Food Program (WFP), school feeding programs often double enrollment within a year and can produce a 40 percent improvement in academic performance in just two years. In districts in Cameroon and Pakistan, school feeding programs helped increase girls' enrollment by over 200 percent.

The increase in enrollment of girls as a result of these programs is especially encouraging. One of the most valuable investments that can be made in developing countries is to improve the education of girls. Studies have shown that educated women are much more likely to ensure that their children receive adequate nourishment. Furthermore, educated women have fewer children and are more likely to postpone childbirth until later in life. Finally, educated women are more able to contribute to society's development. For such success, the cost of school feeding programs is small. On average, it costs 19 cents per day or US$34 a year to feed a child in school in a developing country.

I am pleased that the United States has taken the lead in promoting school feeding around the world. With passage of the McGovern-Dole International Food for Education and Child Nutrition Program, our commitment to school feeding will hopefully be ensured for years to come. I greatly appreciate and commend Congress for passing this landmark legislation, and the President for signing it, but I hope this is only the first of many steps. The legislation provides $100 million for school feeding programs in 2003. This is a good starting point, but much more is required. I estimate that the start-up cost

to cover the first two years of a global program would be approximately $3 billion. While other nations must help in meeting this need, the United States should contribute a significant portion of this amount. We have the capacity, the public support, and the political will.

Other nations must also participate. France, Italy, Switzerland and Germany have already contributed to WFP's school feeding operations. I hope the President and the Secretary of State will actively engage other Heads of State and encourage them to participate in this important Program. It is consistent with the Administration's efforts to address world poverty, as President Bush discussed in Monterrey. It is consistent with the President and First Lady's important focus on education and their commitment "to leave no child behind". And finally, it will help us address some of the root causes of terrorism--hunger, poverty and illiteracy.

Similarly, I hope the private sector will play an active role in supporting the school feeding programs. Individuals and companies in the United States have already provided over $300,000 to WFP's school feeding efforts in the first few months of this year. This is a good start but much more needs to be done.

The aid from the United States and the international community is intended to jump-start the school feeding programs. After five or six years, most countries should be able to take over their own operations. According to WFP, 13 countries that it helped to establish school feeding programs are now administering their own school lunches without further foreign assistance.

The McGovern-Dole International Food for Education and Child Nutrition Program directs the President to determine which agency or agencies should administer

the Program. In considering whether the responsible agency is USDA or USAID or some combination of both, I urge the President to consider several factors in making this decision. Most importantly, the level of commitment of the agency to promote school feeding should be paramount. Not just a commitment to education in general but a commitment specifically to school feeding programs. I also suggest that the President consider each agency's experience and track record in administering these types of programs. A third factor to consider is how efficiently and effectively the program will be managed, and how each agency's internal regulations and guidelines will impact the implementation of the program. I look forward to the testimony of the officials from USDA and USAID on these points.

I would also like to take this opportunity to discuss our overall efforts to address hunger around the world and to express some concerns about proposed decreases in United States food aid programs. At present, 800 million people around the World, most of them women and children, suffer from hunger. Eighteen thousand children will die today because of hunger and malnutrition. And the challenges and threats are not decreasing. In Afghanistan, the international community is gearing up to feed more than nine million Afghans but is falling behind because contributions are 30 percent below the target. There are now threats of widespread hunger in Southern Africa--in particular, within Malawi, Zambia, Zimbabwe, Lesotho, Mozambique and Swaziland. Although the international community is currently feeding almost three million people in the region, four times that number of people may require food assistance in the coming months. And other immediate needs throughout the world demand our attention.

The United States is by far the largest country donor of food aid in the world. We should take pride in this fact, and continue to provide essential leadership on this front. During 2002, it is estimated that almost $2 billion worth of aid will be provided. However, I am concerned about the impact of the Administration's proposed 2003 budget. This proposed budget includes a $500 million decrease in food aid as compared with this year's budget. The implication of this is all too clear—lives will be lost. WFP has estimated that it will have to stop feeding thirty million people under this proposed budget. Thirty million people who need this food to survive, could suffer.

A significant portion of the proposed decrease in food aid results from the Administration's decision not to use food deemed "surplus". While we certainly do not want to rely on surpluses to address all food aid needs, these additional commodities help the United States reach many of those in need. How can we call this food "surplus" when people are going hungry? To use this food to feed hungry children, pregnant women, or the elderly, should not be considered surplus dumping, or surplus disposal. It is a matter of putting to good use the wonderful bounty that our hard-working farmers have provided.

Some governments have complained about the use of these "surplus commodities." They have expressed concern about disruption of markets and potential trade violations. But, targeted food aid does not disrupt markets. Food given to hungry and destitute people who are unable to buy food in a marketplace does not affect the markets in that country. Most importantly, I know that when I look into the eyes of a hungry child, talk of surplus dumping and trade violations is meaningless. We have been blessed with more food than we need--to keep it from hungry children is immoral.

To conclude, I would like to issue a call to leaders in those countries around the world that have food stocks that could be deemed "surplus". Give them to WFP, NGOs, or others who are fighting hunger. Let us use these surpluses, the bounty of the world's farmers, to provide food aid to the hungry poor around the world. Let us use this food to fight hunger. Let us renew our commitment to feeding hungry people around the world by dedicating adequate resources to important food aid programs. We owe it to our farmers; we owe it to people who suffer from hunger around the world; we owe it to the future. Because for a hungry child, this is not a question of appropriations or surpluses, it is a question of survival.

TESTIMONY OF
U.S. REPRESENTATIVE JAMES P. McGOVERN
THIRD CONGRESSIONAL DISTRICT OF MASSACHUSETTS

HEARING ON
"HALF A LOAF – THE IMPACT OF EXCLUDING SURPLUS COMMODITIES FROM AMERICA'S RESPONSE TO GLOBAL HUNGER"
JUNE 4, 2002

BEFORE THE
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING AND THE DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENTAL AFFAIRS
U.S. SENATE

Mr. Chairman, I want to thank you and the members of the Subcommittee for inviting me to testify this afternoon on the important role our surplus commodities and food aid play in reducing global hunger – and how proposed changes to the use of surplus commodities could undermine and handicap U.S. leadership in the international effort to reduce hunger by half by the year 2015.

It is an honor, Mr. Chairman, to be here – not only because I am testifying alongside a living legend in the fight against global hunger, my good friend Senator George McGovern – but also because the members of this Subcommittee and you, Mr. Chairman, have long championed the role our American farmers can play in reducing hunger world-wide.

Mr. Chairman, I have attended many Committee hearings, so I would like to get simply to the point: I strongly believe that this is a moment when the United States should be expanding, not constricting, food and development aid abroad. I believe doing so promotes and protects our national interests abroad, including our national security, and is a tangible demonstration of America's values, character and priorities.

Last October 16th, on World Food Day, United Nations Secretary General Kofi Annan described the urgency to reduce world hunger quite clearly when he said: "Hunger is not only a consequence of poverty in its most extreme manifestation; it also serves to perpetuate and deepen poverty itself. Hungry people's capacity for productivity and growth is stunted. They cannot fulfill their potential as individuals, nor as a society."

Everyone in this room knows that assuring adequate food and basic health care is necessary for any nation to make long-term progress on economic growth and development. Even education, another fundamental pillar of economic development, is seriously compromised when children are sick and hungry. The United Nations and other organizations project that about 18 million metric tons of food aid will need to be imported by the poorest countries just to meet basic needs. This is a significant increase over what is currently being made available by the U.S. and other donor nations. Where will that food come from, Mr. Chairman, if the United States moves to eliminate surplus commodity donations abroad?

The food aid and surplus commodity-assisted development programs administered by the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development should be praised for what they have accomplished. These agencies have created model partnerships with international agencies and U.S. non-governmental organizations, private voluntary organizations, and cooperatives to implement a broad range of development programs in developing countries. In turn, these groups work with local NGOs and host governments to create a network of programs that attack hunger and illiteracy, empower girls and women, improve maternal and child health, and strengthen local agricultural production. In addition, many of these programs help strengthen and develop local enterprise and commercial sectors, creating new employment opportunities and increasing family incomes. These programs provide developing countries – especially the low-income food-deficit nations – the critical support systems they need so that over time local communities and nations can invest and sustain their own development and economic growth. In addition, the programs carried out by U.S. NGOs ensure that U.S.-funded humanitarian, emergency, food and development aid programs are presented with an American face and reflect the very best of the American character.

Two of my staff recently traveled to Indonesia for a conference on USDA-supported school feeding programs. They had an opportunity to meet directly with the U.S. groups operating these programs in Indonesia using 416(b) surplus commodity allocations. These groups included Land O'Lakes, ACDI/VOCA, Mercy Corps International and International Relief and Development (IRD), all of them work collaboratively and in partnership with Indonesia's Ministry of Education. My staff saw first hand the positive effects of these programs and how desperately children, families, teachers, school administrators and government officials hope they can be expanded even further in Indonesia.

These programs work with the Indonesian government to provide school milk programs – both fortified dairy and soy milk – fortified biscuits, and fortified noodles to hundreds of thousands of the neediest children on the island of Java. The programs are now being expanded to some of the eastern islands of Indonesia. I have provided the Committee with samples of the school milk and biscuit products that are distributed at least three times a week. I ask the members to look at the package and to look at this picture of some of the children receiving this food.

If this were the only outcome of this program, I would think it sufficient. But the U.S.-based NGOs are doing a great deal more to increase the impact of this program and promote its sustainability over time. All of the groups meet and engage the PTAs, teachers and local governments to volunteer and contribute to the program's implementation. Workshops are held on basic health and nutrition. All of the programs promote local capacity-building, jobs and income generation activities, especially in the rural areas.

In the case of Land O'Lakes, the packaging for the school milk program can be recycled. Teachers are trained in how to use the milk cartons to encourage a greater environmental awareness among the students and to provide the materials to local recyclers, who in turn, create jobs turning the packets into a particle board that is manufactured into other items.

The Land O'Lakes program also focuses on local capacity-building by having all of the school feeding products processed locally. A portion of the program budget is designated to support training and technology transfer to dairy and food processors to upgrade their operational

capacity. Processors gain access to technologies such as new product development, improved packaging, and quality controls to make them preferred providers of food products for commercial markets as well as for feeding programs.

My staff met with the dairy and food processors involved in these programs. While walking through the dairy processing plant, they stumbled upon bags of non-fat dried milk powder from Wisconsin and whey powder from Oregon. When asked whether this was part of the USDA commodity donation, the owner replied that he now purchases these products directly from the commercial market because he had been introduced to these high quality US products through his association with USDA and the school feeding programs.

In fact, my staff discovered that Section 416(b) programs initiated in Indonesia from fiscal year 1998 through 2000 led to increased commercial sales of U.S. agricultural products of approximately $ 200 million in calendar year 2001. According to USDA officers in the field in Indonesia, these sales should continue at current levels or possibly expand on an annual basis into the foreseeable future, especially as Indonesia's economy continues to recover.

What were just some of these Section 416(b) programs and their effects?

- A Section 416(b) project for Susu Sekolah (the school milk program) utilizing non-fat dry milk powder (NFDM) led to first time commercial sales of U.S. NFDM and whey powder by the two dairy processors involved in the school milk/school feeding program.

- A Section 416(b) project for a soy beverage being added to the school feeding program led directly to a commercial market for U.S. soy isolates (Dupont).

- A Section 416(b) project aimed at small business development for Javanese noodle manufacturers led directly to a commercial market for U.S. soy flour for the first time.

- An FY99 Section 416(b) monetization program for 40,000 metric tons of soymeal first introduced U.S. soymeal to the Indonesian feed milling industry on a large-scale basis. With follow-up technical assistance from the American Soybean Association, the Section 416(b) program led to a direct cause-and-effect establishment of a commercial market in succeeding years. U.S. soymeal exports to Indonesia on a calendar year basis went from $1.7 million in 1999, to $69 million in 2000, to $166 million in 2001.

- An FY98 Section 416(b) monetization program for wheat re-introduced U.S. wheat to Indonesian flour millers, following the break-up of the monopoly import by Bulog (Indonesia's state trading enterprise for bulk food commodities) through a non-transparent arrangements with the Australian and Canadian Wheat Boards. In combination with a Private Sector PL 480 program to two Indonesian flour millers and a GSM-102 credit guarantee program, U.S. wheat was once again able to enter the Indonesian market. U.S. wheat exports to Indonesia on a calendar year basis have grown from $8.9 million in 1997 to $72 million in 2001.

The positive impacts and partnerships of the Indonesian school feeding programs, including the development of viable related commercial sectors, are now being replicated by Land O'Lakes

in Bangladesh, Vietnam and soon Pakistan and Afghanistan with the support of Section 416(b) donations and GFEI pilot programs.

There were representatives from many countries at the school feeding conference held in Jakarta and Bandung, Indonesia. All of them expressed both the desire and the need to initiate new programs and expand existing ones in their own countries. I am including as an attachment to my testimony a brief summary of the school feeding conference prepared by Land O'Lakes and ask that it be part of the formal record of this hearing.

Everyone in this room also knows that development is a long-term prospect. Achieving a significant reduction in world hunger, let alone its elimination, requires a long-term commitment on the part of the United States. It requires confidence among our partners in the international donor community and among the recipients of food and development aid that the U.S. is a reliable and predictable supplier.

For a country to continue its progress towards greater economic development and growth, adequate food and health must be assured. For the poorest countries of the world, and for those emerging from a national crisis, this means relying upon partnerships with the wealthier, food-surplus-producing nations.

But will the U.S. be viewed as a reliable partner, Mr. Chairman, as it eliminates surplus commodity donations abroad, significantly reduces monetization of commodities for development purposes, fails to fund the newly-established McGovern-Dole International Food for Education Initiative, and shifts away from providing long-term reliable funding of food aid accounts?

How will the more than 500,000 school children in Indonesia – their parents, teachers, government officials – view the United States when we cut back or end our support for school feeding programs because we have eliminated Section 416(b) surplus commodity allocations to the U.S. NGOs implementing these programs? Will Indonesia still see us as a reliable partner in its effort to reduce hunger and malnutrition among its children? Will they still see us as a reliable partner in strengthening the local dairy and agricultural sectors? In developing the local commercial food processing sector?

It takes a great deal of time, work and personal capital to get these programs up and running. We do a great disservice to the organizations carrying out our food aid and development programs abroad and to the host governments who welcomed these programs when we create an uncertain future for programs already in progress.

I am greatly concerned that at a time when the world is looking at the United States to see if we have the commitment to take on the causes of global instability – hunger and poverty – that they will find instead the reduction of our food aid and commodity-assisted development programs.

Mr. Chairman, the President just signed into law a farm bill that all but guarantees continued surplus production within our basic grains. Every farmer I talk with – and I know that is not as many as you do, Mr. Chairman – tells me that they are proud that their ability to produce abundant commodities will be used to reduce hunger, address famine situations, and

promote basic development. And quite frankly, they would rather see their crops purchased to help end hunger and poverty, than face the alternatives of being paid not to produce or being paid to destroy the grain in their fields.

Like all the members of the Subcommittee, I was greatly encouraged by the announcement made by President Bush at the Monterrey Summit in Mexico to dedicate an additional $5 billion over the coming years for bilateral development aid. I want those funds to truly be "in addition to" the programs we are currently carrying out. I would like to see some of those funds used to expand the programs we know already work. I hope that we won't see those funds having to be used to replace the funding lost by eliminating the surplus-supported food and development aid programs we are currently implementing.

As you know, Mr. Chairman, along with Representatives Jo Ann Emerson (R-MO), Tony Hall (D-OH), John Thune (R-SD) and Marcy Kaptur (D-OH), I am a principle sponsor of H.R. 1700, the George McGovern-Robert Dole International Food for Education and Child Nutrition Act of 2001. That bill, which has 116 bipartisan cosponsors, strengthens and improves upon the Global Food for Education Initiative (GFEI) pilot program, about which Senator McGovern has just testified, and establishes the GFEI as a permanent program. I know, Mr. Chairman, that you are an original cosponsor of the Senate counterpart as is Senator Dayton, along with Senators Harkin, Lugar, Leahy, DeWine and several others.

While the framework to establish the GFEI as a permanent program was successfully included in the newly-reauthorized farm bill, reliable funding is not guaranteed. We need to see sufficient funding to maintain the GFEI pilot projects and to expand the program to reach other children and communities in need.

We need to see Food for Progress programs continued and expanded.

We need to see the commodity-assisted development programs implemented through Section 416(b) surplus commodity allocations continued and expanded.

We need to see the commodity-supported Title II PL 480 programs continued and expanded.

But we will be hard-pressed to achieve this if we eliminate our surplus commodity donations, shut down the 416(b) program, significantly reduce the ability of groups to monetize part of their commodity donations, and fail to fund school feeding and other commodity-supported development programs. We cannot make up this shortfall through agriculture and foreign operations appropriations without significant new resources, or without seriously compromising other development aid priorities, such as maternal and child health and child survival programs, primary and elementary education, clean water, and combating infectious diseases like malaria, tuberculosis and HIV/AIDS.

I know there is a great deal we can and must do to ensure that the administration of these programs and their accountability are strengthened and improved. I understand that the GAO will be testifying this afternoon in detail on this matter. For the record, I would like to say that I welcomed the recommendations made by the GAO on how to strengthen and improve the administration and evaluation of the GFEI pilot programs. The majority of those

recommendations were included in the farm bill in the section establishing the GFEI as a permanent program.

I also know, Mr. Chairman, that there has been a great deal of discussion over which commodity-supported food and development programs should be under the jurisdiction of USDA or USAID. Once again, for the record, I have had a very good experience and been very impressed by what USDA has accomplished through the Food for Progress and Section 416(b) programs. In particular, I believe they responded well to the demands of setting up GFEI pilot programs within a very tight time frame and without additional staff resources. I am less familiar with, but have heard nothing but praise for, USAID's administration of Title II PL 480 programs.

I believe it is more important for some kind of uniform, fair and responsive administrative process to be in place in both federal agencies so that groups submitting proposals, receiving commodities and funds, and implementing programs can carry out their work in the most efficient and successful fashion. Important progress was made in this area, as well, in the recently-signed farm bill. I hope that some of the groups testifying later today will provide the Committee with recommendations on this matter.

Mr. Chairman, I would like to end my testimony on a cautionary note. What dangers in the future might we court should we abandon our leadership in the effort to reduce hunger and increase food security for the world's neediest countries and people? Will we see something similar to what happened in Pakistan in the 1990s when the U.S. and other nations ended economic and development aid? When destitute Pakistani families sent their children away to fundamentalist madrassas because they knew that at least there children were fed, clothed and educated?

This is not the time to abandon programs that have done us good service for years. We need every available tool to meet the challenges posed by global hunger and poverty. As you so rightly put it, Mr. Chairman, we cannot do that by providing "half a loaf."

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia, Committee on Governmental Affairs, U.S. Senate

For Release on Delivery
Expected at 2:00 p.m., EST
Tuesday,
June 4, 2002

FOOD AID

Experience of U.S. Programs Suggests Opportunities for Improvement

Statement of Loren Yager, Director, International Affairs and Trade

GAO-02-801T

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the management and operation of U.S. food aid programs. The United States is by far the largest provider of food aid in the world,[1] and U.S. food aid programs account for a considerable portion of U.S. development assistance. Between 1979 and 2003, the United States spent nearly $50 billion (2002 dollars) on food aid, and U.S. food aid represented about 19 percent of U.S. official development assistance in 2000. Notwithstanding these sizable donations by the United States, as well as donations by other countries, the need for food aid in the developing world far exceeds available supply. The United Nations Food and Agriculture Organization estimates 777 million people are chronically undernourished in the developing world.[2] According to its data, there has been limited progress in meeting the 1996 World Food Summit goal of halving the number of hungry people in developing countries by the year 2015.

To contribute to a better understanding of food aid and how to maximize its effectiveness, I will address the following key issues: (1) the structure of U.S. food aid, (2) policies and events contributing to the fluctuations in U.S. food aid, and (3) how well U.S. food aid objectives are being met.

My observations are based on recent interviews with and documents from U.S. Department of Agriculture (USDA), U.S. Agency for International Development (USAID), U.S. Department of State, and Office of Management and Budget officials, and from GAO's series of reports on food aid over the last decade. (See app. I for related GAO products.)

[1]During 1999 and 2000, the United States provided nearly two-thirds of world food aid, according to USDA.

[2]Estimate for the period 1997-99.

Summary

U.S. food aid is provided through six programs administered by two different agencies. These programs use a variety of methods for providing resources to the programs, and also have different ways of delivering the aid to the recipient nations. The largest program is P.L. 480 Title II, which is managed by USAID. This program uses regular, annual appropriations to purchase commodities, and donates these commodities to recipient nations principally through private voluntary organizations (PVO) and the World Food Program.

The large fluctuations in U.S. food aid since 1990 are the result of three key factors: U.S. food aid policies, U.S. agricultural surpluses, and international events. Continuing previous food aid policies, the current administration is reducing the use of food aid to promote U.S. agricultural exports through sales at low interest rates with long repayment periods. It also intends to significantly reduce the role of surplus agricultural commodities in its food aid programs. The availability of surplus commodities at various times during the last decade has enabled the United States to sharply increase shipments. International events can also impact U.S. food aid. For example, with the Asian financial crisis, U.S. commercial agricultural exports did not increase as expected, resulting in large surpluses that the government purchased and made available as food aid. These surpluses became a principal inducement for the United States to provide large quantities of food aid to Russia in 1999 and 2000.

The success of food aid programs in meeting their objectives is hampered by the competing objectives of the programs and by management weaknesses. The food aid objectives include humanitarian goals of feeding hungry people, economic development goals for the recipient nations such as strengthening private enterprise, and a new goal of reducing conflict. Certain programs also have foreign policy goals. In one case, the United States continued to provide emergency food aid to North Korea for humanitarian

purposes even though the North Korean government prevented the World Food Program (WFP) from effectively monitoring whether the food aid reached the intended recipients. In that situation, the United States weighed foreign policy considerations against the assurance that food aid was achieving its humanitarian purposes.[3] At the same time, management weaknesses impede efforts to assess the results of food aid programs. For example, the USDA's implementation of the Global Food for Education pilot program did not build on lessons learned from previous experience, which prevented USDA from focusing on those populations most likely to benefit from the program. As a result, our reviews and those of the administration find many opportunities to improve the management of food aid.

U.S. Food Aid Is Delivered Through Multiple Programs

In the last decade, the United States has principally employed five programs to deliver food aid: P.L. 480 Titles I, II, and III; Food for Progress; and Section 416(b).[4] The May 2002 Farm Bill[5] authorized creation of a sixth – the McGovern-Dole International Food for Education and Child Nutrition Program. Table 1 provides a summary of the overall structure of the principal food aid programs. (App. II provides additional information on the programs.)

[3]See U.S. General Accounting Office, *Foreign Assistance: North Korea Restricts Food Aid Monitoring*, GAO/NSIAD-00-35 (Washington, D.C.: Oct. 8, 1999).

[4]U.S. international food assistance flows from programs authorized by three major laws: P.L. 480 (the Agricultural Trade Development and Assistance Act of 1954, as amended, 7 USC § 1701 et seq.); the Food for Progress Act of 1985, as amended, 7 USC § 1736o; and Section 416(b) of the Agricultural Act of 1949, as amended, 7 USC § 1431.

[5]Farm Security and Rural Investment Act of 2002 (PL 107-171).

Table 1: Structure of U.S. Food Aid Programs[a]

Program	P.L. 480 Title I	P.L. 480 Title II	P.L. 480 Title III	Food for Progress	Food for Education & Child Nutrition[b]	Section 416(b)
Managing agency	USDA	USAID	USAID	USDA	President shall designate one or more federal agencies	USDA
Program structure	Concessional sales of agricultural commodities.	Donation of commodities to meet emergency and non-emergency needs. Commodities may be sold in country for development purposes.	Donation of commodities to least developed country governments.	Sale on credit terms or donation of commodities to developing countries and/or emerging democracies.	Donation of commodities and provision of financial and technical assistance in foreign countries.	Donations of CCC[c] surplus commodities to carry out purposes of P.L. 480 Title II and Title III and Food for Progress programs.
Intermediaries	Governments, private entities.	Governments, public or private entities, PVOs, cooperatives, intergovernmental organizations (such as the World Food Program).	Governments.	Governments, agricultural trade organizations, intergovernmental organizations, PVOs, cooperatives.	Governments, private entities, intergovernmental organizations.	See intermediaries for P.L. 480 Title II and Title III and Food for Progress programs.
Total budget allocation, 1992-2001 (billions of 2002 dollars)	$4.38	$9.62	$1.34	$1.33	NA	$2.41

Note: NA means not applicable.

[a]We do not include the Bill Emerson Humanitarian Trust. Information on this trust is provided in appendix. II.

[b]This program was authorized by the May 2002 Farm Bill.

[c]Commodity Credit Corporation

Source: GAO analysis of authorizing legislation for the various programs and agency program documentation.

USAID and USDA have historically shared program management responsibilities. USAID is responsible for managing P.L. 480 Titles II and III programs. USDA currently has responsibility for P.L. 480 Title I, Food for Progress, and the Section 416(b) program. When 416(b) surplus commodities are used for P.L. 480 Title II and P.L. 480 Title III type programs, this creates considerable duplication since USDA becomes the managing agency rather than USAID. Regarding the new food for education program, the President shall designate one or more federal agencies to manage it.

The programs use different methods for securing commodities. For example, P.L. 480 Titles I, II, and III and Food for Progress are funded by annual and supplemental appropriations. Section 416(b), however, is funded by U.S. surplus commodities when surpluses exist and a decision is made to donate some of those surpluses overseas. USDA, as manager of the Section 416(b) program, can use the donations to carry out the purposes of P.L. 480 Title II, Title III, and Food for Progress. For example, when USDA uses 416(b) commodities for a Title II program, it does not provide the commodities to USAID but rather implements the Title II-type program itself.

U.S. food aid programs also use different methods for providing aid to recipient nations. Under P.L. 480 Title I, the United States sells the commodities to the recipients under concessional terms. Financing is at low interest rates, with payments made over periods of up to 30 years, with maximum grace periods on payments of principal of up to 5 years. The Title II program is based on the donation of commodities for emergency or developmental purposes. In the latter case, the commodities can be sold in the country to raise funds for other developmental activities. Under the Food for Progress program, U.S. commodities can be either donated or sold on credit terms.

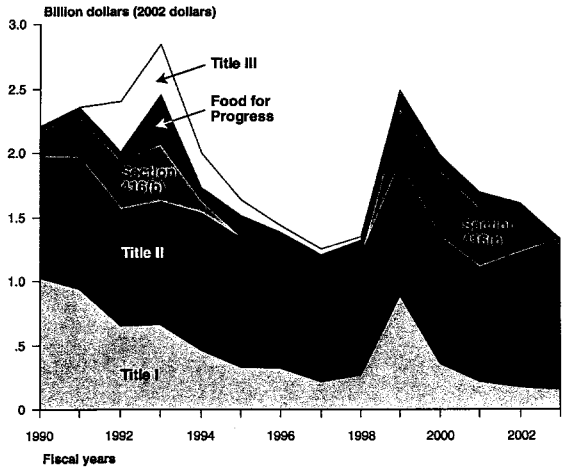
USDA and USAID frequently rely on other entities, including private voluntary organizations and international organizations, such as the World Food Program, to deliver the food aid and, if called for in agreements with USDA or USAID, to use the food in implementing development programs.

Policy, Surpluses, and International Events Drive U.S. Food Aid

The large fluctuations in U.S. food aid spending since 1990 can be attributed to three key factors: the government's food aid policies, agricultural surpluses, and international events. As figure 1 indicates, total food aid has generally decreased since the early 1990s, with average spending of $2.36 billion from 1990-1994, $1.63 billion from 1995-1999, and $1.65 billion from 2000-2003 (2002 dollars). The general trend toward reduced food aid occurred as the U.S. government reduced Title I and III programs and more recently the 416(b) program. This policy shift was driven to some extent by concerns over the absence of evidence supporting the success of Title I and Title III. It was also fueled by criticisms that the Title I and III programs created disincentives for agricultural and economic reform in recipient countries. The current administration also plans to dramatically cut back on the use of surplus commodities for food aid and to partially offset the reduction by a $300 million increase in the Title II appropriation.[6] As a result, the Title II program dominates the funding for food aid programs in 2003.

[6]The administration intends to use the Bill Emerson Humanitarian Trust (see app. II) for cases where there is an increased need for emergency food aid. Large-scale use of the 416(b) surplus disposal food aid program would occur only as a last resort.

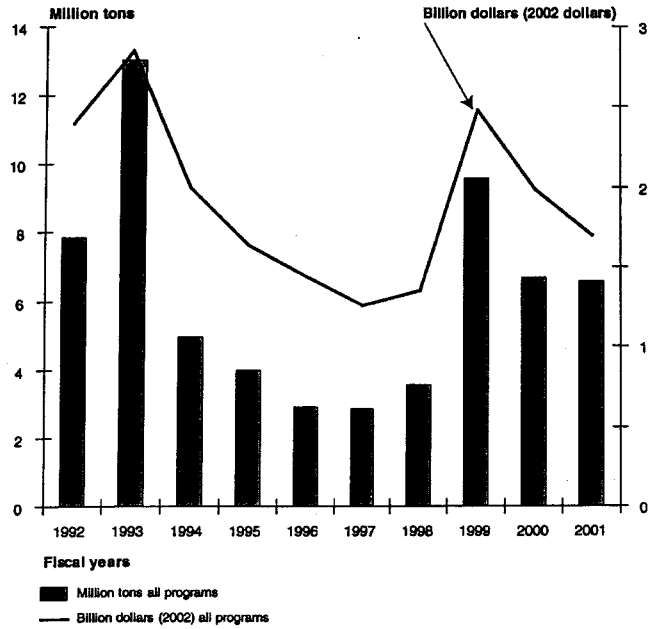
Figure 1: U.S. Food Aid Exports, 1990-2003



Source: GAO analysis of USDA data.

The level of U.S. surpluses has also contributed to the changing levels of food aid over the past decade. For example, a high level of stocks in the early 1990s contributed to high levels of food aid shipments during this period. In contrast, stocks reached a 20-year low in 1996 as U.S. commercial exports hit record levels, and food aid levels at this time dropped sharply. As figure 2 indicates, the volume of food aid shipments fluctuates even more than the dollar volume, as lower commodity prices during periods of surplus allow more to be purchased with the same budgetary resources.

Figure 2: Food Aid Tonnage and Expenditures, 1992-2001[a]



Source: GAO analysis of USDA data.

International events also affected food aid shipments during this period. For example, the Asian financial crisis of the late 1990s reduced U.S. prospects for exports to that region and increased the availability of U.S. stocks. The spread of the financial crisis to Russia, combined with a poor Russian harvest in 1999, created the demand for food aid in that country. These two conditions led the United States to a make donation to Russia that was one of the largest single food aid transfers in U.S. history.

Success of Food Aid Programs is Hampered by Multiple Objectives and Management Weaknesses

The success of food aid programs in achieving their objectives is limited by the challenges of meeting multiple objectives and the weaknesses in program management.

Competing Objectives Complicate Program Implementation

U.S. food aid programs contain a range of objectives, including humanitarian and developmental goals for the recipient nations and trade objectives for the United States. In addition, recent legislation has added the prevention of conflict as an objective of the P.L. 480 food aid programs. Table 2 provides a list of the programs and their associated objectives.

Table 2: Objectives of U.S. Food Aid Programs

Program	P.L. 480 Title I[a]	P.L. 480 Title II[a]	P.L. 480 Title III[a]	Food for Progress	Food for Education & Child Nutrition	Section 416(b)
Humanitarian objectives	Combat world hunger and malnutrition and their causes.	Address famine or other urgent relief requirements, especially in children and mothers.	Combat world hunger and malnutrition and their causes.		Carry out maternal, infant, and child nutrition and preschool and school programs to improve food security and reduce hunger.	See objectives for P.L. 480 Title II, P.L. 480 Title III, and Food for Progress.
Development objectives	Promote broad-based sustainable development, including agricultural development.	Promote economic and community development; promote sound environmental policies.	Use revenue generated by sale of donated commodities for economic development.	Support efforts to expand free enterprise elements in agricultural economies.	Carry out preschool and school programs to improve literacy and primary education, especially for girls.	See objectives for P.L. 480 Title II, P.L. 480 Title III, and Food for Progress.
Private enterprise and democracy	Foster and encourage development of private enterprise and democracy.	Foster and encourage development of private enterprise and democracy.	Foster and encourage development of private enterprise and democracy.	Expand free enterprise elements in the agricultural economy.		See objectives for P.L. 480 Title III and Food for Progress.
Market development objectives	Develop and expand export markets for U.S. agricultural commodities.	Develop and expand export markets for U.S. agricultural commodities.	Develop and expand export markets for U.S. agricultural commodities.	Strengthen private enterprises.		See objectives for P.L. 480 Title II.
International trade objective	Expand international trade.	Expand international trade.	Expand international trade.			See objective for P.L. 480 Title III.
Conflict objective[b]	Prevent conflict.	Prevent conflict.	Prevent conflict.			

[a]According to the Trade Development and Assistance Act of 1954, as amended, the United States is to use its abundant agricultural productivity to promote U.S. foreign policy by enhancing food security in the developing world.

[b]This objective was established in the May 2002 Farm Bill.

Source: GAO analysis of authorizing legislation for the various programs and agency program documentation.

particular programs can complicate effective program management. While certain goals can be complementary and not impede program effectiveness, in other situations, goals and objectives can conflict or make it more difficult to determine the primary goals and achieve them. Some examples of problems GAO has identified stemming from multiple or conflicting objectives include the following:

- P.L. 480 loans to Honduras were backed by the State Department and USAID to support foreign policy and economic development objectives. However, USDA raised concerns about these sales displacing U.S. commercial sales in those countries.[7]
- Between 1996 and 1999, the United States provided emergency food aid to North Korea, valued at $365 million, that was intended primarily for children, women, and the elderly at schools, hospitals, and other institutions. State, USAID, and others reported that North Korea prevented effective monitoring of food aid donations, but the food aid continued in part because State believed the donations might improve bilateral relations.[8]
- Title I assistance to Pakistan was reinstated in fiscal year 1993 after a 2-year suspension because of U.S. concerns over the country's nuclear armament capabilities. While the on-again off-again nature of Title I assistance in response to foreign policy considerations is contrary to sustaining important components of a successful market development strategy (i.e., demonstrate a long-term commitment and be a consistent supplier), the over-arching goal of the 1990 act[9]--to promote the U.S. foreign policy objective--was being fulfilled.[10]

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[7]U.S. General Accounting Office, *Food Aid: Competing Goals and Requirements Hinder Title I Program Results*, GAO/GGD-95-68 (Washington, D.C.: June 26, 1995).

[8]GAO/NSIAD-00-35.

[9]Food, Agriculture, Conservation and Trade Act (PL 101-624).

[10]GAO/GGD-95-68.

- One of the goals of P.L. 480 Title I assistance is to develop and expand export markets for U.S. commodities. However, we found that achieving this goal is hindered in part by requiring that the Title I cargo be carried on U.S. flag ships (referred to as Cargo Preference), which in some instances reduced the funds available to purchase commodities and in other cases led to changes away from the most desired commodity.[11]

Management Weaknesses Impede Monitoring and Accountability Efforts

GAO has found a lack of management attention to issues such as monitoring and accountability in the implementation of food aid programs. Some examples of our findings are as follows:

- In a general review of the P.L. 480 Title I Program, we found that USDA had not evaluated the program's performance against its objectives. Our analysis concluded that while Title I assistance could be making a meaningful, short-term contribution to the food supply in some recipient countries, its importance in helping develop long-term U.S. agricultural markets had not been demonstrated.[12]
- USDA's implementation of the Global Food for Education pilot program did not incorporate many of the lessons learned from successful school feeding programs in the design of its program. As a result, program managers did not require interested applicants to provide information that would enable program administrators to select programs with the greatest chance of success.[13]
- USDA's lack of internal controls in providing food assistance to Russia in 1999 limited the agency's ability to effectively manage the distribution process,

[11]GAO/GGD-94-215.

[12]GAO/GGD-95-68.

[13]U.S. General Accounting Office, *Foreign Assistance: Global Food for Education Initiative Faces Challenges for Successful Implementation,* GAO-02-328 (Washington, D.C.: Feb. 28, 2002).

identify discrepancies, and minimize the potential for fraud and abuse.[14] USDA stated that it has not conducted a comprehensive evaluation of food aid programs that it manages.

- In a 1993 GAO review of the P.L. 480 Title II and Title III programs, we found that USAID had not systematically collected relevant data or developed appropriate methodologies to assess the impact of its programs on food security in recipient countries nor ensured accountability for its food aid.[15] Since that report, USAID has placed a significantly greater emphasis on the evaluation of its food aid programs, particularly P.L. 480 Title II.[16]
- GAO's 1999 review of U.S. food aid to North Korea found weaknesses in USAID's oversight over the food aid delivered through the World Food Program and private voluntary organizations. Notwithstanding the constraints presented by the North Korean government, we concluded that USAID could have done more to encourage the World Food Program to provide timely reporting on food aid distributions in North Korea.[17]

Observations on the President's Management Review of Food Aid

In 2001 the President's management review identified U.S. food aid programs as 1 of 14 of the government's areas most in need of reform. A number of the problems it identified are consistent with the findings mentioned in my testimony. For example, the management review commented on the fact that six different programs are administered by two government agencies with similar bureaucracies. In addition, the review observes

[14]U.S. General Accounting Office, *Foreign Assistance: U.S. Food Aid Program to Russia Had Weak Internal Controls*, GAO/NSIAD/AIMD-00-329 (Washington, D.C.: September 29, 2000).

[15]U.S. General Accounting Office, *Food Aid: Management Improvements Are Needed to Achieve Program Objectives*, GAO/NSIAD-93-168 (Washington, D.C.: July 23, 1993).

[16]USAID has conducted or commissioned several major studies on the effectiveness of its Title II programs. These studies cite a considerable number of positive accomplishments, but also identify program weaknesses affecting the quality of individual programs as well as USAID's overall ability to monitor and evaluate its programs.

[17]GAO/NSIAD-00-35.

that humanitarian purposes were often eroded by other uses having little to do with food aid. Finally, the report cited the lack of management oversight in stating that food aid programs are affected by waste and questionable spending.

Prior GAO studies have noted the importance of similar issues and have suggested a number of actions.

- With regard to overlapping efforts of the two agencies, we noted in our report on GFEI that USDA did not have the expertise to implement the program, and that Congress should ensure that the administering agency has the expertise and staff resources to effectively administer GFEI.
- With regard to the challenges created by competing objectives in food aid programs, we recommended better performance measurement and evaluation, which may help to illustrate the difficulties and tradeoffs associated with multiple objectives.
- With regard to the potential for fraud and abuse, we have frequently emphasized the importance of monitoring and accountability of food aid programs to ensure that the intended recipients receive the food.

We believe that increased attention to these issues by the Congress and the administration will continue the improvement in food aid management and help meet the immediate needs of hungry people as well as enhance food security over the longer term.

Mr. Chairman and members of the Committee, this concludes my prepared statement. I will be pleased to answer any questions you may have.

Contacts and Acknowledgments

For future contacts regarding this testimony, please call Loren Yager or Phillip Thomas at (202) 512-4128. Individuals making key contributions to this testimony included Wayne Ferris, Bruce Kutnick, and Janey Cohen.

APPENDIX I: RELATED GAO PRODUCTS ON FOOD AID

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Foreign AID: Actions Taken to Improve Food Aid Management. GAO/NSIAD-95-74. Washington, D.C.: March 23, 1995.

Cargo Preference Requirements: Objectives Not Significantly Advanced When Used in U.S. Food Aid Programs, GAO/GGD-94-215 Washington, D.C.: September 29, 1994.

Food Aid: Management Improvements Are Needed to Achieve Program Objectives. GAO/NSIAD-93-168. Washington, D.C.: July 23, 1993.

APPENDIX II: SUMMARY OF FOOD AID PROGRAMS

This appendix provides a brief description of the various U.S. food aid programs.

P.L. 480 Title I—Concessional Sales of Commodities

Title I, which is administered by USDA, has been characterized by the government as a concessional sales program to promote exports of agricultural commodities from the United States and to foster broad-based sustainable development in recipient countries. Repayments for agricultural commodities may be made either in U.S. dollars or in local currencies on concessional credit terms. The program provides export financing over payment periods of up to 30 years, low interest rates, and maximum grace periods on payments of principal of up to 5 years. Private entities such as the World Bank and agricultural trade organizations, as well as developing country governments, are authorized to participate in the program.

The program's market development focus is geared primarily toward developing countries experiencing a shortage of foreign exchange earnings and difficulty meeting all of their food needs through commercial channels. The factors that determine priorities for country allocations include food needs, potential for becoming a commercial U.S. market, and the undertaking of economic development to improve food security and agricultural development. The allocations take into account changing economic and foreign policy situations, market development opportunities, existence of adequate storage facilities, and possible disincentives to local agricultural production.

Title I agreements also stipulate development activities the recipient country will undertake. Local currencies received under Title I sales agreements may be used for activities in the recipient country such as developing new markets for U.S. agricultural commodities on a mutually beneficial basis, paying U.S. obligations, and supporting

agricultural development or research. However, according to USDA, the local currency provisions have not been implemented for budgetary reasons.

P.L. 480 Title II—Donation of Commodities for Emergency and Development Food Needs

Title II programs, administered by USAID, have two main functions: food aid to vulnerable groups in emergency situations and long-term development for non-emergency aid. Emergency food aid is designed to meet critical food needs of targeted vulnerable groups, such as refugees, internally displaced families, or those who lose their land or livelihoods because of natural or complex humanitarian emergencies. USAID relies on the World Food Program (WFP) and U.S. PVOs to distribute most of the aid, with most food going to women and children.

Commodities can be monetized (i.e., sold for cash) to generate local currency for development activities or used as humanitarian assistance in needy countries for direct feeding of individuals unable to take advantage of development activities—orphans, the elderly, patients in hospices and hospitals, and HIV/AIDS victims/families.

P.L. 480 Title III—Food Donations Through Government-to-Government Agreements

The P.L. 480 Title III program, administered by USAID, seeks to enhance food security in the least developed countries by supporting economic development. Under Title III the U.S. government donates agricultural commodities to the recipient country and arranges for and pays the costs of purchasing, processing, and transporting the commodities to the port or point of entry in the recipient country. The donated commodities are sold on the

domestic market, and revenue generated from the sale in the recipient countries is used to support programs of economic development.

Food for Progress—Food Donations for Developing Countries and Emerging Democracies Moving to Free Enterprise in Agriculture

The Food for Progress (FFP) program, authorized under the Food for Progress Act of 1985, as amended, allows the Commodity Credit Corporation (CCC) to finance the sale and export of agricultural commodities on credit terms, or on a grant basis, to support developing countries and countries that are emerging democracies that have made commitments to introduce or expand free enterprise elements into their agricultural economies. Commodities may be provided under the authority of P.L. 480 or Section 416(b). Under certain conditions, CCC may also purchase commodities for use in Food for Progress programs if the commodities are currently not held by CCC in stocks. For commodities furnished on a grant basis, the CCC may pay, in addition to acquisition costs and ocean transportation, such related commodity and delivery charges. Food for Progress agreements can be signed with governments or with PVOs, nonprofit agriculture organizations, cooperatives, intergovernmental organizations, or other private entities.

Section 416(b)—Donations of Surplus Commodities to Developing and Friendly Countries

The Agricultural Act of 1949, as amended, authorizes the donation of surplus food and feed grain acquired by the CCC for carrying out assistance programs in developing countries and friendly countries under P.L. 480 Titles II and III and under the Food for Progress Act. However, the act also authorizes USDA to manage all of the Section 416(b) food aid. As a result, in recent years, USDA has managed P.L. 480 Title II and Title III

type programs, when surplus commodities are involved, even though USAID manages such programs when they are financed by regular appropriations.[18]

McGovern-Dole International
Food for Education and
Child Nutrition Program

The May 2002 Farm Bill authorizes the President to establish a permanent program to continue a food for education and preschool nutrition pilot program that was established by USDA in 2000 using Section 416(b) surplus commodities. The new program goes beyond the pilot by authorizing maternal and infant nutrition programs for pregnant women, nursing mothers, and infants. The law directs the President to use $100 million of CCC funds for the new program for fiscal year 2003. It authorizes appropriating such sums as are necessary to carry out the program for fiscal years 2004 through 2007.

The law authorizes the President to designate one or more federal agencies to implement the program and ensure that it is consistent with U.S. foreign policy and development assistance objectives. Private voluntary organizations, cooperatives, intergovernmental organizations, governments of developing countries and their agencies, and other organizations can be used to carry out the program.

Bill Emerson Humanitarian Trust

The Emerson Trust[19] is a food security commodity trust, consisting of up to 4 million metric tons of grains. It exists to meet emergency humanitarian food needs in developing countries. Authorized commodities for the trust include wheat, corn, grain sorghum, and rice. In any fiscal year, the Secretary of Agriculture is authorized to release up to 500,000 metric tons of wheat or the equivalent value of eligible commodities other than wheat,

[18]Under an interagency agreement, USDA used USAID to administer its overseas Section 416(b) activities until 1992.
[19]The trust was formerly known as the Food Security Wheat Reserve and the Food Security Commodity Reserve (7USC § 1736f-1).

and up to 500,000 metric tons of any eligible commodities that could have been released in prior fiscal years, but were not. At this point, the reserve holds 2.5 million tons of wheat.

(320119)

Statement by A. Ellen Terpstra, Administrator
Foreign Agricultural Service
U.S. Department of Agriculture
Before the Senate Subcommittee on
Oversight of Government Management, Restructuring and the District of Columbia
June 4, 2002

Mr. Chairman, members of the subcommittee, I am pleased to come before you today to discuss the food aid programs operated by the U.S. Department of Agriculture (USDA). Before I address the four questions contained in your letter of invitation, I would like to summarize how these programs began and evolved, as well as the Administration's food aid review and proposals for changing these programs that came about as a result of that review.

Introduction

As a leader in agricultural production, the United States has long recognized its responsibility to assist in alleviating world hunger through food donations, financial aid, and technical assistance. The United States, the world's leading provider of food assistance, began providing food aid in the 1920s. But it was not until 1954 that legislative authority created a specific U.S. agricultural commodity aid program--the Agricultural Trade Development and Assistance Act of 1954, commonly known as Public Law 480 (P.L. 480) or the Food for Peace Program. This authority has provided a means for the people of the United States to show their compassion for suffering people in all parts of the world.

P.L. 480 was enacted almost half a century ago primarily to use large U.S. food surpluses effectively, to assist countries that lacked sufficient foreign exchange for commercial purchases, and to continue U.S. support of recovery efforts in Europe and other areas after the devastation

of World War II. Since then, the goals of our food aid programs have changed in response to varying economic, financial, political, and agricultural conditions at home and abroad. Since the mid-1960s, the emphasis has shifted from use of surplus commodities to promotion of economic development and reduction of hunger and malnutrition abroad. Food aid to European countries and Japan was phased out during the early and mid-1960s as their economic and financial conditions improved, and the focus shifted to developing countries. In the late 1970s, food security emerged as an additional consideration of food aid programs. Through all these changes, these programs have supported the development of overseas commercial markets for U.S. agriculture.

Today's recipients include countries that did not exist in the 1960s, such as Bosnia-Herzegovina, Armenia, and Georgia--countries struggling after major upheavals. Other more traditional developing countries, such as Bangladesh, Ethiopia, Peru, and Sri Lanka, also continue to see their people benefit from P.L. 480 and our two other food aid authorities--the Food for Progress Act and Section 416(b) of the Agricultural Act of 1949. The United States continues to be the world's chief provider of food aid, although other developed countries now play a more active role. We are actively encouraging other traditional donors, as well as countries experiencing rapid economic growth to join us in this global effort.

Grains and grain products have played the largest role in U.S. food aid programs. But the nutrition they provide has been complemented by legumes and vegetable oils. USDA, in collaboration with our commodity partners, has played an active role in the introduction of new products with higher nutritional content than grains alone. For example, blended foods have been developed to help meet the special needs of infants and children, as well as others with special

nutrition requirements. Other commodities such as soybean and dairy products have also played a role, often providing high-value commodities in local markets to create local funds to support nutrition intervention and economic development activities.

At the same time, of course, the people of the developing world are being introduced to U.S. agricultural products. Title I of P.L. 480 has successfully combined meeting the food needs of developing countries with market development for U.S. agriculture. Since its inception it has facilitated concessional sales of U.S. agricultural commodities totaling nearly $30 billion in almost a hundred countries. These commodities are usually sold in recipient countries and generate funds to promote economic growth and development--the growth that is necessary to assure future commercial markets for all farmers. Food aid not only has allowed the people of the developing world to increase their consumption and experience U.S. quality--it has introduced U.S. marketing and financing structures to these countries.

Current Food Aid Programs

With that in the way of background, let me briefly describe our current food aid programs and how they work. I will focus on the programs of USDA, while my colleague from the Agency for International Development (AID) will address the efforts undertaken by his Agency. USDA and AID have and will continue to work closely in administering U.S. food assistance programs.

The Department provides foreign food assistance under three authorities: (1) P.L. 480, Title I; (2) Section 416(b) of the 1949 Act; and (3) the Food for Progress Act. Through the Commodity Credit Corporation (CCC), we also maintain a commodity reserve, the Bill Emerson Humanitarian Trust, to ensure that grain is available for P.L. 480 programming in times of extraordinarily tight U.S. supplies and to respond to emergency humanitarian food aid needs in

developing countries through Title II of P.L. 480. In addition, we are implementing a pilot program, the Global Food for Education (GFE) Initiative, which began in fiscal year 2001.

The P.L. 480, Title I program focuses on establishing a U.S. presence in emerging markets and meeting humanitarian needs. It is administered mainly on a government-to-government basis. USDA is responsible for policy formulation and program administration in carrying out P.L. 480, Title I sales activities. In fiscal year 2001, concessional sales of about 753,000 tons of commodities valued at $105 million were programmed to seven countries under Title I. This year, 10 countries are eligible to receive about 628,000 tons of commodities valued at about $114 million.

Section 416(b) of the 1949 Act authorizes donations of surplus Commodity Credit Corporation (CCC) stocks to assist needy people overseas. For fiscal 2001, the value of commodities donated under Section 416(b), including contributions to the World Food Program and the Global Food for Education Initiative, totaled $630 million. This year, the value of commodities donated under this authority is expected to be about $429 million.

Our third authority, the Food for Progress program, provides commodities to developing countries and emerging democracies to support democracy and private enterprise reforms, including agricultural policy reform. Commodities may be made available for Food for Progress programming through the use of funds appropriated under P.L. 480, Title I or from commodities or funds made available by CCC. During fiscal 2001, we provided commodities with a value of about $107 million to support countries making commitments to introduce or expand free enterprise elements in their agricultural sectors. This year, we will provide commodities valued at $113 million, of which about 110,000 tons of commodities valued at $35 million will be

programmed using Title I funds.

USDA also administers the Bill Emerson Humanitarian Trust, a commodity reserve authorized to hold up to 4 million tons and administered by CCC. Commodities may be released from the reserve for use in P.L. 480 programs when U.S. domestic supplies cannot meet the availability criteria for P.L. 480 programs or there is an unanticipated humanitarian need and there are insufficient P.L. 480 funds, such as late in a fiscal year when funds may have been fully committed. This emergency reserve has been tapped six times since its inception–three times to meet unanticipated needs, primarily in Africa, and three times due to short domestic supply situations.

Under the pilot Global Food for Education Initiative, USDA donates U.S. agricultural commodities for use in school feeding and pre-school nutrition projects in developing countries. School feeding programs help assure that children attend and remain in school, and improve childhood development and achievement.

Under this pilot program, USDA's CCC committed $300 million in U.S. commodities, transportation, overseas distribution, as well as some administrative expenses. Commodities were donated under the authority of the Section 416(b) program. USDA-approved projects are being conducted through the United Nation's World Food Program, private voluntary organizations, and one foreign government.

Food Aid Review

Despite the success of these programs and the positive economic growth in many developing countries, the need for food aid persists. The U.S. government tries to maintain

maximum flexibility in its programs so as to be able to respond to changing global realities and to provide the appropriate program mix to meet critical needs within available resources. In addition, we are always seeking to improve the effectiveness and efficiency of our programs.

Many conditions affecting overseas food aid have changed since the last Executive Branch review of U.S. food aid programs in the 1970s. The Administration first described the need for a review of food aid programs in the President's *Blueprint for New Beginnings* in February 2001. It expanded on this need and the plan for a review in the President's *Management Agenda* in August 2001.

From August to December 2001, the Administration held a series of meetings to review U.S. foreign food aid programs. All relevant U.S. government agencies and offices participated in the review, including USDA, AID, the Departments of State and Treasury, the Office of Management and Budget, and the Office of the U.S. Trade Representative. Staff of the National Security Council chaired the review. Although not directly part of the review, non-governmental organizations, which were informed of the review, met informally with staff during the review.

The food aid review concluded that the broad objective of U.S. food aid is to use the agricultural abundance of the United States to meet the U.S. government's humanitarian and foreign policy objectives related to the achievement of global food security. The United States will use food aid in a manner that enhances global agricultural trade and provides an appropriate U.S. contribution toward global food needs. Since the review determined that the primary function of food aid is to improve food security, U.S. food assistance programs should increasingly target the most food insecure populations. Direct distribution of food is important in both emergencies and development programs for addressing the hunger of the people most in

need of food. The Administration supports increased direct distribution and continues to support development programs.

A key purpose of the review was to examine the existing food aid programs with the objective of improving reliability, efficiency, and management. Concern was expressed that the number of U.S. food aid programs and the number of agencies involved in administering them have inevitably resulted in an overlap of functions and inefficiencies. The Administration also believes that future food assistance activities should be placed on a more solid foundation by reducing reliance on the year-to-year availability of surplus U.S. commodities. Although there has been a large expansion since 1998 of Section 416(b) donations that have been made available as a result of CCC purchases of commodities when market prices suddenly fell to historic low levels, reliance on that authority creates uncertainties among both recipient countries and distributing agencies.

The Administration's food aid reform proposes an increase in funding for P.L. 480, Title II, to help offset a reduction in planned donations under Section 416(b), along with other complementary initiatives. Specifically, the Administration plans to undertake the following measures:

1. End the use of the CCC Charter Act to purchase commodities that are then donated through Section 416(b), the ad hoc practice begun in 1998 when farm prices dropped precipitously. The Administration does not propose to eliminate Section 416(b). 416(b) programs administered by USDA, which use CCC inventories acquired through domestic support activities (currently nonfat dry milk), will continue.

2. Increase funding request for Title II. The Administration's budget request for fiscal 2003 includes an increase in Title II donations in light of reducing reliance on Section 416(b) authority, uncertain crop surpluses, and unsustainable CCC purchase levels. Title II is, and has been, the basic U.S. government humanitarian food aid program.

3. Increase reliance on the Emerson Trust. For future cases in which there is an increased need for emergency food aid, the Administration will use the Bill Emerson Trust. The Administration is reviewing the procedures for use of the Trust to ensure its flexibility and responsiveness. Should any legislative changes be required, we will work with the Congress to accomplish these.

4. Better focus food aid programs. The Administration will implement Food for Progress government-to-government food aid using Title I funding. In the recently enacted Farm Security and Rural Investment Act of 2002, Congress modified authorities for CCC funding of the Food for Progress program. The Administration is reviewing options on the best way to use those resources in light of the goals of the food aid review.

5. Provide better service to our partners. AID will work with the World Food Program and PVOs; USDA will work with governments.

Concerns of the Subcommittee

Let me now turn to the Subcommittee's specific questions cited in the letter of invitation. I would like to address questions 1 and 3 together, since the questions of phasing out CCC purchases of commodities to donate under Section 416(b) and how our food aid review proposals

will improve food aid efforts are inextricably linked.

The Administration believes that the food aid review proposals I outlined will increase food aid reliability. Programming under Section 416(b) donations that rely on CCC purchases of commodities are to be phased out by fiscal year 2003, with the reduction offset by an increase in Title II funding. Commodities that are acquired by CCC in the normal course of its domestic support operations, such as nonfat dry milk, will remain available for donation under Section 416(b) authority. Shifting donations from Section 416(b) to Title II allows the government, PVOs, and the World Food Program to know much more reliably how much food aid will be available. Title II has been a steady, well-funded program.

This shift will also allow for a greater focus on direct feeding of needy people—an Administration priority. The Administration plans to increase the amount of food under Title II that is available for emergencies and that can be used for direct feeding of hungry people. The Administration also hopes to increase non-food development assistance to make up for part of the decrease in development programs from monetized food aid. Based on these shifts, U.S. food aid will focus more on direct distribution to needy people, and U.S. government funding on development programs.

The Administration plans to eliminate redundant functions of USDA and AID, which will result in less duplication of efforts. Through Title II, AID will administer most PVO and World Food Program efforts as a result of the reduced reliance on Section 416(b), which USDA administers. USDA will administer all government-to-government programs as a result of the Administration funding all Food for Progress programs through Title I, as well as continuing to administer traditional Title I concessional credit agreements. These changes will allow each

agency to focus its efforts, and reduce the need to have duplicative capabilities.

Your letter also asked for our analysis of current trends in global hunger and how consistently our response has tracked those trends. Since the late 1970's, Congress has required USDA each year, through its Economic Research Service (ERS), to assess food security around the world. In its report for this year, we find that Sub-Saharan Africa continues to be the most vulnerable region. In Asia, the situation is improved except for Afghanistan and North Korea, both of which are facing a food supply shortfall this year. The food security situation in Latin America and the Caribbean continues to improve, except for food production shortfalls in Haiti, Honduras, and Nicaragua. In the countries of the former Soviet Union, the situation is most severe in Tajikistan and Armenia, due to a combination of both inadequate food supplies and lack of access to food.

The area of most concern at the moment is southern Africa. A severe drought throughout the region has lowered summer crop yields and may hinder winter wheat planting. Massive imports, most likely of corn, will be needed to meet the demand for food. We are consulting closely with our colleagues in other U.S. government and international aid agencies as we monitor the situation and make plans to respond. We are already providing over $52 million in food aid to Mozambique, Zambia, Malawi, and Zimbabwe.

Overall, I think we can be proud of our record on providing food aid to the most needy citizens of the world. The United States has, and continues to be, the largest donor of food aid, providing more than half of all global food aid. This is a much higher percentage than our contribution to other international efforts. Our contribution to the UN's budget, for instance, is 25 percent. As USAID Administrator Natsios did last week when speaking of Afghanistan, we

call on other nations to increase their donations of food. We have a history of stepping forward to respond to crises wherever they exist. Our infrastructure is the envy of the world–we can procure and ship our products in a timely way so that PVOs and the World Food Program know they can count on us. Today, USDA and AID together are providing food assistance to help meet food needs in about 80 countries around the world. And while the government provides most food aid, private aid in other forms by Americans through religious, voluntary, and business groups is even greater than official U.S. government aid.

U.S. food donations have often made a life-or-death difference for victims of drought, earthquakes, hurricanes, floods, and, unfortunately, man-made civil strife. One has only to think of India in the 1960s, the Sahelian countries in the 1970s, Africa and Haiti in the 1980s and 1990s, the areas of former Yugoslavia in the 1990s, and North Korea and the Horn of Africa more recently to realize this. The task of providing assistance remains formidable. And, as man-made emergencies have increased, needs have not only increased, they often occur in difficult, dangerous situations.

Your final question asks whether USDA will be retaining oversight of the McGovern-Dole International Food for Education and Child Nutrition program. The Farm Security and Rural Investment Act of 2002 gives the President the authority to designate one or more federal agencies to implement the program. USDA appreciates the opportunity to have implemented the Global Food for Education pilot program and is currently evaluating the initial projects. This evaluation will be part of the process that will be used to make a recommendation to the President on how the program should be structured in the future.

Conclusion

Mr. Chairman, we recognize the magnitude of the problems we face in our efforts to alleviate hunger and suffering around the world. The Food and Agriculture Organization recently estimated that about 800 million people in the world are suffering from hunger and that number is not declining as easily as hoped. And every year, in addition to chronic problems related to poverty, the world faces new hunger emergencies. Yet, in relation to the current needs, the resources available are limited. In this era of tight national budgets, the United States and other food donor nations all face difficult budget questions. The decisions where to allocate our precious resources are likely to become increasingly difficult.

But we must remember that food aid is just one aspect of our efforts to promote world food security. Our food aid efforts work hand-in-hand with our developmental efforts—sharing technology, expanding trade, and promoting economic reform. These are all factors that help produce growth and reduce poverty, the keys to food security.

Statement by Roger Winter, Assistant Administrator
Bureau for Democracy, Conflict and Humanitarian Assistance
U.S. Agency for International Development
Before the Senate Subcommittee on
Oversight of Government Management, Restructuring and the District of Columbia
June 4, 2002

Thank you, Mr. Chairman, for giving me the opportunity to come here today and address the important issues that you raised.

Introduction

The U.S. Agency for International Development (USAID) is responsible for managing the Title II and III programs under Public Law (P.L.) 480. The legislation which was enacted almost 50 years ago forms the basis for our current policies on food aid and food security.

P.L. 480 calls upon the United States to use its abundant agricultural resources and food processing capabilities to enhance food security in the developing world through the provision of culturally acceptable, nutritious food commodities to those in need. As this Subcommittee is aware, the United States consistently provides about 50 percent of the food aid worldwide, more than any other country.

Globally, more than 815 million people today are chronically undernourished. For the United States, reducing the number of chronically undernourished throughout the world is both a humanitarian concern and a strategic goal. Food resources are given to help those in need in an effort to eliminate the food insecurity that fuels political instability and environmental degradation. This Administration remains committed to maintaining leadership in providing food aid and in addressing the needs of hungry people worldwide.

Title II & Title III Programs

Before I address the questions asked by the subcommittee, let me give you a brief summary of the P.L. 480 programs. I will focus on the programs of the U.S. Agency for International Development, while my colleague

from the U.S. Department of Agriculture will address the programs implemented by her Agency.

The U.S. Agency for International Development provides food assistance under P.L. 480 Title II and Title III. Title II is used to promote food security both in emergency and non-emergency situations and is the primary resource of the United States for responding expeditiously to the critical needs of populations in emergency situations.

Through the Office of Food for Peace, USAID seeks to ensure that food aid is provided to the right people, in the right places, at the right times, and in the right ways. Vulnerable groups receiving food aid are those who, because of natural or man-made disasters - including prolonged civil strife - require food assistance to survive and recover from the emergencies.

Beneficiaries include internally displaced people, refugees, resettled or new returnees, and vulnerable resident populations. In FY 2001, USAID reached over 33 million beneficiaries. Last year most of the emergency food aid went to sub-Saharan Africa for protracted complex emergencies in Ethiopia, Sudan, Kenya, Angola, Tanzania, and the Democratic Republic of Congo. Over $29 million of emergency food aid was provided to help meet the critical needs in Afghanistan.

Both Title II emergency and non-emergency programs are implemented primarily by U.S. private voluntary organizations and through the United Nations World Food Program.

P.L. 480 Title II non-emergency programs constitute the single largest source of USAID funding focused on food security. This program supports demonstrable increases in food security, through addressing improvement in household nutrition and agricultural productivity. The private voluntary programs are fully integrated into USAID's developmental programming via USAID missions in 72 countries. This allows USAID to capitalize on its knowledge, experience and investment in global health, education and agriculture, and allows Title II assistance to have a multiplier effect on the populations that it reaches.

P.L. 480 Title III is a government-to-government program and in the past it provided USAID with an opportunity to address policy constraints within the context of national governments' food security and overall development objectives. The Title III program is currently unfunded. The Administration has determined that it is more effective to pursue these objectives through other programs, as described below.

Concerns of the Subcommittee

I would now like to address the specific issues and questions raised by the Subcommittee. I will begin by addressing your second question on current trends in global hunger, which is particularly relevant given that the World Food Summit (Five years later) begins next week in Rome. I will then follow with short explanations for the first question, relating to phasing out surplus commodities, and the third question concerning the Administration's proposed food aid reforms.

Current Trends in Global Hunger

As I mentioned previously, more than 815 million people are chronically undernourished. The Administration recognizes that global hunger remains a shared world priority, and we will reaffirm the World Food Summit's goal of cutting in half the number of hungry people in the World by 2015.

Since the early 1990s, only one out of three countries has reduced its number of hungry people. In the rest of the developing countries, the number of hungry people has either not been reduced significantly or has actually risen, especially in much of sub-Saharan Africa. This trend is expected to continue because of the increase in the world's population and the pressures placed on natural resources as well as the prevalence of civil conflict and HIV/AIDS.

Sadly, even as we acknowledge the substantial contribution made by the U.S. Government toward meeting global hunger, man-made humanitarian crises in Sudan, West Africa and Afghanistan, for example, show no clear signs of ending. In addition, natural disasters, such as the drought that is currently looming in southern Africa, continue to destabilize livelihoods and precipitate the

need for substantial requirements for emergency food assistance.

What once were seen as sporadic natural disasters are occurring with increased frequency and regularity in certain regions where governments are ill prepared to mitigate the impact of climatic and other natural phenomena. Unfortunately, the trend seems to be holding and we see no reduction in the number of people affected by these emergencies. In fact, our analysis indicates that we will see an increase in the number of chronically malnourished people due to the spread of HIV/AIDS.

In response to the worsening conditions, the Administration has redoubled its efforts not only to cut hunger in half by 2015, but also to improve nutrition in children under five, and to focus on the elimination of famines. Famines in this day and age are well understood and entirely preventable if the early warning signs are heeded and immediate action is taken by the international community. Let me describe to you some of the initiatives that we are undertaking at USAID to redress these negative trends in global hunger:

First, ***renewed commitment to agriculture and food security in Africa:*** Initiatives include the 1998 Africa Seeds of Hope Act, the 2000 Africa Growth and Opportunity Act, and the 2001 Africa Food Security Initiative. These Legislative and Executive Branch initiatives support trade and investment, civic institution building, micro-credit finance, agricultural research and extension, private enterprises in agriculture, community participation in development programming, and entrepreneurial opportunities for women, especially in small-scale agriculture, with particular attention to Africa.

Second, ***agricultural research and biotechnology:*** In 2001, the United States contributed approximately $45 million to the international agricultural research centers in the Consultative Group on International Agricultural Research (CGIAR), approximately $20 million to Collaborative Research Support Programs (CRSPs), and about $20 million for biotechnology and biosafety capacity-building in less developed countries.

Third, ***micronutrients:*** The United States provides in excess of $30 million per year to address micronutrient

deficiencies of public health importance, including enhancing the quality of diets through fortification, dietary diversification, and other community and household nutrition practices.

The P.L. 480 Title II program, through the Office of Food for Peace, plays a major role in the U.S. plans to reduce hunger and food insecurity. The FY 2003 budget requests a 25 percent increase for Title II to reduce food insecurity and malnutrition in areas especially vulnerable to famine emergencies.

Increasing Food Aid Dependability

Prior to my confirmation, the Administration completed an interagency management review of all U.S. foreign food assistance programs. The food aid review reaffirmed that the broad objective of U.S. food aid is to continue to use the agricultural abundance of the United States to meet the U.S. Government's humanitarian and foreign policy objectives. Based on that premise, the Administration will make adjustments in how food aid programs are implemented in order to improve feeding effectiveness, streamline administrative processes, reduce duplication, and ensure a more dependable level of food aid by reducing the year-to-year reliance upon uncertain surplus commodities.

The Administration has also requested a substantial increase in regular Title II funding for fiscal year 2003 of $335 million, most of which will be targeted at vulnerable populations in emergency situations. The requested budget increase will allow the United States to maintain its leadership role in providing food aid and should serve as a more dependable resource to respond to emergencies. This change will further increase the transparency in the budget management process, allowing Administration officials and lawmakers to maintain priorities and evaluate program performance.

Program Consolidation and Reallocation

The Administration also plans changes in the service delivery of international food aid programs. It is USAID's belief that, by eliminating the redundant functions of USAID and USDA, wasteful overlap will be eliminated. USDA will be responsible for government-to-government agreements

while USAID will administer its programs through private voluntary organizations and the World Food Program.

Another reform initiative under this review includes the elimination of an arcane interagency billing and reimbursement process related to payment of U.S. flag cargo preference costs, ending a duplicative and time-consuming intra-governmental funding mechanism. This change will not impact USAID's continuing compliance with U.S. flag cargo preference legislation. The estimated portion of the increased costs of cargo preference compliance will be directly appropriated to the program agencies, which will save time and money. This change is already included in the FY 2003 budget request.

Food for Education

In closing, let me mention the McGovern-Dole International Food for Education and Child Nutrition program. Food for Education programs ideally aim to provide nutritional benefit, expand access and improve the quality of basic education, especially for girls, in poor countries overseas. From USAID's decades of experience in the field working on education and feeding programs, we are aware that education is one of the best long-term strategies for ending hunger and improving food security. It has been documented time and time again that increased levels of literacy are strongly linked with enhanced agricultural productivity, improved incomes, better infant and child care practices, and longer life expectancy -- all of which are key factors in achieving food security. A 2001 UNICEF report indicates that infants born to mothers with no formal education are twice as likely to die before their first birthday as babies born to mothers with post-primary school education. The McGovern-Dole program has a child nutrition component that also targets preschool children, pregnant and lactating women, and children under five as targeted beneficiaries. Early nutritional investments can dramatically impact the development of children.

USAID has long experience in targeting proven technical approaches in education and health through global field-based programs, and USDA has been implementing the current school-feeding pilot program. The Administration will evaluate the pilot program to determine whether and where school feeding is the most effective way to achieve

success in this area and to inform implementation of the additional $100 million authorized in the Farm Bill for FY 2003.

Conclusion

Mr. Chairman, it is my personal hope that, with broader Administration management reform in general and inter-agency food aid reforms specifically, we are poised to address more effectively and efficiently the needs of global hunger. Thank you again for inviting me to discuss USAID's role in the Administration's food aid reform efforts. More importantly, thank you for your longstanding support for USAID's food assistance programs.

STATEMENT OF ELLEN S. LEVINSON
Government Relations Director, Cadwalader, Wickersham & Taft

before the

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING AND THE DISTRICT OF COLUMBIA

COMMITTEE ON GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

June 4, 2002

Mr. Chairman, thank you for the opportunity to testify before the Subcommittee regarding the structure, scope and effectiveness of United States international food assistance programs and the likely impact of the Farm Bill and proposed policy changes on these programs.

In addition to serving as Government Relations Director at Cadwalader, Wickersham & Taft, I am Executive Director of the Coalition for Food Aid, which was established in 1985 and is comprised of US private voluntary organizations and cooperatives (jointly referred to as "PVOs") that conduct development and humanitarian programs overseas.[1] US food aid is used by these PVOs as part of programs that help improve the health, incomes and well being of the poor; to assist refugees and displaced persons; and to meet emergency needs.

Through US food aid programs, Coalition members engage 30 million beneficiaries each year, with collateral assistance reaching 200 million more. PVOs leverage the assistance provided by the US Government by providing local networks and capabilities in developing countries and emerging democracies. Each PVO has its unique purposes and methods, but all are committed to improving the ability of people and communities to meet their own needs.

US food aid programs are in the midst of change because of amendments enacted in the Farm Security and Rural Investment Act of 2002 (FSRIA) and new policies announced in February 2002 as part of the Administration's Food Aid Review. My testimony summarizes the potential consequences of the Administration's Food Aid Review on food aid programming; presents data of worldwide food aid needs; reviews the recommendations for the Farm Bill made by the Agri-PVO Food Aid Working Group and compares them to the actual changes made to food aid programs in FSRIA; and identifies additional changes that are needed.

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[1] The members are Adventist Development & Relief Agency International, Africare, ACDI/VOCA, CARE, Catholic Relief Services, Counterpart International, Food for the Hungry International, International Relief & Development, Mercy Corps, OIC International, Save the Children, TechnoServe and World Vision, Inc.

The Administration's Food Aid Review

In February, 2002, the Administration announced policy changes that would be implemented as the result of an interagency "Food Aid Review" and which would have serious consequences for the future of US food aid programs. With the passage of FSRIA, these recommendations are undergoing further review and would benefit from greater consideration of the suggestions made by PVOs and others that have experience implementing food aid programs overseas.

To stop off-budget funding for food aid, the Review concluded that Commodity Credit Corporation (CCC) purchases of commodities for food aid programs must be eliminated. Starting in FY 2003, nearly all Section 416 surplus donations and most Food for Progress donations would be eliminated. Although the Administration simultaneously requested that Congress significantly increase appropriations for PL 480 Title II, the additional 800,000 metric tons that this would provide does not compensate for the loss of 2-to-6 million metric tons (MMT) of CCC-funded commodities each year.

Over half of US emergency food aid has been supplied by Section 416 in recent years. Thus, as a result of this new policy there is tremendous pressure to convert more of the Title II program into emergency food aid, despite the statutory requirement that 75% of Title II is for nonemergency programs that help people who suffer from chronic hunger. These policy changes also will result in the loss of Section 416 and Food for Progress programs that help to strengthen private enterprise development, agricultural productivity and disaster recovery in emerging democracies.

To streamline management, the Review concluded that USDA should only administer programs that involve foreign governments and USAID should only administer programs that involve PVOs or the World Food Program (WFP). This would not streamline management; it would just eliminate access to USDA programs for PVOs and WFP.

FSRIA requires CCC to fund at least 400,000 metric tons (MT) of Food for Progress commodities each year and strongly endorses continued participation of PVOs and other nongovernmental entities. Thus, the Administration will have to revise its policies. If the Administration decides to transfer Food for Progress PVO programs to USAID, and to keep governmental Food for Progress programs at USDA, this will cause a great deal of confusion for program management. Moreover, USAID has its hands full trying to streamline and to expand Title II. It is difficult to envision how USAID would have the time or the staff to create procedures for and implement an additional program.

Finally, the Review concluded that Title II should focus on "feeding" programs, which is a term that describes emergency or institutional programs where food is prepared for participants. Other than emergency food aid, there are few "feeding" programs under Title II right now. This is because food aid programs are developed to help build local capacity, not to create dependency. Most Title II programs involve take-home rations (for example mother-child health care and food-for-work programs) and/or monetization, where commodities are

sold in food deficit countries and the proceeds are used to support development activities and program logistics.

As a corollary to expanding Title II feeding programs, the Review calls for large cutbacks in monetization programs. Yet, Title II program impacts have dramatically improved in both the agricultural and household nutrition priority sectors because of the use of monetized proceeds. Rather than assessing programs by whether they involve feeding or monetization, a better approach is to look at program benefits and effectiveness.

Food Aid Needs

Hunger has many causes and manifestations, but is most often associated with poverty and lack of empowerment. In developing countries where poverty is endemic, employment opportunities are lacking, governments are unable to provide basic health and education services or sanitation and clean water due to low revenues and high debt burdens, agricultural productivity and marketing systems are usually weak and under-performing, and many people struggle just to meet their basic needs.

The purpose of PL 480 is to improve food security in developing countries. Food security means that an individual has sufficient amounts of the right types of food on a regular basis to meet nutritional needs. To be "food secure," a person must be able to buy or to produce enough food. Nearly 900 million people are not able to acquire enough food which leads to poor physical development, low productivity, greater susceptibility to disease and premature death. Chronic hunger can be the result of insufficient supply of food in the area, lack of resources to procure food, and/or diseases that make it impossible to digest and utilize the food properly.

In addition to those who suffer from chronic hunger, millions of people are hungry and face starvation each year due to natural disasters and war. In urgent emergencies and as part of safety net programs for the poor and undernourished, targeted food aid distributions can help to save lives, to enhance people's health, and to preserve household assets that would otherwise be sold to procure food.

At the current rate of progress, the World Food Summit goal to halve the number of hungry people by 2015 is not feasible. It would require a 3.5 percent annual decline in the number of undernourished people. USDA's Economic Research Service (ERS) projects a 1.6 annual decline, assuming continued declines in population growth rates and World Bank projections of improved global economic growth for 2003 and beyond.

Most recent United Nations reports estimate that 896 million people are hungry. While no region is immune to hunger, the vast majority of these people live in low-income, food-deficit countries. FAO's "The State of Food Insecurity in 2001" found that worldwide the number of undernourished people is decreasing, but in most developing countries there has been a significant increase in the number of undernourished people during the decade of the 1990's.

The ERS March 2002 "Food Security Assessment" found that food security in 67 low income, net food-importing countries declined in 2001 compared to 2000. Two measures of "food security" are considered: the total availability of food in a country per capita, whether locally

produced or imported, and the access to food by people in different income brackets. About 11 million metric tons of food aid would be needed to maintain the same per capita consumption levels in 2001 compared to 2000, while 18 million metric tons would be needed to reach minimum caloric intake requirements per capita. However, these aggregate data do not take into account that there are very skewed income levels in developing countries and the poor do not consume as much food as those in middle and higher income brackets. To raise food consumption for each income group to a level that meets minimum caloric requirements, 30 million metric tons would be required.

These are measures of chronic hunger. In Sub-Saharan Africa 57 percent of the population consumes less food than what is necessary to meet nutritional needs. In Asia the number of people who do not meet minimum nutritional requirements has been declining, although largely due to skewed income levels and variability in production, there are still 484 undernourished people in poorer Asian countries. In the Newly Independent States of the Soviet Union, there are also positive trends, which tracks with positive per capita economic growth. On average, in North Africa food consumption is above nutritional requirements, but these countries are dependent on food imports and need to maintain economic growth to finance imports. Food security in Latin America and the Caribbean has improved over the past 20 years and is likely to continue to improve over the next decade due to income growth in some of the more populous countries. However, income inequality is a continuing problem, and the poverty and food insecurity profiles for low income segments of the population are similar to or worse than South Asian countries.

Half of international food is used for emergencies, responding to economic, natural and manmade crises. Such interventions are critical. However emergency food aid does not tackle the problem faced by chronically undernourished people who fall into the low-income brackets where 30 million metric tons of food aid would be needed to meet nutritional requirements.

To address these chronic problems it is not only the availability of food in a country that needs to be improved, but the access to food for the poor also needs to be addressed. For example, in India, Bangladesh, Ecuador, Azerbaijan, Guatemala and Georgia, using national averages it may seem that there is adequate food in each country to meet nutritional needs. However, low-income groups in these countries do not have adequate diets. In Sub-Saharan Africa both the amount of food available countrywide and the access to food for the poor are way too low.

Agri-PVO Food Aid Working Group Recommendations for the Farm Bill

In anticipation of the Farm Bill, over a year ago a group of over 30 PVOs and agricultural groups formed the Agri-PVO Food Aid Working Group and developed a comprehensive set of recommendations to reform and to improve food aid programs.

First, the Working Group recommended a needs-based program, instead of a surplus-driven program. The amount of US food aid provided each year over the past decade ranged from 2.8 to 9.0 million metric tons (MMT) per year, mainly based on the amount of surplus commodities available rather than the need overseas. This created inefficiencies in program planning and procurement, because there were protracted interagency consultations about how much would be

provided each year, delayed funding allocations by OMB, and bunching of commodity orders in the last few months of the fiscal year. Besides, surplus commodities did not guarantee that the right types of products or nutrients would be available. Since 18 million metric tons of food are needed by the poorest countries each year to meet minimum caloric needs, the Working Group recommended that the baseline for US food aid should be 5.6 MMT, about one-third of the minimum amount needed.

Second, additional commodities above this 5.6 MMT are needed for emergencies. An emergency reserve of food and funds is the best approach to assure that commodities can be made available quickly, saving lives and reducing suffering. For natural disasters, providing food aid before people sell productive assets, such as seeds and tools, and before people leave their homes in search of food can assure a more rapid transition to the recovery phase. The Bill Emerson Humanitarian Trust is a food reserve that is intended to serve this purpose, and the President has the discretion to use it. However, a new mechanism is needed to provide for replenishment of commodities that have been released from the reserve.

Third, administrative policies and procedures need to be more practical and efficient, including early approval of program proposals so commodities purchases can be spread out over the fiscal year rather than bunched at the end of the year. The Working Group called for more transparent procedures for the review and assessment of proposals by USDA and streamlining USAID administrative requirements. The most onerous administrative requirements are applied to PVOs, particularly under USAID programs, and user-friendly program guidance, expedited review and approval procedures, and flexibility for PVOs to adapt a program to meet the changes encountered during the implementation phase were recommended.

Fourth, recommendations were made to provide adequate cash assistance for program administration and to complement program implementation under PL 480 Title II, Food for Progress and Section 416 programs.

Fifth, in poor, food deficit countries monetization is an effective way to generate funds to support administration and implementation costs. However, USDA and USAID have different sales procedures for monetization Uniform monetization procedures for USDA and USAID were recommended, based on the USDA model because it is more reflective of commercial practices.

Some significant steps were taken in FSRIA to implement these five recommendations. However, additional legislative and policy changes are needed.

(1) Increasing the baseline level of food aid for chronic needs.

The goal of a 5.6 MMT baseline through a mix of PL 480, Food for Progress and Food for Education programs was not fully met in FSRIA. Under the new law, the minimum level of food aid that is provided each year would increase from about 2.8 million metric tons to about 3.7 million metric tons.

This additional 900,000 MT is derived from a 475,000 MT increase in the minimum tonnage level for PL 480 Title II and the establishment of a 400,000 MT minimum tonnage level for Food for Progress, which previously had no minimum requirements. This estimate assumes that

Congress will appropriate enough money to fund the increased tonnage level for PL 480 Title II and will at least maintain Title I at a funding level that provides about 800,000 MT. This estimate does not include the allocation of $100 million in FY 2003 for the new McGovern-Dole International Food for Education and Nutrition Program (IFEN), which would supply an additional 200,000 metric tons for that one year.

IFEN is funded at $100 million for only one year, which makes it difficult to start new programs. However, it will allow the continuation of pilot programs initiated under the USDA FY 2001 Global Food for Education Initiative. PVOs have a great deal of experience with food for education and look forward to participating in this expanded pilot program. The legislation sets the appropriate objectives of improving educational opportunities and food security for children, rather than short-term feeding programs, which will allow these funds to have an impact beyond the short period in which the commodities are made available.

A very positive step taken in FSRIA is that the ratio of PL 480 Title II nonemergency programs to emergency programs remains at 75 percent. However, the Administration does not seem to be trying to implement this provision.

The nonemergency level is intended to assure that an adequate proportion of the increased Title II assistance will be provided to improve food security in communities where there is pervasive poverty and people cannot meet their basic needs. Previously, the law required that in each fiscal year at least 1.55 MMT of Title II commodities be provided for such programs, which was about 75% of the minimum tonnage level of 2.025 MMT. FSRIA increases the nonemergency level to 1.875 MMT, which is 75% of the new 2.5 MMT minimum tonnage level.

Under the law, the 75% nonemergency requirement cannot be waived until after the start of a fiscal year, in order to assure that USAID does not hold back commodities that could be used effectively for development programs. Nonetheless, PVOs are currently being told, as USAID reviews their fiscal year 2003 Title II proposals, that they have to reduce their tonnage levels because less food aid will be available for nonemergency programs in FY 2003 than in FY 2002. Apparently, the Administration does not plan to try to meet the increased minimum tonnage level for nonemergency programs.

The Administration may be holding back Title II commodities partially because it has not yet developed a plan to respond to emergency needs. By not deciding which of alternative mechanisms to use to address emergency needs, mother-child health care, early childhood development, food for education, agricultural development, small enterprise development, and other "nonemergency" programs that target pervasively poor communities will be hurt.

(2) Additional amounts of food aid for early and rapid response to emergencies.

FSRIA did not directly address this issue, although the amount available for emergencies under PL 480 Title II is increased by 150,000 MT, from 475,000 MT to 625,000 MT. Under current law, there are other ways to meet emergency needs, but using these authorities is left to the Administration's discretion. Of the options available, so far the Administration is considering drawing down commodities from the Bill Emerson Humanitarian Trust, an emergency reserve which currently holds 2.5 MMT of commodities. This is a good option, but

it is necessary to assure that the Trust will be replenished without depleting funds for other food aid programs. This would require an Administrative decision to use CCC funds to buy commodities to replenish the Trust and legislation to waive the requirement for encumbering future food aid funds to repay the Trust for commodities that are used to meet urgent needs.

The purpose of food aid in emergencies is to sustain life and to eliminate the need for people to resort to selling assets needed for survival and recovery. Early provision of assistance also prevents the movement of people in search of food and the development of displaced persons camps, where disease can readily spread and resettlement and recovery becomes more difficult. Thus, it is important to be prepared to respond quickly to avoid the worst impacts and to save lives. There are three options to meet urgent needs.

First, Congress could provide emergency supplemental appropriations, such as the $150 million earmark for food aid in the emergency supplemental for the War in Yugoslavia and the use of about $100 million of the September 11 emergency appropriations for food aid to Afghanistan. However, emergency supplemental legislation is not a reliable source of funding and is often not available for early response.

Second, USDA has authority under Section 416(b) of the Agricultural Act of 1949 to donate overseas surplus commodities held by the CCC. This is a second best method for emergency response, since emergencies may occur in years when the CCC does not have surplus stocks. If commodities are available, they may not be the right types for the target country and often do not meet the nutritional needs.

Traditionally, CCC obtained surplus commodities through forfeitures under commodity support programs. From 1984 through 1993, when CCC inventories were high, Section 416 became an important, additional source of food aid for both emergency and nonemergency needs. Due to changes in commodity programs, since 1994 CCC rarely holds any stocks of grains, rice or oilseeds. However, in 1998 commodity prices were low and supplies were abundant, so the Administration decided to use CCC Charter Act authority to buy commodities to stabilize prices, and then to donate these commodities overseas under Section 416. Starting in FY 2003, the Bush Administration has announced that it will no longer use the CCC Charter Act authority to buy wheat, corn, rice, soy and other commodities to donate abroad. Thus, under Section 416 it is anticipated that nonfat dry milk is the only commodity that will be available, because CCC acquires this commodity under normal price support program mechanisms.

The third option for meeting urgent needs is the Bill Emerson Humanitarian Trust, which may hold up to 4 million metric tons of wheat, rice, corn or sorghum, or any combination of these commodities. Rather than waiving the 75% nonemergency requirement under PL 480 Title II, up to 500,000 MT tons of wheat or the equivalent value of another commodity, including processed products, can be provided from the Trust for emergency assistance in any fiscal year. If all or part of the 500,000 metric tons is not used in a fiscal year, the remaining amount can be added to the 500,000 metric tons for the next fiscal year. This reserve has rarely been used for emergencies since its inception in 1980 as a wheat reserve. The Administration is contemplating using the Trust to respond to the current southern African drought, which would help to assure timely response and could avoid waiving the 75% nonemergency Title II level.

However, there are problems with repayment and replenishment of the Trust. Currently the Trust holds 2.5 MMT of commodities, but is allowed to hold up to 4 MMT. If food is withdrawn, the Trust has to be repaid for commodities used. The Administration will encumber future PL 480 funds for repayment, cutting back on the amount of food aid that can be provided through PL 480 in later years. Further, the law only allows $20 million received as repayment in any fiscal year to be held by the Trust to replenish the commodities, which can only buy about 140,000 metric tons of wheat. This is insufficient to refill the Trust. Although commodities can also be transferred from CCC inventories to replenish the Trust, the Administration has no plans to replenish the Trust through CCC-obtained commodities.

To fix this standby reserve, repayment should be not be required for commodities used in any fiscal year for urgent needs. This would require an amendment to the law. When commodity prices are low and supplies are abundant, CCC Charter Act authority should be used to buy commodities, which could then be transferred to the Trust. This would not require an amendment, but it would require a change in the Administration's policy.

A challenge for food aid programs is to integrate the response to short-terms crises with long-term development efforts. Vulnerable populations and regions need programs to help improve their ability to prevent the worst impacts of floods and droughts, such as flood control systems, post-harvest and storage technology, improved seeds and land use methods, and nonagricultural sources of incomes in rural areas. Simultaneous with emergency aid, recovery programs must be planned.

The frequency of emergencies and their terrible costs in terms of human lives, productivity and economic and social deterioration, brings international attention. Low-income countries do not have the means to cope with such shocks, so there is great demand for international relief. Emergency preparedness should include early warning, mitigation against emergencies where possible through developmental food aid programs, support for developing local response and coping mechanisms, preparedness to intervene early and adequately, and coupling emergency supplies and with recovery.

Rather than just increasing food aid during emergencies, programs to mitigate against such shocks are needed to reduce the economic and human costs of emergencies. Approved food aid programs in vulnerable countries should be elastic, allowing PVOs to adapt to observed changes in food supply during the life of the agreement.

Short-term shocks also can have long-term impacts, setting back agricultural production, human productivity and economic growth. Thus, just intervening with food aid for the emergency is not enough, there has to be simultaneous planning for recovery and reconstruction. Although not all famines can be predicted, early warning systems that monitor weather patterns as well as local conditions and trends can give advanced signals in vulnerable areas.

Famine trends were observed over the past year in southern Africa, where crop harvests declined by nearly 50% some areas in the 2001-2002 season. Factors contributing to the drop in production included: 1) increased early rains that delayed the planting season and decreased land under production by 30-40%; 2) late rains during the planting season; 3) periods of frost that affected crop development; and 4) poor farming practices that reduce the availability of top soil

and deplete nutrients from the soil. Poor agricultural policies and political instability aggravate these problems in some countries, and the deterioration of transportation systems will make food delivery more difficult.

USAID understands the importance of avoiding the devastating impacts of famine. For the current drought in southern Africa, USAID is considering ways to address these issues. It requires more than just getting food there early; it also requires integrating food aid with development activities as soon as possible in order to assure that this year's crop is sown. PVOs conduct these types of activities and also implement programs in refugee and displaced persons camps. Assuring there is a pipeline for recovery activities is an essential part of emergency response.

(3) Streamlining and improving food aid administrative guidelines and procedures.

One of the most beneficial aspects of FSRIA is its emphasis on flexibility for choosing the appropriate commodities and interventions to meet local needs and to require streamlined program management. If the flexibility and streamlining provisions are implemented within the spirit of the legislation, then the result will be more effective programming and the elimination of redundancy and unnecessary paperwork. However, there is reason to be concerned about how the Administration will implement the law, since the Food Aid Review called for changing the focus of Title II to "feeding" programs and eliminating PVOs and WFP from USDA programs. These changes would be detrimental to the success of food aid programs.

For PL 480 Title II, FSRIA requires USAID to develop streamlined guidelines and expedited procedures for program reviews in consultation with PVOs and other interested parties and to implement these changes within one year after enactment. To the maximum extent possible these changes should apply to FY 2004 new program guidelines and resource requests for ongoing programs. These changes should make the procedures for reviewing the proposals more consistent and less time consuming; simplify the reporting requirements and annual resource requests; and provide more flexibility in decision-making once the program is approved.

The mechanism for consultation as the changes are developed is the Food Aid Consultative Group, which was established in by law in 1990, is chaired by the Administrator of USAID and is comprised of PVOs, farmer and commodity groups, WFP, and officials from USAID and USDA. Public comment will also be solicited through notice in the Federal Register.

USAID must also report to Congress in 270 days on progress made to upgrade procurement, information management and financial systems used for administering Title II programs. The intent is to reduce micromanagement, multiple layers of reviews and extra paperwork that make it burdensome for PVOs that implement these programs and cause inefficiencies in the commodity procurement and delivery processes. These onerous procedures also create management burdens for USAID.

FSRIA also requires USDA to complete the review of a proposal 120 days after submission, which means it should no longer be necessary to submit proposals 11 months in advance of the

fiscal year. FSRIA also calls for programs to be approved before or early in the fiscal year, allowing programs to get started on time and the commodities to be purchased and delivered in an orderly fashion throughout the fiscal year.

FSRIA states that PVOs should have flexibility to develop program objectives that address local needs and meet one or more of the objectives of Title II. The focus of Title II is to relieve hunger and its causes. To help populations that suffer from chronic hunger, merely creating welfare programs of large-scale food distribution is not the answer, but a statement in the Administration's Food Aid Review about the need to focus Title II on "feeding" programs seems to imply that this may be the direction the Administration is taking, which would be a setback for development-oriented programming

The great benefit of food aid is that it can be used to address a variety of problems. For example, nutritious foods along with immunization and health care are provided during critical growth periods for mothers and children. A nutritious meal served in classrooms combined with the establishment of PTAs, teacher training and improved lessons provides an incentive for poor families to send their children to school. Infrastructure and sanitation in poor communities are improved by giving food as payment for work on sewage and water systems. Land use and conservation are enhanced when food is provided as an incentive for community participation in reforestation and land conservation projects. Agricultural productivity and incomes are improved by selling donated food and then using the sales proceeds to invest in agricultural and small business projects. PVOs are also expanding the use of food aid as part of their assistance to HIV/AIDS-effected communities.

As part of these efforts, PVOs and commodity groups are looking at alternatives to the traditional food aid commodities, seeking out more nutritious foods for people with diseases and products that could ultimately improve the quality of the food supply in developing countries.

Under FSRIA, guidelines for Food for Progress and Section 416 are to be revised to identify the criteria for program approvals, and USDA procurement, transportation, information management and other procedures are to be revised. These programs are also supposed to be approved early in the fiscal year. However, because of the Administration's policy to no longer allow PVOs to participate in USDA programs, program changes and requests for proposals for FY 2003 have not been announced.

The Statement of Managers accompanying FSRIA strongly states that nongovernmental entities should continue to be engaged in Food for Progress programs, but it seems that the Administration has not yet decided how or whether to accomplish this intent. It would be a mistake to no longer permit nongovernmental organizations, such as PVOs, to carry out Food for Progress programs. PVOs provide effectiveness and accountability. They are required under US law to have transparent management and accounting procedures. Further, eliminating PVO participation in Food for Progress would run counter to the intent of the program, which emphasizes private sector development in countries that are making economic reforms in their agricultural economies.

It would also be disruptive and confusing to remove some or all Food for Progress programs from the Secretary of Agriculture's authority and shift it to USAID. USDA's Foreign

Agricultural Service is well-suited to manage these programs which emphasize private sector and agricultural development in emerging markets. Further, it would take a very long lead time for USAID to establish procedures for administering a new food aid program.

(3) Cash assistance to support program management and logistics.

FSRIA establishes the funds available for program administration, technical assistance and implementation under both Food for Progress and PL 480 Title II, and allows the President to provide funds for such needs for the new McGovern-Dole International Food for Education and Nutrition Program (IFEN). Funds can also be provided to support in-country distribution costs associated with Title II programs in the poorest countries. These are positive changes and it is important to assure that these funds are made available for the intended purposes.

FSRIA increases the funds available to PVOs and the WFP for program implementation from $10 - $28 million to 5-10% of title II funding (this year it would have been $42.5 - $85 million). The funding available for Food for Progress administrative costs is increased from $10 to $15 million. The law was not changed to make administrative funds available for the implementation Section 416 programs. This mainly disadvantages PVOs, since the Administration has a policy of using general CCC authority to cover all direct and indirect administrative costs, both at headquarters and in the field, for WFP Section 416 programs.

(4) Uniform monetization procedures.

FSRIA provided uniform monetization procedures at USDA and USAID, including sales for the local market price and sales for either dollars or local currencies. These positive changes will foster the use of the appropriate commodity for monetization, and will no longer disfavor high-value products. However, the Administration has announced a policy to set an arbitrary limit on monetization under PL 480 Title II, which could impede the implementation of effective programs.

In food deficit, import-reliant countries, monetization provides a boost to the economy and allows needed commodities to be provided through the market. The generated proceeds support the cost of program implementation and management, and allow effective grassroots development in poor communities. Where monetization is feasible, rather than just exporting cash to support program costs, US commodities can be exported providing an additional benefit to the US agricultural sector.

The uniform procedures for monetization include several existing requirements, such as market analysis to choose a commodity that does not interfere with local production and marketing or commercial imports. In addition, for both USAID and USDA programs, when monetization is used, FSRIA requires the sales price for the commodity to be the reasonable market price for that commodity in the economy where the commodity is sold. This resolves a very problematic procedure used by USAID whereby an artificial benchmark price was developed by USAID that did not reflect the local price of the commodity.

The reasonable market price, as with commercial sales, would depend on local market prices for similar commodities and the final price will be affected by the product quality and delivery and

payment terms. The "benchmark" price that was used by USAID was based on USDA procurement costs and estimated freight costs, and if the sales price could not recoup at least 80% of that value, then the commodity could not be used. This precluded the use of US commodities that are more costly to buy in the United States than in the world market, particularly processed products such as flour and milled rice. USAID will have to change its procedures to meet the terms of the new provision, and USDA and USAID are supposed to set similar policies.

Due to a change in Section 416(b), at least 20 FY 2002 Section 416 PVO programs that planned to use monetized proceeds to support program administrative costs are in jeopardy. Millions of people who would be reached by these maternal-child health care, agricultural, and emergency recovery programs will not be able to receive assistance.

The law permits the use of proceeds realized from the sale of commodities furnished under Section 416 to be used by PVOs to meet related administrative expenses. This critical provision provides the funds needed to administer, monitor and implement Section 416 programs.[2] Such costs can be covered under PL 480 Title II and Food for Progress through monetized proceeds or through direct funding in US dollars and headquarters and field costs can be covered. Under Section 416 only monetized proceeds are available for administrative costs – there is no direct cash assistance available to PVOs and cooperatives. Thus, this provision is critical for PVOs and cooperatives to be able to participate in the Section 416 program.

USDA's General Counsel has had various interpretations of this provision in recent years. In some cases USDA would allow monetized proceeds to be used to cover administrative costs incurred outside of the recipient country and to purchase needed materials (such as medicines and vaccines) outside of the country. For FY 2002, USDA originally agreed to allow administrative expenses incurred out of the recipient country to be covered and program plans and budgets assumed coverage of such costs.

A provision FSRIA strikes a clause in Section 416(b) that states that proceeds can be used outside of the country of origin as long as that currency is accepted in the other country. Because of this change, USDA will not permit funding of administrative costs incurred outside of the country of origin. This consequence essentially will eliminate the ability of many PVOs and cooperatives to participate in the Section 416 program, although WFP will be able to continue because it receives direct cash assistance from USDA. This provision needs to fixed immediately in order for these 20 or so programs to go forward in FY 2002, and for PVOs to be able conduct programs in the future.

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[2] This provision is important to US PVOs and cooperatives because it is their only source of funding for Section 416 costs. The UN World Food Program is not affected by this provision because for Section 416 programs, USDA uses CCC Charter Act authority to pay in cash direct and indirect administrative costs for WFP, covering both in-country and headquarters costs plus a significant overhead rate.

The President's Food Aid Review requires USAID to implement a policy to limit the monetization of nonemergency Title II commodities to 30% of the tonnage provided. This is being justified as part of an effort to focus Title II on "feeding" programs, however, it will actually take away from the very successful use of Title II to assure that food is not just a hand out, but is integrated with development activities that have lasting benefits.

As the Statement of Managers accompanying the FSRIA Conference Report states, food aid program approvals should be based on the potential benefits of the program on food security and the choice of the appropriate commodity for the intended use. Through monetization US commodities are sold in poor, food deficit countries that must rely on imports to meet their food needs. The proceeds are used in developing countries to support the distribution of commodities and the implementation of development programs. Where monetization is feasible, rather than just exporting cash to support program costs, US commodities can be exported.

This proposed arbitrary monetization limit will result in a 50% cut in the beneficiaries of Title II PVO nonemergency programs, or about 10 million people. Proceeds from about 60% of the monetized commodities under PL 480 Title II currently support the implementation of food aid programs that involve distribution, and the other 40% supports development activities that make sure the programs have a lasting impact rather than building dependency.

Although some of these funds can now be covered by the new cash assistance made available under FSRIA, it would be beneficial to continue monetization in many countries. Monetization can have multiple benefits – US commodities are exported, the sale boosts economic activity and the availability of products in the recipient country, and it creates funds to support food distribution and to carry out sustainable development activities. It can be a powerful tool for expanding private sector trading and infrastructure in a developing country, and improving local markets.

Title II program impacts have dramatically improved in both the agricultural and household nutrition priority sectors because of the use of monetization proceeds. For example, Maternal-Child Health and Nutrition has evolved from center-based efforts where growth monitoring and food supplementation were the major objectives to integrated community-based development programs with long-term health, nutrition and sustainability objectives. Improvements include reduction of diarrheal disease, increased immunization rates, and improved health status of mothers and children. Supplementary feeding programs have been integrated with complementary activities designed to improve food consumption by the child/mother in the home and to improve the biological utilization of food through the provision of essential health services and improvements in health care behaviors, as well as access to clean water.

The WTO and the World Food Summit

In the next few months, the United States has the opportunity to take the lead once again in the international arena on food aid policy.

First, as part of the World Trade Organization (WTO) agricultural negotiations, the United States should hold firm to the position that food aid provisions in the Uruguay Round shall not

be re-negotiated in the Doha Round, and food aid shall remain exempt from limitations placed on agricultural export programs.

Under Article 10.4 of the Uruguay Round Agriculture Agreement, food aid is permitted as long as it meets the requirements set forth by the Food Aid Convention (FAC). Food aid may be provided for emergencies or non-emergency purposes and through governments, international organizations or PVOs. The food may be distributed or sold in the recipient country. US food aid programs meet these requirements.

The European Union has led a charge to reconsider the treatment of food aid during the Doha Round, because of concerns about the large amounts of surpluses donated abroad by the United States in recent years. The United States should be able to show that this food aid went to food deficit countries and countries that were in going through difficult economic periods.

The treatment of food aid should not be subject to change under the new WTO agricultural negotiations. For a "net food-importing, developing country," a low-income country that depends on imports to meet basic food requirements, food aid is particularly important. As part of the Uruguay Round Trade Agreement, the Ministers acknowledged that such countries may not benefit from expanded trade, since they do not have adequate hard currency earnings from exports and cannot afford to meet their food needs through commercial imports. Their need for food aid was expected to increase as the availability of subsidized commercial commodities decreased. Because of this, the Ministers declared that donor countries would seek to increase food and agricultural aid to these low-income countries. Indeed, developing countries are seeking continued commitments of food aid during the Doha Round.

Second, at the five-year follow-up to the World Food Summit, the United States has the chance to state how it will use food aid to advance the goal of cutting hunger in half by year 2015, such as committing to greater levels of food aid for areas where chronic hunger is prevalent; integrating US food aid with developmental activities to help people improve their health, education, incomes and living conditions; and strengthening the Bill Emerson Humanitarian Trust to assure that the United States has an emergency reserve to respond to crises.

Mr. Chairman, thank you for this chance to testify. I would be glad to answer any questions you may have.

International Rescue Committee
122 E. 42nd Street, NY, NY, 10168, USA

Testimony before US Senate Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia hearing entitled "Half a Loaf?- The Impact of Excluding Surplus Commodities from America's Response to Global Hunger"

4 June 2002

Jason Phillips, Country Director, International Rescue Committee, Kenya

Mr. Chairman, members of the committee, thank you for inviting me to testify today. As the International Rescue Committee's Country Director for Kenya, I spend a good deal of my time managing the IRC's health and feeding programs in Kenya's Kakuma refugee camp.

I would like to offer some brief observations on problems in the camp related to food security.

There is a dangerously high rate of malnutrition in Kakuma representing a complete abandonment of minimum international humanitarian standards for food assistance.

According to UNHCR and WFP guidelines introduced in 1998, the minimum caloric requirement for one person for one day is 2,100 kilocalories. For the past 2 ½ years, the Kakuma general ration has fallen woefully short of these standards. In the year 2000, the average twice monthly ration distributed was 1877 kcals. Only one of 23 distribution cycles in that year reached or exceeded the minimum standards, and in October one distribution was less than ½ (1024 kcals). In 2001, the average twice monthly ration distributed was 1770kcals. In three months there was only a single distribution due to shortages of stocks. Since January 2002, the situation has deteriorated even further, and can only be described as critical: The average ration distributed from Jan-mid-May 2002 was 1449kcals. From January to February there was a single distribution only; the last distribution on 16 May was only 1377kcals.

According to the last camp-wide anthropometric nutrition survey conducted in Kakuma in April 2001 (conducted by IRC, UNHCR, and the Institute of Child Health in London), the global malnutrition rate in Kakuma stood at 17.3% (% less than –2 z-score). While alarming in and of itself, what is more alarming is that global malnutrition rates in Kakuma have not significantly deviated from this level for the last 6 years: since 1995 the rate has not dropped below 14%, and was as high as 18.3% in May 1999. These are rates that one would expect to see in severe nutritional emergencies, and represent levels

far in excess of what one would expect, and indeed does find, in protracted, stable refugee camps in neighboring countries. While, fortunately, the rate of severe malnutrition (which requires therapeutic intervention to save life) is very low (1.4% z-score in April 2001), the high global rate suggests that there are many vulnerable people in Kakuma who, under continuing poor or deteriorating general rations, stand to slide into a life-threatening situation.

IRC has been running supplementary and therapeutic feeding programs to cater for the needs of the malnourished, particularly the most vulnerable members of the refugee community: children under five and pregnant and lactating women. As long as the general ration remains compromised, it is impossible to envision an end to what should be temporary feeding programs. Admission statistics to the program remain little changed, month after month, year after year.

This can be understood best in that one cannot really say what we are doing is a "supplementary" feeding program, for by definition the highly calorific rations we administer therein are meant to supplement, not replace or shore up, short falls in the general ration. Under such conditions, it can actually be seen to be in the mother's best interest to keep her infants malnourished such that they continue to qualify for the SFP ration: it is one mouth that will definitely be fed, and the other members of the family will then be able to distribute the remaining meager general ration among one less mouth. Nothing could be farther from the intent, and desired outcome, of a SFP.

I must also point out that the problem extends beyond a low general ration to deficiencies in essential micronutrients.

Given the vagaries of the food pipeline, and WFPs dependence on in-kind donor contributions, refugees rarely receive the same basket of commodities from one month to the next as a general ration. When WFP has maize, that is what it distributes. If that runs out, but wheat flour is available, then wheat flour is distributed. In the last distribution cycle in mid-May, CSB was substituted for wheat flour and oil, which were not available at all. In many months key commodities such as oil, are simply not provided. It is essential to realize that the micronutrient value of these commodities is not equal, and that even if the total Kcals of the general ration remains the same, dangerous micronutrient deficiencies can be, and are, present. Some of the commodities are purposefully fortified with essential minerals and vitamins, such as Vitamin A fortified vegetable oil. If that commodity is absent from the general ration, as it has been on many occasions in the last year and was not distributed in the last ration in mid-May, no amount of substituting with other commodities in the ration will compensate for that loss of micronutrient value.

One way in which both the energy and micronutrient levels of the general ration can be raised is through the distribution of what are called "complementary" foods. In Kakuma, it is LWF via UNHCR (not WFP), that handles this area of assistance. Unfortunately, due to reductions in funding over the last years, these complementary distributions have been seriously curtailed. In 1998 and 1998 cabbages and potatoes were distributed quite

regularly: the latter, for instance, being an important source of Vitamin C. In 2001, however, there were no complementary food distributions from January-August. Since September 2001, UNHCR and LWF have only been able to provide limited amounts of beans (100.5 kcals/person) to complement the low general ration, and even that was not supplied in the first two distributions in 2002.

In April 2001 IRC, in conjunction with UNHCR and the Institute of Child Health in London, undertook a micronutrient survey in Kakuma. The results suggest that the composition, as well as the amount, of the general ration, leaves a lot to be desired. According to the analysis of the diet received from the general ration distribution before the time of the survey, it was deficient in 3 of 6 key micronutrients. Only 64% of the daily recommended intake of Vitamin A, 54% of riboflavin, and 89% of Vitamin C, was provided. Overall, Vitamin A deficiency was found in 47.2% of children under 5, and anemia was present in 61.3% of children. The latter was flagged as a "situation with high public health significance."

To some extent, the picture I have just given you is the good news.

The entire WFP food pipeline for the protracted refugee operation in Kenya (of which Kakuma is actually the minority partner with Dadaab refugee camp), has been consistently underresourced throughout the year, and remains in critical condition. As of 15 May, WFP reported wheatflour stocks are only expected to last through May (although a US pledge sufficient to cover 5-6 months has been made, but not arrived yet); maize is only sufficient through the end of July (although a Japanese government cash contribution for local purchase should permit adequate amounts through the end of the year); pulses have not been distributed since mid-April, and only a 3 month supply is in the pipeline; oil has run out completely in Kakuma, and there is nothing in the pipeline; corn soya blend (CSB) is no longer utilized in the general ration in Kakuma, but is reserved entirely for SFP/TFP and school feeding programs, and it is expected to run out in Kenya by August; and salt is only sufficient until June.

Under existing conditions, we are facing a year of severely compromised general rations far below minimum international humanitarian standards in food assistance. A failure to address these shortfalls may well produce a number of outcomes. These include: increased mortality and disease, especially among the most vulnerable in the camp; increased security problems, and almost certainly an even starker disparity between minimum standards for food assistance and the actual rations provided refugees in Kakuma.

What is particularly notable is that this is happening not in an acute emergency setting, but in a care and maintenance camp that has been in existence for ten years. The cruel irony is that the developing nutritional emergency in Kakuma will not only likely lead to loss of life, but also significant financial costs to donors--above and beyond the costs of meeting minimum food assistance standards--to treat, and rehabilitate the victims of increasing severe malnutrition.

One might wonder, given the dire picture I have outlined, why the critical nutritional situation has not degenerated into an emergency with large scale loss of life? The answer is that refugees have developed coping strategies as a way to augment what assistance they can access. This might mean selling or trading food for an essential commodity like medicine. There are markets within the camp that are fueled by cash incentives given to the small number of camp inhabitants who are able to get a job or by remittances from outside. Such cash economies are a fact of life in any long-term refugee setting and are essential to the ability of refugees to survive.

I have heard Kakuma referred to by some Westerners as the "Club-Med" of refugee camps. I suppose if you had a choice in living under the conditions found in some camps set up during the acute emergency phase of a crisis, versus Kakuma, you might well choose Kakuma. But I would hardly characterize ten years of living on substandard rations in a place where you share the same toilet with 50 other people as luxurious. Moreover, the conditions in Kakuma are on a downward spiral.

The UNHCR and WFP recently conducted a census of the camp. The preliminary findings indicate a 25% decrease in the population of the camp. Based on this they intend to decrease the amount of rations available in the camp. Sounds reasonable, but it is not. "Extra ration cards" which some may view as fraud, are just one more coping mechanism employed by refugees. If food needs were being met, you would not see the significant declines in nutritional health described by our surveys. Cutting rations will only exacerbate this trend.

Let me expand on this point because I am sure there are some people who might mischaracterize the sale and trade of food as diversion. Diversion would mean that donors intent is being subverted as food intended for specific beneficiaries is instead going to someone else.

Food is the most fungible commodity in the camp. Its sale (or what we call "monetization" when people sell food in ways that we approve in advance) permits people to supplement their diet by purchasing commodities not supplied in the general ration. It allows purchase of other essential items, such as clothing, medical care, and fuel. If the only resource one has is food, one has to sell it to meet all their other needs, including very often the grinding of the maize or wheat which is necessary for consumption. For the poorest and most vulnerable families in Kakuma, the most important use of proceeds from food sales is for firewood and charcoal: one cannot eat without cooking their food. While firewood distribution is also a part of the international community's assistance package in Kakuma, it has been less than adequate when delivered, if delivered at all. In the absence of adequate firewood distribution, as much as 40% of the poorest households income, income generated largely by food sales, goes to firewood and charcoal purchase. To put a halt to food sales, or to penalize refugees for making individual decisions about their needs, would greatly undermine the entire cash economy in Kakuma, with ramifications for the health and well being of the entire population. This issue is inextricably linked to that of recycling and inflated population figures above in that it is largely through the sale of these "extra" rations that families are

able to meet their other food, nutritional, and non-health needs. To cut down on the general ration, and to stop the sale of food, would lead to a severe crisis in the food security of all but the most resourceful of the refugees in Kakuma.

One of the most striking features of Kakuma refugee camp is the extent to which, after more than 10 years of existence, it remains almost entirely dependent on international assistance for all aspects of its operations. Nowhere is this more true than in the food aid sector. It is understandable that donors, in particular major contributors like the US government, should tire of this situation. Donor fatigue, as manifested by stagnant and reduced funding levels despite increases in population and continued failures to meet minimum international humanitarian standards of service provision, is part of the operating environment for agencies such as IRC working in a protracted refugee setting like Kakuma. More and more, one hears calls for greater "self-reliance" on the part of the refugees. "Self-reliance," it is suggested, is the opposite of dependence on international assistance, and if only there were more of it on the part of the refugees in Kakuma, there could be a reduction in the levels of international assistance.

To quote from a household food economy survey conducted in Kakuma by Save the Children Fund (UK) in September 1999, "it is impossible for the refugees, in their current situation, to be self-reliant." Fundamental barriers to self reliance exist in Kakuma which have only grown stronger since that report was completed over 2 ½ years ago. Until such time as these barriers are removed, refugees in Kakuma will remain dependent on international assistance. To herald the extremely limited interventions undertaken in the name of "self-reliance" as potential substitutes for the large international aid program keeping over 200,000 refugees alive in Kenya is a delusion, and should not be used as a justification for international donors to cut their budgets.

The fundamental barriers to increased self-reliance in Kakuma, which necessitate continued large scale donor commitment to refugee aid, are many and varied. First is the very location of the camp itself. Kakuma lies in the northern part of Turkana District, in semi-arid land that is not at all conducive to agricultural production. There is only limited rainfall in good years: from 1999-2001, Kenya experienced its worst drought in almost 40 years, and Turkana District was one of the worst affected areas. The local population is still receiving food aid as part of the continuing Emergency Operation (EMOP) under WFP leadership. The only form of agricultural production that can, and does, occur in the camp on a very small scale is household vegetable gardening, located around water points making use of the limited waste water available. While there is a network of boreholes and a complex piped distribution system throughout the camp, some segments of the population access less than 5 litres per person per day, far below minimum international standards of 15-20/person/day. Vegetable gardens are not, and can never be, more than a tiny contribution to the refugee population's nutritional requirements, they cannot substitute for the thousands of tons of maize and wheat flour required to feed the Kakuma population on an annual basis. Limited water supplies leads to conflict over this scarce resource, both among the refugee community and between them and the local Turkana people.

In fact, the attitude and policy of the Turkana towards the refugees is another major barrier to refugee self-reliance. Refugees face hostility and violence if they attempt to gather local resources such as firewood, wild foods, or water from the seasonal riverbed. The Turkana are also opposed to the refugees owning livestock, a policy that is often violently enforced. Given the inability to cultivate and denied livestock to herd, refugees are forced to depend almost entirely on the general ration for their main source of dietary energy.

These barriers are both derivative of, and reinforced by, the Government of Kenya's opposition to local integration. It is the GOK's strict policy of encampment that dictates that refugees are not allowed to live anywhere in Kenya outside the two designated camps in Kakuma and Dadaab. Refugees are not allowed to be employed on the same terms as Kenyan Nationals, and the limited cash incentives paid to refugees by the UN and NGO agencies are often opposed by the local community which desires to see more Turkana employed. Refugees are denied freedom of movement, and are not permitted to leave the camp without documentation signed by both UNHCR and the local authorities.

Until such a time as these barriers to self-reliance are removed, the refugee community in Kakuma will continue to depend on large scale international donor assistance. Dependency in Kakuma is a reality, not a mentality.

Given all the circumstances I have described, what would be the implications of a further reduction in food assistance to Kakuma? The short-medium term impact would be an increase in hardship and decrease in household food security leading to increased malnutrition for the vast majority of the 64,000 refugees living in Kakuma. The effects of this reduction will be felt first, and most acutely, by the most vulnerable members of the community. The condition of children under five in Supplementary Feeding Programs will deteriorate, leading to increases in admissions to the Therapeutic Feeding Program. Pregnant women stand an increased risk of delivering low birth weight babies. The poorest members of the refugee community, those without other means of generating income and food besides the general ration, will see their household food security reduce, further impoverishing them, and resulting in increasing global malnutrition rates. Malnutrition makes one more susceptible to other diseases, and thus malnutrition related morbidity will increase. Depending on the severity and duration of the reductions in the general ration, one would expect this cycle of increasing malnutrition and impoverishment to eventually lead to a rise in malnutrition related deaths. This would represent an unconscionable tragedy in a care and maintenance camp. It would represent a complete abdication of the responsibility to secure for refugees their fundamental human right, the right to life. And it would doubtless draw international condemnation and press scrutiny.

Reductions in food aid to refugees in Kakuma could also be expected to lead to an increase in insecurity and violent conflict. Evidence shows that under worsening conditions, there are other coping strategies that refugees can, and will resort to, when all others are exhausted. These include theft, banditry, and violent conflict with neighbors,

in order to access food. First and foremost, within the refugee camp itself, as hungry, increasingly desperate people jostle with each other in long queues during food distribution days, as they vent their growing frustration and hostility towards the UN and NGO agencies presiding over these reductions. As mentioned previously, during times of food crisis, refugees will be forced to resort to other, less advisable and more dangerous, coping strategies. They will steal from their neighbors; they will pursue the possession of additional ration cards more aggressively; the will engage in fraud and misrepresentation; mothers will keep their infants malnourished to qualify for SFP rations. Resource inequalities will translate more graphically into food inequalities: in a multi-national camp such as Kakuma, this can easily lead to inter-ethnic competition and violence. Somalis, who have access to remittances and may not be so affected by reducing rations, may become the object of jealousy and anger of the Sudanese, who do not have such income opportunities.

One would also expect to see an increase in tension, and violence, between the refugee and host Turkana community. Firstly, desperate refugees will be more likely to attempt to gather natural resources, and circumvent bans on livestock trade, which will bring them into direct conflict with the local community. This already happens, with often violent consequences for the refugees. Secondly, the Turkana, who are themselves facing severe food shortages, will find themselves worse off. There is a symbiotic relationship between Turkana and refugee household food security. Reductions in refugee food aid will hurt the Turkana economy, and increase their vulnerability. This in turn makes the limited food aid being provided to the refugees all the more valuable for both communities. Competition over increasingly scarce resources can lead to violence. We are already seeing this in other parts of Kenya where the EMOP is being phased out. Lorries bringing WFP food for distribution in Turkana, which is still receiving aid, have been attacked while passing through West Pokot, an area which used to receive food aid but no longer does.

Depending on how deep the cuts are in international food aid to Kakuma, one could also expect, over the longer term, that life would become so difficult, so harsh, that people would "choose" to go home, back to their countries of origin. I use the concept of "choice" sardonically for, if you talk to the refugees themselves, it comes down to where they would prefer to die. I have heard it said time and time again, especially in relation to the Sudanese refugees in Kakuma, that there are opportunities for repatriation, people should go home from Kenya. I agree. But they should do so on their own terms, on the basis of information about conditions in their areas of return, with appropriate assistance for the journey and necessary safeguards that they can do so in dignity. In other words, if the donor community, including UNHCR, believes it is safe for Sudanese to return to parts of their country of origin, then they should support a voluntary repatriation program.

But there is little consensus about such a program, and less resources to support it. Instead some aid agencies and donors, tired of paying for the seemingly unending needs of refugees in Kakuma, frustrated by the extent of dependency on foreign assistance, are looking to a reduction in levels of assistance as a de facto way of getting people to return

home. One regularly hears these refrains: "Kakuma is a magnet, it is undermining concurrent attempts by donors, such as USAID, to build up the infrastructure inside Southern Sudan to attract refugees back, and prevent Sudanese from becoming refugees. Let's reduce assistance to Kakuma, make it a less "attractive" place for refugees, and that will support our developmental initiatives in Southern Sudan, as well as reduce our aid budget in Kenya".

Efforts to support development in Southern Sudan should be encouraged, and strengthened. They do not, however, justify abandoning the responsibility to provide minimum international assistance and protection standards to refugees who choose to remain in countries of asylum. It should also be noted that even if some do choose to return under such conditions, there will remain a large number of refugees in Kenya that will require continued support of the international community. Even if many of the Sudanese repatriated, there are over 140,000 Somali refugees in Kenya who may not be able to do so. Making life hard and tenuous in an asylum country mocks the right to first asylum and the responsibilities that this entails.

Finally I want to touch on the special role the United States plays in Kakuma and review some of the options going forward. To speak of an "international community" in support of refugee assistance in Kenya is a bit misleading. This is because by and large it is the United States Government that is financing the care and maintenance of refugees there. The Bureau of Population, Refugees, and Migration (BPRM) provides over 50% of IRC's $3 million annual budget for Kakuma, and makes sizable contributions to other implementing partners such as LWF in Kakuma and CARE in Dadaab. They also contribute to the UNHCR Kenya operations.

Nowhere, however, are Kenya refugee operations more dependent on US assistance than in the area of food aid. According to statistics provided by WFP, the USA provided 68.3% of donor food assistance to refugees in Kenya during the period 1 October 2000-14 March 2002. Were it not for a very recent, sizable cash contribution from the Japanese Government, that figure would have stood at approximately 80%. This represents a significant shift in the overall financing of the refugee food assistance program in Kenya from 4 years ago: from 1 October 1998 – 20 September 2000, the US only contributed 39% of the total resources. Refugee food aid in Kenya has gone from a multilateral, to almost a unilateral, affair.

As such, the U.S. role can only move in one of three directions:

- maintain minimum standards;
- find solutions to the cycle of dependency faced by residents of the camp and the high ratio of U.S. involvement in refugee assistance; or
- cutback further on resources with the result of more refugees suffering and dying and face likely significant pressure to then conduct an even more costly intervention to provide life-saving therapeutic feeding and health care.

As I have tried to outline in my testimony cutting back on food is neither cost-effective nor humane. From my experience in the camp, I would make the following recommendations aimed at reducing the U.S. share of assistance to Kenya and removing obstacles to integration, self-reliance, voluntary repatriation and resettlement.

1. Multilateral diplomacy with rest of donor community to share the burden of caring for refugees in Kenya
2. Engage in bilateral diplomacy with the Government of Kenya to expand opportunities for local integration and remove fundamental barriers to self-reliance
3. Continue to generously support, and fast track, resettlement as a durable solution for those for whom repatriation is not an option, and for those who face protection problems in country of asylum
4. Explore with UNHCR more aggressive and creative opportunities to support voluntary repatriation, not just to Sudan, but for all nationalities resident as refugees in Kenya
5. Continue and increase assistance to developmental projects in southern Sudan to make it an attractive place to go home
6. Continue and expand US role in bringing peace to countries generating refugees in Kenya (particularly Sudan and Somalia). Peace is the most durable solution to the plight of the refugee

DATE: May 31, 2002

TO: James P. McGovern
Member of Congress

FROM: Kristen Penn, Executive Director
Beth Sheehy, International Division
Land O'Lakes, Inc.

SUBJECT: **Indonesia School Feeding Conference Trip Report - May 13th-17th**

May 13th-17th 2002, The Indonesia School Feeding Conference was held in Jakarta and Bandung, Indonesia. It was an opportunity for participants to observe USDA funded school feeding programs and to meet other U.S. program sponsors, local NGO's, private processors, government representatives and USDA officials involved in the school feeding effort.

U.S. Private Voluntary Organizations have been involved in this effort, working on the front lines, delivering nutritious food to children in needy areas around the world. In Indonesia alone, Land O'Lakes, ACDII/VOCA and Mercy Corps and IRD are feeding over 900,000 school children.

Also present at the conference were those directly involved in Indonesian school feeding such as local government officials, US government officials, The Yayasan Bina Putra Sejahtera, Tetra Pak and local processors such as Indolakto, Ultrajaya Milk Industry and Trading Company and Prima Japfa Jaya. Additionally, those that collaborate and provide support to the school feeding movement were in attendance such as the American Soybean Association, The US Pea and Lentil Council, and Cindy Bulh and Keith Stern of Congressman Jim McGovern's staff.

The first day of the conference was spent in Jakarta where participants familiarized themselves with the various participants involved in school feeding.

The Land O'Lakes Indonesia program is presently reaching over 490,000 school children in more than 2,900 schools in Java, Jakarta, Bali and Lombok. Land O'Lakes program methodology focuses on local capacity building by having all the school feeding products processed locally. Land O'Lakes works with three local processors who produce fortified UHT milk pac ages and wheat biscuits that are then distributed to schools and consumed by the children. This partnership exemplifies how this program can be a catalyst for food industry improvement and growth.

Identifying established and viable community-based non-governmental organizations and community based organizations is an important and necessary step to promote ownership of the program in communities where targeted schools are located. On Java, the partnering NGO Yayasan Bina Putra Sejahtera is Land O'Lakes lead partner working with schools, government at the provincial level, and other organizations to help program

implementation go smoothly. Also they are responsible for compiling attendance and enrollment data.

This demonstrates how this program can stimulate community empowerment and by involving local participation builds sustainability and ownership in the implementation and oversight of these programs.

The ACDI/VOCA/Mercy Corps program is working to produce and distribute a soy beverage to 220,000 school children in 900 schools in Sumatra; Padang, Bekulu and Lampung. The impacts of this program include improved attendance and nutrition of children in schools, opportunity for health and nutrition educational lessons for participants and enhanced local capacity

The International Relief and Development Program is currently implementing a pilot program that is targeting over 14,500 children in 122 primary schools. IRD produces and distributes noodles to children using USDA provided wheat and defatted soy flour. IRD works with American Soybean Association, US Wheat, Land O'Lakes and YBPS and local NGOs.

Tuesday was a special day as the Yayasan Bina Putra Sejahtera hosted a School Feeding Media Event at the National Museum in Jakarta. Program highlights were recounted for the media and Dennis Volbroil, agriculture attaché for the US Department of Agriculture in Jakarta was recognized for his dedication to school feeding. Students picked as winners in the Yayasan Poster Conference were given school scholarships.

Tuesday evening the participants boarded a train for Bandung, the second largest city in Indonesia. While in Bandung, participants witnessed students consuming their milk in a local school and were able to meet with school officials to discuss roles, responsibilities and results. Next, Participants toured the Ultrajaya Processing Plant where they observed product manufacturing.

On Thursday of the conference, Rolf Campbell of Land O'Lakes International Division presented on the importance of applying food technology and specifically highlighted the role private sector plays to develop, promote, and distribute high nutritional value foods specifically positioned for nutritionally deficient populations, especially low income and at risk groups including those living with HIV/AIDS;

Mr. Campbell then facilitated a panel discussion of private food industry representatives to highlight new products from dairy, soybean, wheat, and pea/lentil/rice. Each panel member covered the nutritional benefit and versatility of dairy products; the criteria used to develop products including costs; an introduction to two or three new products; and the vision of product "sustainability" in feeding and commercial markets.

The panel discussion ended with Rolf Campbell summarizing the impacts the private food industry can accomplish when industry resources are mobilized around food aid innovation and acting collectively.

On Friday of the conference, the day focused on how school feeding program stakeholders can strengthen the impacts of local capacity building and long-term school feeding sustainability during the implementation and support from U.S. and other international donations are available.

The first speaker was Dr. Maknuri Muchlas, Secretary General, Department of National Education for the Government of Indonesia. He stated his appreciation to the Government of the U.S. for providing commodity to support school feeding of some 900,000 primary school children on four islands of Indonesia The fact that U.S. donations will continue and allow the expansion of feeding programs to more islands is enthusiastic news to not only the Ministry of National Education, but also to the entire nation of Indonesia.

The Ministry of National Education, through Tim Pembina Usaha Kesehatan Sekolah plays the lead role in supporting the U.S. funded programs by identifying schools to be recipients of feeding activities, coordinating all agencies involved with school feeding, and preparing the schools for administering and reporting results of the program.

Recently, the Ministry of Education started a school-feeding program with the focus of improving the level of nutrition of primary school and Madrasah Ibtidaiyah children living in poor remote areas. This program is administered by the local government and has been quite successful. On a national level, it will be important for PVOs and NGOs to learn from the governments experience on how to successful reach schools in very remote areas. These communities have the greatest need of school feeding support.

The next presenter on the subject of local capacity building was Salvacion Bulatao, Director, National Dairy Authority (NDA), Department of Agriculture, Government of the Philippines. Ms. Bulatao's main message is that "Milk does not only build strong bones, it also helps build a strong nation. Through the Philippine School Milk Feeding Program, government support seeks to improve the nutritional well being of school children and preschoolers while at the same time create additional sources of income for rural families. Clearly stated by Ms. Bulatao, school milk feeding accomplishes two objectives: provides healthy food for the children; and jobs and daily cash flows to farm families. Today, the Government of the Philippines is providing funding to feed more than 200,000 primary school and pre-school children. The milk products to be distributed are purchased locally from processors and dairy cooperatives. In 2001, the volume of milk purchased from the dairy industry was 1.08 million liters which had a value of $US 1.55 million. This translates to the individual farmer who is providing milk to the program as significant additional income. It has been calculated by NDA that total income of a farmer (2 milking cows that produce 8 liters of milk per day can generate the equivalent of US$ 636.20 during two school feeding cycles. Ms. Bulatao strongly recommended that future U.S.-funded school feeding efforts in Philippines strongly consider the NDA model. She looks forward to a strong working partnership with Land O'Lakes and Tetra Pak in the years to come.

Edgar Collins is President of Prima Japfa Jaya, a supplier of finished school milk feeding products distributed in the southwest areas of Java and soon to the island of Bali and Lombok through the Land Olakes program. Mr. Collins spoke about the role played by the private sector to develop products that meet the taste and nutritional demands of school kids with today's technology and quality control standards. The processor also has the responsibility in creating awareness of product goodness for school and after-school consumption - this is key to continued consumption of nutritional liquid food in and beyond school. The role of processor in promotion and consumer awareness is vitally important if the program is to be sustained with local government support and private sector donations. The immediate, short and long-term impact of school feeding programs on the good foods industry is significant. Mr. Collins stated that as a result of his firm's involvement in school feeding and having his firm's quality product distributed (brand located on side panel of milk package) to more than 200,000 children, the brand recognition has translated into a stronger commercial position for his dairy products in Indonesia.

The Pakistan delegation presented next the current school milk feeding situation in their country. A major problem in Pakistan is that only 2.8 percent of all milk is hygienically packed and made available to the consuming public. Loose milk, or unpasturized and packaged milk, can be a major source of digestive health problems and a vector of diseases in the country. There are over 165,755 primary schools and 7,000 Madrassa schools in Pakistan providing education to 18.9 million children. At least 40 percent of school-going children are malnourished. 35 percent of these children are living below the poverty line. Just recently, the government of Pakistan announced new school meal program to target at least 500,000 schoolgirls ages 5 to 12. The amount of funding allocated for the program is US$50 million. The Pakistan delegation encouraged U.S. school feeding implementers to work with the government's new programs, expand feeding to the Madrassa schools and combine efforts with a strong focus on local capacity building of the dairy production sector with aims to increase the percentage of milk that is being hygienically package. Everyone wins in this situation: farmers receive a more fair price per liter of milk that is clean; processors are able to fully utilize processing capacity and consumers are guaranteed a safe; nutritious and affordable milk product.

Cindy Buhl from the office of Congressman Jim McGovern provided an overview of the current status of food commodity programs, the Executive Branch review of U.S. food aid programs and recommendations made by the Bush Administration on adjustments and their impacts of U.S. government food commodity programs. Many questions were presented to Ms. Buhl by participants of which most revolved around what can the international development community (PVOs and private sector) do to ensure congressional and Executive Branch support for the Global Food for Education Initiative. Ms. Buhl stated that first and foremost, school feeding implementers must continue their excellence in the field, improve monitoring and evaluation of program impacts and provide quantitative results in reports back to donors and congressional offices. She also strongly encouraged local governments to state their interest and support directly to the Bush Administration, Congress and USDA/USAID for continuing and receiving U.S. government school feeding programs in their country. Ms. Buhl commented on the power

of observing a school feeding program in action and seeing the exuberance and passion for learning and contributing to helping hundreds of thousands of school children reach their full potential and maximizing their contribution to society is an overwhelming experience. She highly recommended to the group to seek ways to get more congressional representatives to see these programs in action. The presentation was concluded with a strong statement of the importance of partnerships and commitment by governments, private sector and non-government organizations to work together to constantly enhance the effectiveness and sustainability of feeding our future leaders.

Beth Sheehy and Kristin Penn from Land O'Lakes International Division presented the multiple benefits generated from a school feeding program - - especially programs supported by the private sector in close partnership with local government and community of whom all have their unique capacities that make school feeding programs a LONG-TERM success.

The conference ended on a high note with participants armed with a comprehensive education on how a school-feeding program is implemented in the field and what needs to be done to expand these programs and create momentum for the global school feeding effort.

THE NEW YORK TIMES, SUNDAY, OCTOBER 14, 2001

Shaping Young Islamic Hearts and Hatreds

By RICK BRAGG

PESHAWAR, Pakistan, Oct. 13 — A thousand years ago, in the days of the camel caravans, storytellers gathered here in the tea shops and brought the outside world and all its thoughts and ideas to the bazaar. As the vendors hawked silk, spice and rich tapestries and traders herded beasts through streets thick with smoke from cooking fires, travelers from distant lands and differing religions told stories about moguls, magic, wit and wisdom. In time, the bazaar came to be known as Qissa Khwani — the Bazaar of the Storytellers.

Now, the streets are still choked with donkey carts, and meat still sizzles on open pits, but the vendors are poor men selling simple things. Blaring car horns drown out all other sound, just as the teachers and students in the Islamic seminaries that surround this bazaar have drowned out all conflicting ideas, all unacceptable thoughts.

The storytellers no longer come. There is just one story now, at least one acceptable story. It is the one taught in the seminaries, called madrassas, that have become incubators in Pakistan for the holy warriors who say they will die to defend Islam and their hero, Osama bin Laden, from the infidels. In many of the 7,500 madrassas in Pakistan, inside a student body of 750,000 to a million, students learn to recite and obey Islamic law, and to distrust and even hate the United States.

"Jihad," shouted a little boy, from a high window in a madrassa just steps from the Khwani Bazaar. He grinned and waved as foreign journalists snapped his photograph, but, on the streets below, older students had massed for demonstrations that would end in clouds of tear gas and smoke from burning tires, as young men jumped through fire to prove their faith and ferocity.

President Bush and diplomats from the West have taken great pains to point out that the war on Mr. bin Laden and the Taliban of Afghanistan is not a war on Islam, but in many madrassas here in Pakistan — especially those near the border with Afghanistan — militant Muslims lecture students that the United States is a nation of Christians and Jews who are not after a single terrorist or government but are bent on the worldwide annihilation of Islam.

The madrassas' sword is in the narrow education they offer, and the devotion they engender from students from the poorest classes who, without them, would have nowhere to go, or go hungry.

At the Markaz Uloom Islamia madrassa in Peshawar, Muhammad Sabir, 22, motioned to the eerily quiet compound, devoid of students. Final exams are over, he said. The scholars, many of them, have left to fight against the United States. "They have gone for jihad," said Mr. Sabir, a student there. "It is our moral and religious duty." He said the words automatically, woodenly, as if repeating his elder's recitation of the Koran.

"There is no practical training of terrorists here," said Asif Qureishi, an Islamic scholar and the son of Maulana Mohd Yousaf Qureishi, who heads the Darul-Uloom Ashrafia madrassa in Peshawar. There are no weapons, no knives or guns, no weapons training. The madrassas hone only the mind, he said.

"We prepare them for the jihad, mentally," said Mr. Qureishi, whose duties at the madrassa include the call to prayers. In a small room at the madrassa, students nodded appreciatively at his words. Some were no more than 10.

"The minds are fresh," he said. In his tiny office, a bag of rice rests against a wall. Outside the door, a student hefts the carcass of a slaughtered goat.

What the students hear, in compounds that range from spartan to squalid, is a drumbeat of American injustice, cruelty and closed-mindedness — the United States is just that way, the elders say.

"They send cruise missiles against gravestones," said Al-Sheikh Rahat Gul, the stick-thin, 81-year-old maulana who heads Markaz Uloom Islamia in Peshawar, a madrassa with about 250 students.

The Americans kill only innocents, said the maulana, a large pair of thick-lensed, black-framed glassed sitting crookedly on his head. "The Koran forbids the killing of females, children, elders and cattle," he said. "That is war. That is not holy war." Sons of Islam must answer that tyranny with holy war, he said.

He condemns the World Trade Center attack but dismisses any connection to this part of the world. "The Jews have done this," he said, calling the attacks a plot by Israel to draw the world into war. "And the Hindus are just like them." It is repeated madrassa by madrassa, the company line of the militants and the poorer classes from which they come, spreading out from the student body to the shops and foot traffic.

Maulana Gul proudly points to a cartoon on the back of a pamphlet at his madrassa that shows Afghanistan encircled by a chain, and the chain is secured by a padlock that is labeled "United Nations." Inside the chain are weeping children. Hands reach from all directions with offerings of food, money and grain, hands are grabbed at the wrist by other hands labeled "U.S.A.," preventing that aid from getting to the starving people.

In the madrassas, students ranging in age from 7 or 8 to men over 20 are taught a strict interpretation of the Koran, including the duty of all Muslims to rise up in jihad. There are no televisions and some madrassas do not even allow transistor radios. There are no magazines or newspapers except those deemed acceptable by the elders. The outside world is closed to them, and many of the students seem puzzled when asked if they mind that. Their teachers, most of them respected elders, tell them what they need to know, the students said.

Almost all the leadership of the Taliban, including Mullah Muhammad Omar, was educated in madrassas in Pakistan — most of them in a single madrassa, Jamia Darul Uloom Haqqania in Akora Khatak in the Northwest Frontier Province of Pakistan. The anti-American protests that have filled the streets in Islamabad, Peshawar, Quetta and Karachi have been planned in madrassas — their maulanas, the elders who run the schools, are the spiritual hub of the protests.

In Quetta, after the United States began its missile attacks on the Taliban, 300 Afghans who had attended madrassas in Pakistan crossed the border to join the jihad. Every day, said madrassa students, Pakistanis slip over the border to join them.

"The madrassas indulge in brainwashing on a large scope, of the young children and those in their early teens," said Arasiab Khattak, chairman of the Human Rights Commission of Pakistan, who stressed it is unfair to say that all madrassas are the same. Some are more militant than others.

But along the border with Afghanistan, the vast majority of madrassas have become an assembly line for the jihad. Even the scholars themselves and their teachers say that this is so.

Almost all the students come from poor families who cannot afford any other education in a country that spends about 90 percent of its budget on debt service and the military and almost nothing on public schools.

A large family, said Mr. Khattak, often sends two or three sons to a madrassa because it cannot afford to feed them. "There is no access to the regular education system," he said.

The madrassas, often supported by donors from other Islamic states like Saudi Arabia, offer a narrow education — many of them do not teach science, math, languages or any history beyond that in the Koran — but do offer students food and a place to sleep. In madrassas, children from the hardest poverty in Pakistan and orphans from wars in Afghanistan, get enough to eat.

Here, the difference between poverty and wealth is apparent on a person's feet. If someone wears sandals made of leather, they have at least some wealth. The poorest wear mass-produced sandals made of plastic. At the doors to the madrassas here — no one enters any office or classroom wearing shoes — rows of plastic sandals sit just outside the doors.

There have been madrassas in Pakistan for hundreds of years, austere stone and brick schools — built around a mosque — where students spend as many as eight years being instructed in the Koran. They learn by parroting their mullahs, who recite the Koran. There are no questions, no discussion.

In the past quarter-century, said experts on the madrassas, jihad has become more than a lesson to recite.

In the 1980's, students left these

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madrassas to fight against the Soviet Union in Afghanistan — including many Pakistanis, some of whom have an ethnic and tribal kinship to the Afghans. In the 1990's students became foot soldiers and leaders in the Taliban. Now, they form an army around Osama bin Laden.

In the hours after the attacks on the World Trade Center on Sept. 11, students described how they ran through the sprawling Jamia Darul Uloom Haqqania compound celebrating, stabbing the fingers on one hand into the palm of the other, to simulate a plane stabbing into a building.

The morning after the attacks, elders at the madrassa, which translates to "The University of All Righteous Knowledge," summoned students to study hall. The elders explained what had happened. "No, no, not Muslims," said Fazal Ghani, 22, an Afghan, as he passed on his teachers' explanation of who had caused the deaths of thousands. "This was Yehudi," the Jews, "trying to discredit Islam." He tried to express his sympathy for the victims of the bombings, saying "Bad, bad," but he could not stop smiling.

His teachers had explained that, even though the Jews flew the planes into the towers, it was Allah's will. Allah, the teachers said, put the idea in the minds of the Jews.

Allah, in his wisdom, knew that the Muslims would perhaps be briefly discredited, the students said, but that when the truth came out, it would ultimately destroy the Jews.

Radios are allowed at this madrassa, and some of the students had held radios to their ears all night, listening to news reports. But that was just noise, just electricity. The truth, the only truth, came from the madrassa's teachers.

"The wrath of God," the teachers had said.

But until recent violent demonstrations in Pakistan — planned in the madrassas and carried out, at least in part, by students — there was no government condemnation. Just two weeks ago, the Pakistan president, Pervez Musharraf, was calling them "misunderstood organizations," that were actually welfare systems to aid the poor. He has since jailed several of the madrassas' leaders, after demonstrations in Quetta and Karachi left businesses ablaze.

Maulana Khalid Banori, who heads Darul-Uloom Sarhad in Peshawar, sees himself as a college superintendent. Students at his madrassa study science, math and English, and can use credits earned here to apply for graduate schools, or they can use their education to qualify for civil service jobs. He said he wants his students to have a well-rounded education, but one based in the teachings of Islam.

He hopes the violence will end, that the terrorism will end. It will, he said, as soon the Americans stop committing it.

THE WASHINGTON POST THURSDAY, MARCH 14, 2002

In Pakistan's Squalor, Cradles of Terrorism

Village Illustrates Challenge as U.N. Prepares to Address Poverty as Root Cause

By PAUL BLUSTEIN
Washington Post Staff Writer

SACHADINO SHEIKH, Pakistan—In a country where economic misery provides a fertile environment for terrorist groups, the crumbling one-room school in this village is a testament to the conditions that keep millions of Pakistanis impoverished.

Sitting on battered benches, their feet scuffing the dirty concrete floor, two dozen boys and girls listen as their teacher reels off the school's main problems, which are common to many in this country: no working latrine, no drinking water, no electricity. The students have no textbooks for math or Urdu, Pakistan's main language, because the government doesn't provide them and parents say they can't afford them. A few months ago, the situation was worse, because the teacher wasn't bothering to show up.

The abysmal state of Pakistan's education system is the sort of problem that must be addressed if the international community is to wage a successful war on terrorism by attacking the root causes, according to many experts and world leaders, including United Nations Secretary General Kofi Annan and World Bank President James D. Wolfensohn. Since Sept. 11 they have called for mobilizing great amounts of money aimed at reducing poverty, ignorance and disease in developing countries, and they are stepping up their rhetoric in advance of a U.N. meeting on the subject next week in Mexico that President Bush plans to attend.

"Poverty is the war we must fight," Wolfensohn said in a speech last week exhorting rich countries to double the $50 billion that is currently spent on aid each year. "Rarely has there been an issue so vital to long-term peace and security."

If only reducing poverty in places like this were as simple as, say, toppling the Taliban. Pakistan is a depressing case study of how hard it is to eradicate the economic circumstances that foster terror.

The links between deprivation and terrorism are particularly glaring in Pakistan. The shortcomings of the nation's public schools, combined with low living standards, have helped drive more than half a million students to enroll in religious seminaries, called *madrassas*. Supported by Muslim charities around the world, madrassas provide pupils with food, shelter, training in the Koran and, in some cases, a heavy dose of anti-Western ideology that helps produce Islamic holy warriors.

Given such problems, pouring aid into Pakistan might seem to be an obvious solution. But the history of foreign assistance is discouraging in Pakistan, where efforts at economic development have been thwarted by a quasi-feudal system that entrenches a corrupt elite and oppresses the poor. Pakistan's record offers plenty of ammunition for the Bush administration, which is resisting calls by Wolfensohn and others to double aid.

Over the past four decades, Pakistan has gotten more aid than any country except India and Egypt. "Yet after all this, social indicators like infant mortality and female primary and secondary enrollment are among the worst in the world in Pakistan," William Easterly, a former World Bank economist who is now at the Center for Global Development, writes in a soon-to-be-published study.

That is true, Easterly adds, even in comparison with other countries that have similar incomes per capita (adjusted for purchasing power), such as India, Bangladesh, Ivory Coast, Bolivia and Lesotho. Pakistan's 55 percent illiteracy rate, for example, is 24 percentage points greater than the average figure for other countries with roughly the same per capita income.

Pakistan's social indicators have remained poor despite a concerted effort to improve them over the past eight years: the multibillion-dollar Social Action Program, backed by the World Bank and other international donors.

In a report issued in late January, the World Bank admitted that the program's "gains have been marginal, and especially so in education which has been the main area of focus." School enrollments among lower-income groups fell in the 1990s; today only about half of Pakistani children ages 5 to 9 attend classes, and of those who graduate from primary school, "perhaps as many as half" are functionally illiterate, the World Bank said.

At the World Bank and other development agencies, Pakistan is viewed as an illustration of a principle that officials have learned the hard way: Aid works well only in nations with good policies—that is, prudent control over budgets and money supplies, respect for the rule of law, and reasonably clean government. Conversely, in countries with bad policies and bad governance, foreign assistance produces few lasting benefits and is often largely wasted.

For Love of Islam

For Shafi Mohammed Sheikh, a 35-year-old tenant farmer with six children and one grandchild, home is a dank mud-walled hut with a straw roof. Some family members sleep in less luxurious surroundings consisting of lean-to structures with straw walls fortified with ragged sheets of burlap.

Similar living quarters are inhabited by most of the residents of Sachadino Sheikh, a rural village along a bumpy dirt road a couple of hours' drive from the port city of Karachi. Cattle, goats and chickens roam around the houses, and in the event of medical emergencies, villagers are piled into donkey-drawn carts for long, grueling rides, during which some have died.

Mending a fishnet in the afternoon sun, Sheikh grimaced when asked whether anyone in his family is educated. One of his five sons attends primary school, but that is all. "If I were educated," he said without looking up from his net, "I wouldn't be sitting here doing this."

For anyone wishing better circumstances for their male children, the Darul Uloom Islamia madrassa in Karachi offers a number of benefits. The 10,000 boys there receive proper meals and medical care at a clinic staffed by doctors. The youngest boys—ages 5 to 7—mostly sleep at home, but older students stay in rooms that usually sleep three or four. Tuition and room and board are free.

The teachers and scholars at the madrassa were held in high esteem by Afghanistan's Taliban leadership and by Osama bin Laden—so much so that bin Laden invited half a dozen members of its faculty to attend his son's wedding in February 2001. The madrassa is believed by Pakistani experts to be a breeding ground for terrorist organizations. Violent anti-American demonstrations erupted near it after the United States began bombing Afghanistan last October.

In a carpeted, brightly lighted room, Maulana Mufti Mohammed Niaz, the madrassa's administrator general for internal affairs, said "we don't generally discuss with the students" issues such as the events of Sept. 11. "But the general impression here is that what happened in America was a result of its tyranny against Muslims" around the world.

Not all madrassas encourage their students to join a jihad against the United States; many of them simply teach the Koran. And their appeal is not entirely economic. "It is the love of Islam for which students come here," Niaz said.

But many Pakistanis say it simply stands to reason that madrassas will thrive in a society where schools fail so miserably at providing a way out of poverty. "If the government had been able to provide decent education, we would have been able to avoid the diversion of these kids," said Ishrat Husain, a former World Bank economist who heads the nation's central bank.

Abdul Qayum runs a small madrassa in a village outside of Islamabad. Asked what sort of students he gets, he replied: "The really poor. And orphans."

Abuse of Power

Why is Pakistan such a developmental disaster? This is a country whose expatriates flourish in business and the professions around the world. And it is a country whose economy has grown at a respectable rate—an annual average of 2.2 percent per capita from 1950 to 1999.

The problem most widely cited by experts here is the power of the nation's elites to rig markets and political contests for their own benefit at the expense of the poor. That power stems from the corruption pervading the society—especially the civil service, where appointments and promotions are heavily influenced by political factors—and from the feebleness of institutions such as courts that are supposed to protect individual rights.

Among the most egregious examples is the clout exerted by rural landlords, redolent of the feudal systems that disappeared centuries ago in most countries

Almost all elected Pakistani presidents have come from the class of large landowners, and landlords dominate local governments, winning elections by dispensing patronage and protecting their supporters in legal disputes. Although their power has been diluted in some parts of the country, they maintain oppressive control in Sindh province (home to nearly a quarter of Pakistan's 140 million people) and the southern portion of Punjab province, Pakistan's most populous.

A village down the road from Sachadino Sheikh, which is in Sindh province, illustrated how landlords engage in what social scientists call the "elite capture of public goods"—in this case, the takeover of school buildings and the appointment of friends and relatives to teaching and administrative jobs, where they can earn salaries and pensions without exerting themselves.

A cluster of buildings in the village is supposed to serve as a boys' and girls' primary school, middle school and a library. But on a recent school day, only the girls' primary school was in session, with a single teacher. One school building was being used as an *autaq*, a sort of public meeting hall, by the landlord, who is also a local politician, and the library was being used as his guest quarters, according to local people. At the girls' middle school, no students were enrolled and no teachers were teaching, according to the headmistress, who was sitting in her office with nothing to do. She is one of the landlord's two wives.

Haris Gazdar, a Pakistani social scientist, is all too familiar with such cases. Gazdar conducted a survey of 125 Pakistani village schools in which he and his associates showed up unannounced to find out how the schools were functioning. His study, published in late 2000, cited landlords using school buildings as farm sheds and for keeping goats, and schools where teachers who enjoyed the protection of powerful "patrons" (one, for example, being a landlord's son-in-law) weren't reporting for class.

The worst-performing schools were in regions where landlord power was strongest. But landlords are by no means the only culprits, according to Gazdar. "Every single part of the system has to be viewed as being at fault," he said.

Gazdar's researchers found a wide variety of problems that couldn't be pinned on landlords—for example, teachers using classrooms to store timber for sale in side businesses. They recorded cases of teachers who confided that local education officials were demanding bribes to keep them from being transferred to remote schools.

The researchers also found evidence of how education can run afoul of the myriad rivalries that divide Pakistanis along ethnic, religious and linguistic lines. In some villages, communities had organized to establish reasonably well-run schools, but often, those schools excluded children of less powerful rival groups.

The overarching finding was that only 38 percent of the schools were deemed to be "functional," which meant that all teachers were present or accounted for, children were organized in classes, active teaching was being conducted, and efforts had been made to provide minimal infrastructure such as drinking water and usable blackboards.

Foreign Assistance

"I think we all agree that Pakistan is a hurry-up case," a senior World Bank official wrote in a July 1993 memo to his superiors urging prompt approval of a loan for a project that was stirring the enthusiasm of many on the bank's staff.

Thus was born the Social Action Program, or SAP. The hope of those who conceived it was that Pakistan would finally make significant progress in fostering human development after decades of repeated flops. As far back as Pakistan's founding in 1947, a national conference had set a goal of universal primary education within 20 years. A series of initiatives to improve education in the years that followed likewise set grand aims that were never achieved.

The SAP was based on seemingly sensible reasoning: Pakistan needed to spend much more on education and other social services, which had been badly squeezed because the government was pouring so much money into the military. Under the SAP, about $8 billion would be spent on education, health and improving water supplies, with the World Bank and other foreign donors putting up $2 billion in loans and grants, provided the Pakistani government fulfilled its responsibility to spend $6 billion of its own money.

But realities in Pakistan resulted in substantial "leakage" (World Bank-speak for money going where it wasn't supposed to). A major scandal erupted in 1998 over the discovery of thousands of SAP-financed "ghost schools" and "ghost teachers"—payments to contractors for school buildings that were never built, and payment of salaries to people who weren't teaching.

A revamped SAP II incorporated elaborate financial controls at the insistence of indignant donors, but it fared little better. The rigidity of the controls generated other problems for honest public servants.

The World Bank "stipulated these major headings under which money could be used by schools, such as repair of buildings and repair of furniture," said Themrise Khan, who worked at a quasi-government agency involved in the program. "But some of the schools didn't need those particular things." If a school with ample furniture desperately needed teachers, she recalled, "we would say to the bank: 'Can you please allow money to be used for hiring teachers? We'll show you accounts to prove the money won't be misused.' But they would say, 'Sorry, that isn't one of the categories.'"

A World Bank official conceded that so much energy went into ensuring the proper accounting of vouchers and invoices that the Pakistani government and its foreign backers lost sight of the ultimate goal—improving indicators such as enrollments.

"We underestimated, quite frankly, what it takes to fix a broken-down public institutional system," the official said. "There has been a recognition that the [education] system was totally broken, and pumping in more money would just not do the trick in terms of getting kids to school."

Another Opportunity

This time, it's going to be different. That's the message from Shaukat Aziz, Pakistan's finance minister, as he explains why the government led by President Pervez Musharraf will far surpass its predecessors in making effective use of the money provided by the international community.

Reaping economic rewards for its staunch support of the U.S.-led coalition against terror, the military regime in Islamabad has successfully appealed for a substantial aid package that includes a $1.3 billion, three-year anti-poverty loan from the International Monetary Fund and several billion dollars more in loans and grants from the World Bank, the Asian Development Bank and a host of friendly governments.

Aziz has all the credentials—and the reputation for integrity—that might be hoped for in an official responsible for Pakistan's economy. The former Citicorp executive has already impressed Washington with economic and budget policies that enabled Islamabad for the first time to meet the fiscal conditions set by the IMF for a one-year loan. He has also won plaudits from the World Bank for the government's plan to tackle Pakistan's most pressing social problems.

"We know that putting money into bottomless pits doesn't get results, so we are all focusing on outcomes rather than just spending more," Aziz said. "We now have a tracking and monitoring matrix to see what we're getting for the money we're spending, like the number of schools, absenteeism and dropout rates."

Aziz and other top officials are particularly enthusiastic about an initiative launched by Musharraf that, they say, will help ensure that the foreign aid being showered on Pakistan ends up producing benefits. The initiative involves shifting a substantial amount of decision-making authority from the central government to elected local governments, the idea being that communities are far better suited to decide their priorities than Islamabad and that officials will feel a much greater sense of accountability to voters.

Yet skeptics wonder whether "devolution" of power to local officials will achieve much. "The devolution effort can be expected to succeed only to the extent that it solves fundamental governance problems that have bedeviled earlier efforts," the World Bank said in its January report. "In particular, devolution will succeed if local government officials exhibit a notably greater interest in improving the provision of public goods than in targeting private goods."

Nowhere is the skepticism deeper than in places like Sachadino Sheikh. The latest dollop of foreign aid "is not going to do any good," scoffed Shafi Mohammed Sheikh, the tenant farmer. "That sort of thing never reaches the poor."

Witness: Roger Winter
Date of Hearing: June 4, 2002

Afghanistan Food Aid

In FY 2002, the United States Government channeled nearly $200 million in food aid through a comprehensive World Food Program (WFP) intervention meeting the food needs of over six million beneficiaries, including vulnerable groups impacted by the drought, internally displaced persons, or IDPs, and refugees returning from neighboring countries. An increased level of cereal production in 2002 has eased the food crisis, although food aid will still be required over the next year to meet the food security needs of millions of Afghans. USAID has currently budgeted $40 million in FY 2003 to meet targeted food aid needs in Afghanistan.

Following 23 years of civil conflict and a three-year drought, Afghanistan required substantial food relief in FY 2002. The U.S. Government provided nearly $200 million through WFP emergency food aid operations targeted at vulnerable groups, including IDPs and refugees. Under the current WFP emergency operation, the U.S. Government has contributed over two-thirds of the total food resources. In addition to meeting basic food security needs of over six million beneficiaries, this program facilitates the resettlement of refugees, offers food for work, including the rehabilitation of roads, irrigation systems, schools and other infrastructure, and provides food for education, food for teacher training and a food supplement for civil servants.

More recently, this program, in coordination with the International Committee of the Red Cross, has launched a program to preposition some 73,000 metric tons (MT) of food commodities in strategic locations to ensure food access for vulnerable, potentially inaccessible groups during the winter months.

During the summer of 2002, a crop and food supply assessment was conducted by WFP and the United Nations Food and Agricultural Organization (FAO). This assessment estimated aggregate 2002 cereal production at 82 percent above the previous year. The report further noted that wheat prices were half the level of a year earlier. These production increases resulted largely from improved rainfall, particularly in the major cereal producing areas, with USAID supplies of seeds and fertilizer also contributing to the increase. Moreover, with improved security throughout much of the country, commercial food imports are expected to improve the availability of food in the local markets. However, this assessment report and a more recent WFP-sponsored vulnerability analysis and mapping report, concluded that approximately six million people would face food insecurity over the next year. In view of this situation, the WFP plans to extend the current emergency operation for an additional three-month period, through March 2003, followed by a more development-oriented protracted relief and rehabilitation operation from 2003 to 2005. These plans must be negotiated with Afghanistan government officials.

USAID is currently making plans for a further shipment of 30,000 MTs of wheat, at a cost of $13.7 million, and is prepared to render further food aid assistance in FY 2003 once satisfactory plans are finalized by WFP and agreed upon by the Afghan authorities. USAID is also considering the provision of food commodities in support of non-governmental organization proposals targeted at specific vulnerable groups in Afghanistan.

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