



## ACF-USA Technical Position Paper:

### US Government Food Assistance Reform Proposal

Action Against Hunger USA (ACF-USA) supports the Obama Administration food aid reform proposal, which would end the inefficient use of monetization programming, increase flexibility to use cash and voucher programming for food assistance and increase the US Government's (USG's) ability to use local and regional rather than US-procured commodities in situations where commodity food aid is necessary. In these limited cases, the USG should also consider the nutritional needs of vulnerable populations, such as pregnant and lactating women, infants and young children and people with HIV/AIDS.

#### I. Food Aid Reform Proposal

In its Fiscal Year 2014 budget request, the Obama Administration proposed replacing Food for Peace Title II food aid with additional funding in other accounts to more efficiently provide food assistance. The proposed food aid reform would eliminate the process of food aid monetization, which some organizations rely on to sell US-produced commodities in the beneficiary country or a third country and use the revenue generated to fund development activities.<sup>1</sup>

Regulations governing USG food aid currently require that the majority of food aid be provided in the form of commodities grown in and shipped from the US. It also permits monetization, which is inherently cost inefficient and can have strongly negative effects on local markets.<sup>2</sup> Largely due to these negative market effects, ACF-USA does not engage in or support monetized food aid.

#### II. ACF-USA's Food Assistance Principles

Food assistance is an important tool in humanitarian response and has helped save the lives and livelihoods of thousands of vulnerable people around the world. ACF-USA provides food and livelihood assistance, as part of integrated, multi-sector emergency response, to meet the needs of vulnerable populations faced with crises and natural disasters in order to prevent or alleviate undernutrition and disease, meet immediate food needs and/or protect livelihoods.

<sup>1</sup> For a summary of the reform proposal see Hanrahan, Charles. International Food Aid Programs: Background and Issues. Congressional Research Service, May 2013. Additional resources are available at <http://www.usaid.gov/foodaidreform>.

<sup>2</sup> International Food Assistance: Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts, Government Accountability Office (GAO), June 2011, <http://www.gao.gov/assets/330/320013.pdf>

In order to achieve our goal of eradicating undernutrition, ACF-USA works in partnership with local organizations and communities to identify their priorities and develop appropriate local solutions to address acute and chronic hunger. ACF-USA's humanitarian principles emphasize the need to consider beneficiary populations first and foremost, wherefore we seek to: (1) do no harm, (2) include small farmers, women farmers and traders and (3) promote local solutions and innovations that ensure the quality and appropriateness of food for nutritionally vulnerable populations.

Many food crises are due to vulnerable populations' lack of access to food rather than a lack of food availability in affected areas, prompting an evolution in food assistance in recent years towards the provision of cash or vouchers for direct purchase in the local market and exchange with designated local vendors, respectively, so that populations can meet their own food needs using the same market channels they would in stable times. In cases where commodity markets cannot function, are insufficiently integrated, or lack adequate supply, in kind (commodity) food assistance, or food aid, is more likely to be an appropriate response. Cash or voucher programming, unlike food aid, can offer families the flexibility required to meet multiple basic needs at the same time, to invest in livelihood recovery or to prevent them from selling off household assets to meet other needs. Food aid may also cause price fluctuations, inflation or deflation in local market systems, which may negatively affect local producers and retailers in the short-term and in the medium- to long-term, as well as vulnerable household consumers.

Cash-based assistance is better able to contribute to holistic household needs and local market recovery after a crisis, and can lay the groundwork for a transition to market support and economic recovery initiatives. Market-sensitive interventions and direct market support to complement cash-based assistance may even improve on the status quo following a crisis, by supporting market integration between urban and rural areas, re-establishing consistent food supply to the affected area, and encouraging uptake of local products rather than imported products.

The nutritional value of food assistance programs has improved over time, with endorsements of food fortification policies beginning in 1996<sup>3</sup>; yet the approach still encounters a number of limitations in achieving the nutritional value needed to sustain the nutritional status of beneficiaries. Even if all household members do consume the food they are given—which is hardly guaranteed, as food aid may be sold, shared with other households, or distributed unequally within the household—US-produced staple foods are often unsuited to local food preferences and may not meet the nutritional requirements of certain household members such as pregnant women and young children.<sup>4</sup> Reviews and testing have indicated the need to explore alternative approaches to ensure the appropriate nutritional value is met, especially for vulnerable groups.<sup>5</sup>

In circumstances where food aid is an appropriate emergency response, local and regional purchase from other parts of the affected area, country or neighboring countries should be prioritized over US purchase.

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<sup>3</sup> International Food Assistance: Better Nutrition and quality control can further improve US food Aid

<sup>4</sup> USAID (2011). Delivering improved nutrition : recommendations for changes to US food aid products and programs. Tufts University, Friedman School of Nutrition Science and Policy, April 2011.

<sup>5</sup> Ibid.

### III. ACF-USA Position on Food Assistance Policy

ACF-USA supports the current food assistance reform proposal, which allows for additional flexibility in selecting cash-based programs or local and regional procurement rather than US-produced commodities. The aforementioned principles that inform our food security, livelihoods, and nutrition responses are at odds with the concept and approach of monetization. ACF-USA also recommends that the US Government continue to take steps to increase the nutritional value and flexibility of food assistance, prioritizing cash-based assistance whenever appropriate, to best respond to identified needs.

#### Assessment and selection of response modality:

- Comprehensive assessment—including needs, markets, risks and preferences—should always be the starting point for deciding whether and what type of food assistance is required in a food crisis or humanitarian response. Market analysis will determine the scope for, and potential impacts of, in-kind assistance, local and regional procurement of food commodities or cash-based interventions to ensure that beneficiaries are able to access goods and services, opportunities for supporting smallholder farmers and local markets in affected countries and regions are leveraged to scale, and potential negative impacts on markets are avoided.
- Cash-based assistance in food crises should be privileged over in-kind assistance wherever feasible and appropriate, as confirmed by the above assessments and standard “food or cash” decision trees<sup>6</sup>. Cash-based interventions offer flexibility and efficiency and support the dignity and agency of affected households to meet their needs, as well as the longer term recovery of local markets. Cash-based interventions to re-establish supply, such as re-establishing trade routes from rural to urban areas of a country rather than relying on imports may even contribute to improved market linkages and thus local livelihoods following crisis. When food aid is necessary, agencies and governments should prioritize local and regional purchase of commodities over procurement of US-produced commodities.
- While humanitarian response, particularly in cases of acute local food shortages, may occasionally justify food shipments from overseas during the initial stages of crisis, multi-year in-kind food assistance is rarely justified. The focus of donors and implementing partners should be on building resilience to acute or protracted crisis by supporting and developing local food and market systems, rebuilding and strengthening local livelihoods and empowering communities using local skills, trades and resources.
- Monetization of food aid should not be used, based on its inefficiency in delivering aid and its strongly negative impact on local markets<sup>7</sup>.

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<sup>6</sup> See e.g. DG ECHO Funding Guidelines, “The Use of Cash and Vouchers in Humanitarian Crises,” March 2013; Barrett, Lentz and Maxwell for CARE, “A Market Analysis and Decision Tree Tool for Response Analysis: Cash, Local Purchase, and/or Imported Food Aid? The Decision Tree Tool,” 2007.

<sup>7</sup> The above-cited GAO report found that “the inefficiency of the monetization process reduced funding available to the U.S. government for development projects by \$219 million over a 3-year period” and that “USAID and USDA cannot ensure that monetization does not cause adverse market impacts because they monetize at high volumes, conduct weak market assessments, and do not conduct post-monetization evaluations.” International Food Assistance: Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts, GAO June 2011.

**Nutritional value of food assistance:**

- In cases where market and response analyses indicate that in-kind food assistance is necessary, such as in the case of acute local food shortage, implementing organizations should consider the nutritional needs of different household members such as pregnant and lactating women, infants and young children, and people affected by HIV/AIDS in determining the household package to be provided.
- We encourage the USG to consider including ready-to-use foods as part of the food assistance program in cases where children's nutritional status require them, as these foods have a proven impact on prevention and recovery of undernourished children and are of increasing need in emergency responses.
- Implementing organizations should undertake careful assessment of dietary diversity and market availability of nutritionally balanced, affordable and, where possible, local foods consumed by the population in order to ensure that cash-based assistance can also improve dietary diversification at a realistic cost. A cash-based and/or food voucher approach following local diet and price analysis can enable client-driven, culturally-appropriate and often more cost-effective food assistance.

**Beyond the Reform Proposal**

- While the proposed reform represents a good first step toward improving the quality and efficiency of food assistance, ACF-USA recommends that future reforms continue to increase the USG and implementing agencies' flexibility to choose the optimal modality to respond to food needs based on market and response analysis and beneficiary preferences, priorities and needs. We encourage the USG to continue to support initiatives and communities of practice related to market analysis and cash and voucher programming that develop and share open source tools, resources and training materials to strengthen the analytical and coordination capacities of implementing agencies.