U.S. Food Aid Policy and the 2012 Farm Bill

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Drivers of Food Aid Policy Reform in 2008 Farm Bill

- Effort to improve programs' efficiency and effectiveness
  - Recommendations of 2007 GAO report requested by Senate Ag. Committee
- Pressure for more flexibility in programming-expanding the `toolkit'
  - Bush Administration's LRP proposal
- Budget environment

2007 GAO Report

- In recent years, the U.S. Governmental Accountability Office (GAO) has done considerable work evaluating U.S. international food aid programs
- At the request of the then-chair and ranking member of the Senate Agriculture Committee, GAO combined that work and results of new inquiries into recommendations on how to improve the efficiency and effectiveness of those programs
- Report released April 2007, as farm bill process was being launched
- Some recommendations would require legislation to adopt, but many could be done with existing authority

`Expanding the Toolkit'

- Beginning with their FY06 budget proposal in Feb. 2005, the Bush Administration sought to convince Congress to let USAID use up to 25 percent of Title II funds for local and regional procurement (LRP)
- Similar provision also included in FY07 budget proposal, and in USDA's farm bill proposal released in January 2007
- That specific proposal gained little traction in Congress, although the LRP concept itself did somewhat better later on

Budget Environment

- By 2007, Congress was beginning to experience the effects of its recent largess
- Rather than the budget surplus projected at the time of the 2002 farm bill, substantial deficits were now projected into the future if recent tax cuts were to be extended
- To the extent that new resources would be available for the 2008 farm bill, political dynamics made it unlikely much would be allocated to international food aid programs

January 2001 CBO budget projection

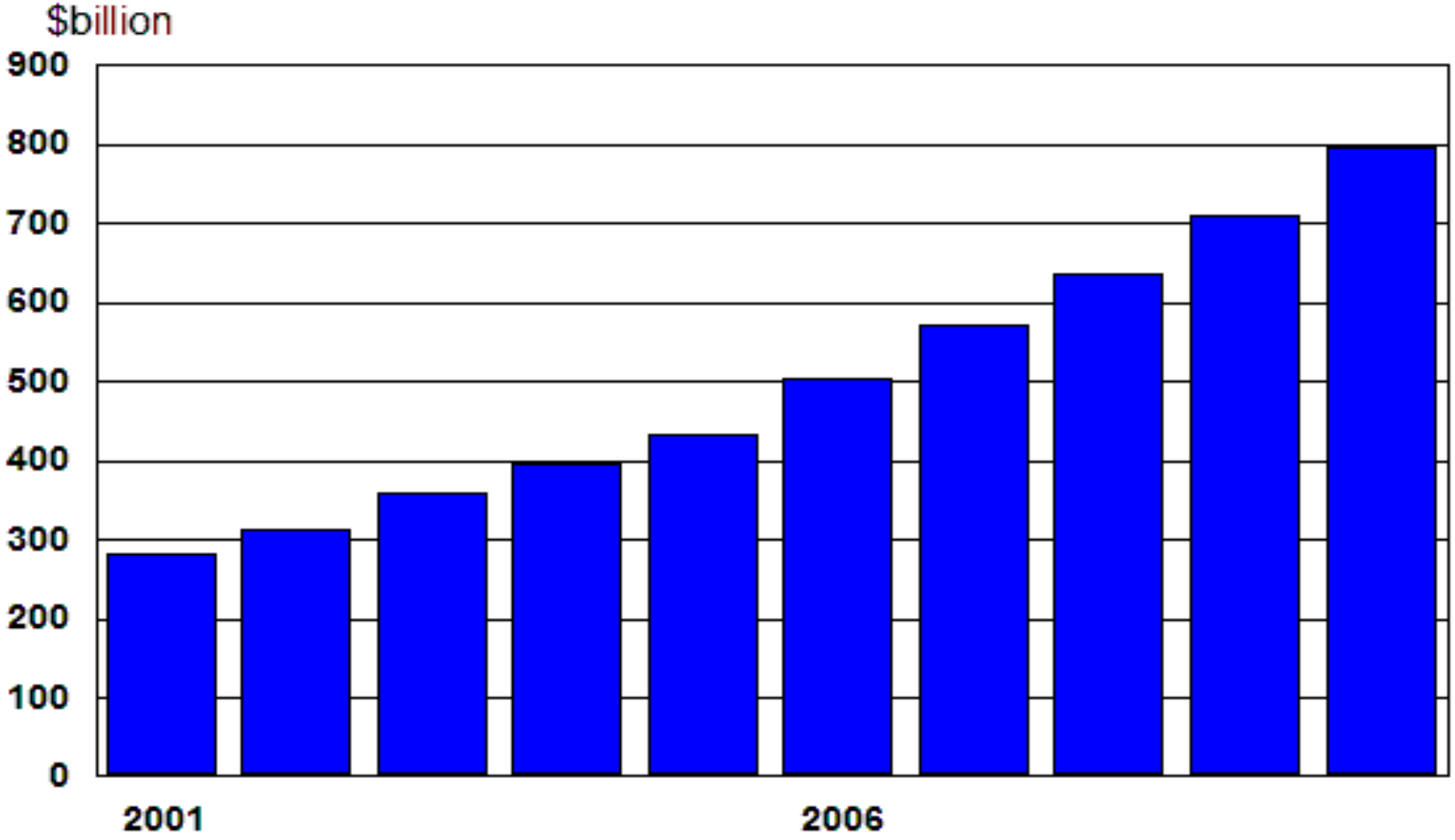
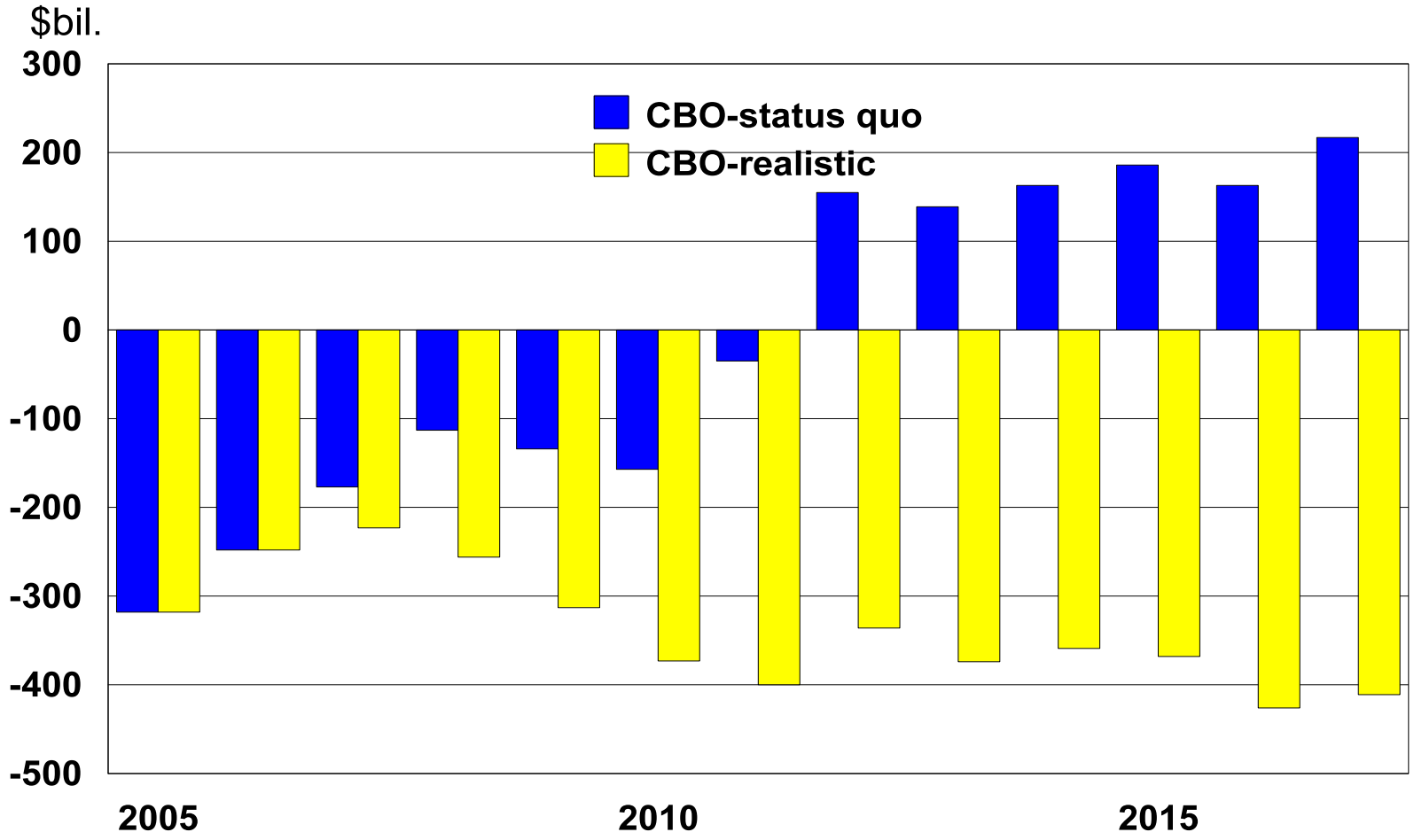


Figure 1

U.S. Budget Projections, 2008-2017



Sources: CBO budget baseline, Mar. 2007.

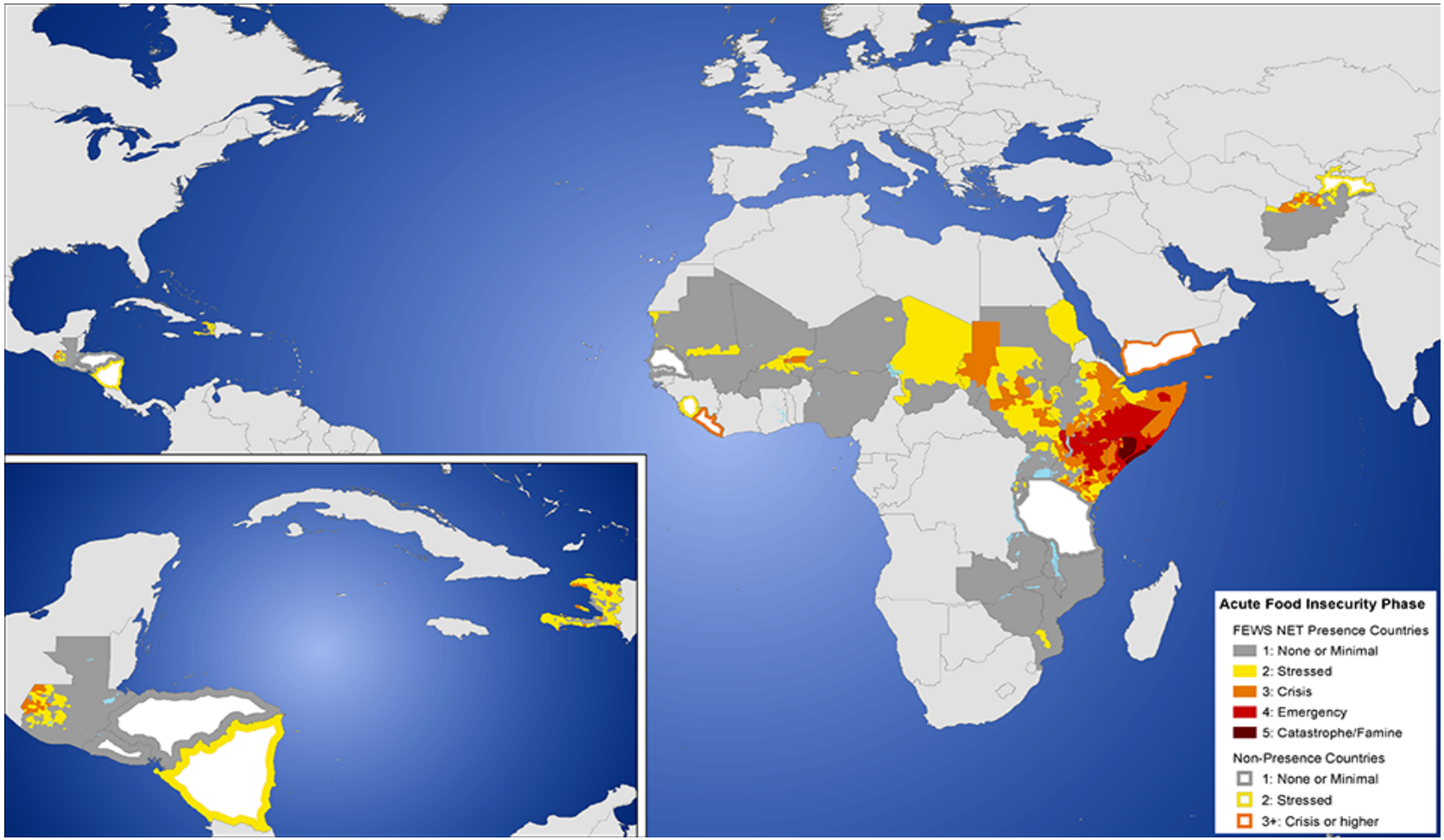
Achievements of The 2008 Farm Bill-Part I

- Established LRP pilot program-$60 million provided to USDA to evaluate impacts
- Improved logistics for food aid delivery-provide resources for more pre-positioning sites-6 now in place
- Allowed greater flexibility in providing non-food resources to PVO's for overhead and start-up costs (Section 202(e))
- Modified authority for use of resources in Bill Emerson Humanitarian Trust (emergency food reserve)

Achievements of the 2008 Farm Bill-Part II

- Provided resources for better information technology, knowledge-sharing, monitoring, and evaluation, including bolstering FEWSNET
- Provided direction for improving food aid quality
- Ensured availability of food aid to address development objectives-set up `safe box' minimum funding levels
- Provided mandatory funding boost ($84 million) to McGovern-Dole program

FEWS-net Food Security Situation, 3rd quarter 2011



Other Relevant Legislative and Administrative Actions

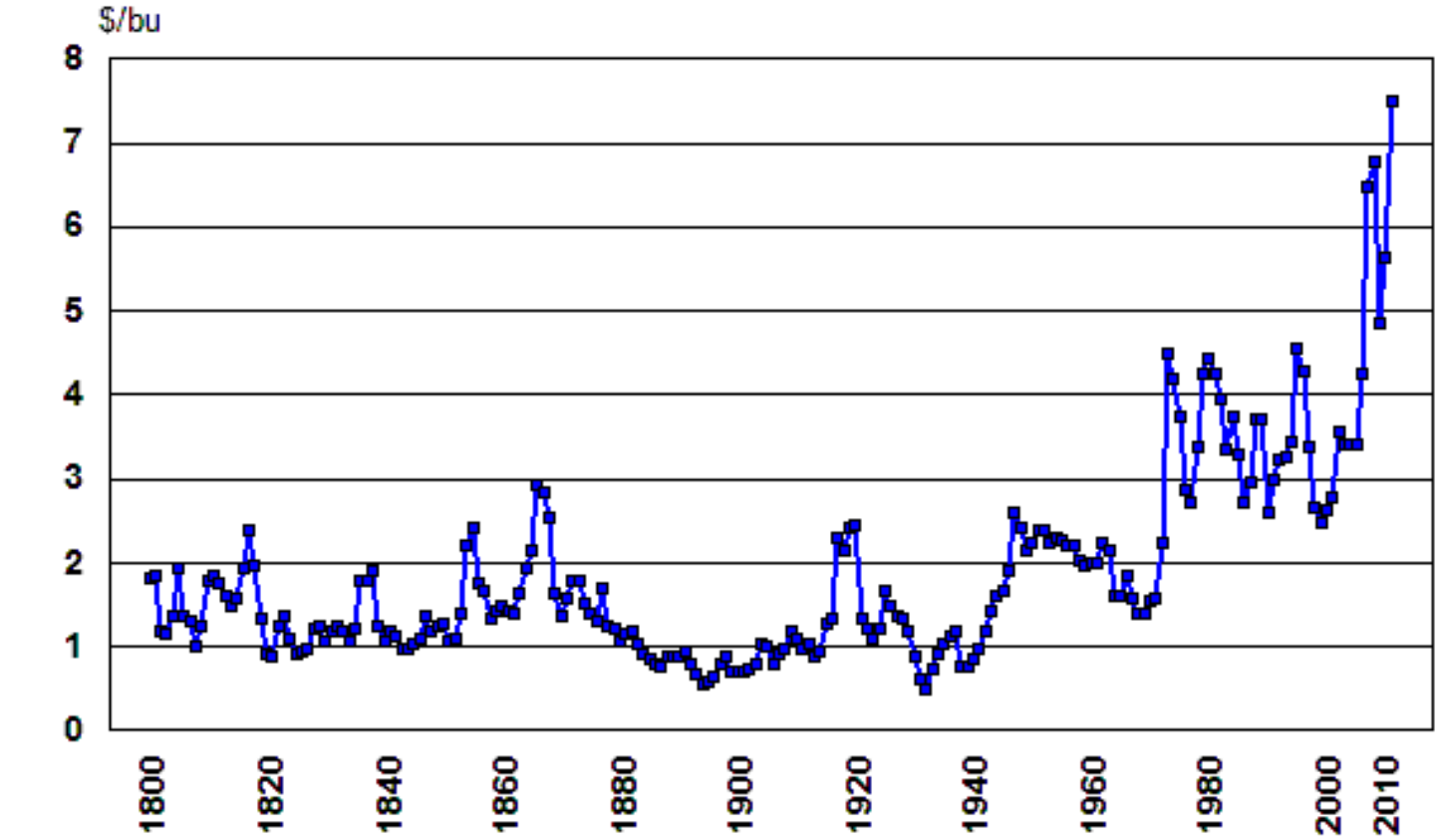
- Beginning with FY08 supplemental appropriations bill, Congress provided funds (outside of Title II) directed to be used for LRP. Led to EFSP launch in April 2010, with funds available for LRP or cash or food vouchers where food is present but purchasing power is lacking
- In FY10, President Obama increased the amount requested for Title II appropriations from $1.2 billion to $1.7 billion, and also doubled McGovern-Dole funding
- USAID has improved its procurement process and the quality of the planning process (Bellmon analyses)

Related Policy Developments

Feed the Future-Background

- Between January 2007 and May 2008, FAO estimated that prices doubled for a range of staple foods, including rice, wheat, and veg oil
- This price spike resulted in an additional 100 million people worldwide falling into food insecurity by end of 2008, to >1 billion
- Arguments persist over causes of spike, but crisis highlighted poor record on agricultural development in developing world in recent decades, especially in Africa, which led to stagnant productivity growth

Historical U.S. wheat prices

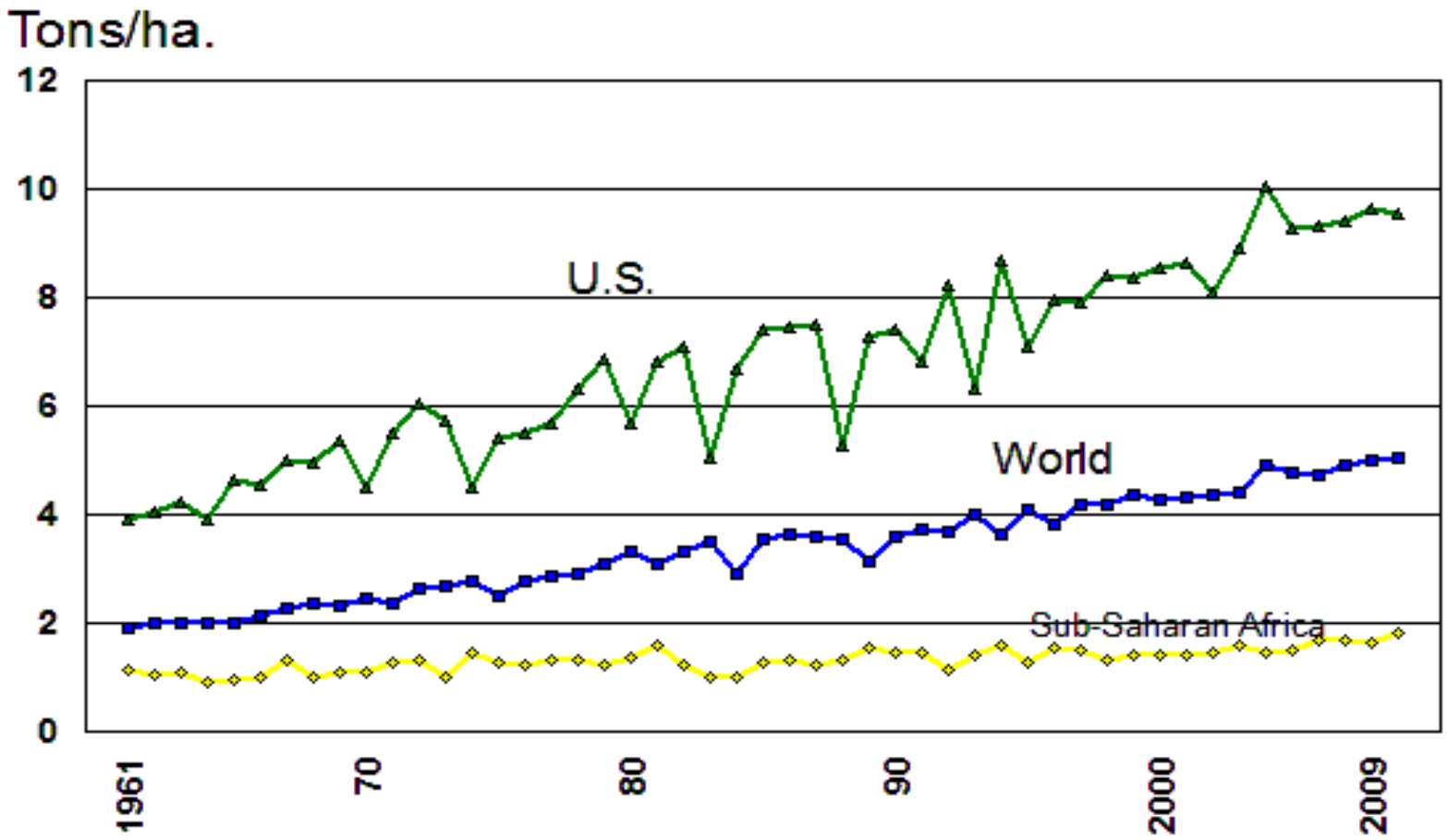


Source: USDA/ERS

Feed the Future-the U.S. Response

- Developed countries' expenditures on agricultural development had fallen from $8 billion in 1980's to less than $3 billion in recent years
- Result—developing countries far less able to feed their own people
- At G-8 meeting at L'Aquila in July 2009, leaders pledged $22 billion increase in funding over next 3 years-U.S. share was to be $3.5 billion
- President Obama launched a whole of government effort, dubbed *Feed the Future,* in December 2010

Corn yield comparisons 1960-2010



Source: PS&D database, FAS/USDA

Principles of *Feed the Future*

- Allow each country to define its agricultural investment needs (a "country-led approach"),
- Address the underlying causes of hunger, and put women at the heart of efforts to find solutions,
- Improve coordination at the country, regional and global levels to avoid duplication of efforts,
- Use multilateral development organizations, such as the World Bank, and
- Stay the course

The Role of CAADP

- Leaders in Africa had gotten a jump on the rest of the world in taking steps to address the agricultural productivity gap that has emerged in recent decades
- Established Comprehensive Africa Agricultural Development Program (CAADP) in 2003, committing member states to invest in their own agricultural sectors
- To date, 27 countries have adopted CAADP plans

Early Implementation Steps of *Feed the Future*

- According to data provided by USAID, spending on agricultural development by that Agency more than tripled between fiscal 2008 and fiscal 2010
- 22 focus countries for *Feed the Future (FTF)* were identified in April 2010--12 are located in Africa
- To be divided into Phase I (focus on capacity-building) and Phase II (address productivity, infrastructure, value chain development, and nutritional needs)
- Aim is to mesh U.S. effort with focus countries' own agricultural development plans and projects

Linkages between Humanitarian Assistance and *Feed the Future*

- There are clearly gains from synergies to be captured if we can better coordinate different types of assistance, such as food aid and development
- Significant overlap between the world's poor and the world's hungry—we need to improve our ability to address both sets of issues
- Aside from McGovern-Dole, no program has explicit policy objective of eventually weaning countries off of U.S. assistance

Obstacles to Improved Linkages

- Limited resources—even though such constraints should encourage efforts to improve efficiency, program managers' unwillingness to cede any control over funds in a coordinated project is often a problem
- Management and oversight structure of programs —different offices, legislative authorities, and Congressional authorizers
- Current geographic distribution of programs-only 9 FTF focus countries also had non-emergency Title II projects in FY09

Gains from Improved Linkages

- Already have benefits from linked activities under a single program umbrella—in summer 2010, I visited several Title II non-emergency projects in Uganda run by Mercy Corps and ACDI/VOCA-people were growing vegetables for income as well as improved family nutrition, also raising nursery trees, and improving hygienic practices.
- How much would these villages further benefit from improved access to water for irrigation funded through another program?
- Potential partner programs—Feed the Future, Millennium Challenge Corp., USAID health programs, Peace Corps, USDA's McGovern-Dole and Food for Progress
- Also the World Bank's new Global Agriculture and Food Security Program (GAFSP), and development programs operated by other donor countries

Fruit tree nursery near Gulu,Uganda



IMPLICATIONS OF BUDGET PROCESS FOR 2012 FARM BILL AND RELATED POLICIES

Budget Control Act of 2011

- Legislation enacted on August 2nd set up a two-stage process
- First, imposed caps on discretionary spending for 2012-2021, saving estimated $917 billion
- Second, established `Super Committee' of 12 members charged with identifying additional $1.2 trillion in measures to reduce deficit over next 10 years
- All Committees allowed to make recommendations to `Super Committee' (SC)--were due October 14th
- Possible outcomes of SC process
  - Reach deal to cut at least $1.2 trillion or more over 10 years
  - Stalemate occurs, full sequestration kicks in
  - SC agrees to lesser amount of cuts, partial sequestration kicks in

Budget Challenge for Improved Food Aid and Food Security Spending

- Budget environment-Overall FY12 spending level set by Budget Control Act of 2011
  - House Ag Approps bill would cut Title II funding by nearly $500 million compared to FY11 (to $1.03 billion)
  - Senate Ag Approps would increase Title II funding slightly compared to FY11 (to $1.56 billion)
  - House Foreign Ops Subcommittee bill did not provide specific FTF figure –pro rata cut could reduce to less than $800 million
  - Senate Foreign Ops bill would provide $1.3 billion for FTF
  - If utilize FY12 subcommittee allocations derived from BCA, figures should be closer to Senate levels
- More pressure likely to ensue when result of SC process is known by end of 2011

Other Challenges

- Commodity price volatility-impacts both food aid needs and donors' ability to respond
  - Commodity prices spiked in 2007-08—added 100 million people to category of food insecure globally
  - Commodity prices spiked again in 2011, compounded by Horn of Africa famine—how many more threatened?
- Completion of the Doha Round
  - Current language is restrictive toward use of in-kind food aid, monetization practices
  - Progress in Round stalemated for more than 3 years, little prospect for completing the process

Areas for Potential Policy Reform

- Improved use of risk management tools
  - Food reserves
  - Hedging price risk in futures/option markets
  - Weather risk insurance or weather derivatives
- Reconsidering monetization
  - Increased access to cash under Section 202(e) has helped
  - Congress should take a second look at Community Development Fund proposal from 2009 to allow for cash grants in lieu of commodity monetization
- Relax cargo preference rules (not in farm bill)

Food Aid Policy in 2012 Farm Bill Process

- House and Senate Agriculture Committees provided recommendation of $23 billion in mandatory cuts over 10 years to SC process
- Some are pushing to incorporate specific farm bill policy provisions in SC legislation
- At most, could include key provisions cutting mandatory spending and adjusting other programs
- Food aid/food security funding is primarily discretionary, so not at risk in farm bill
- Non-scoring portion of farm bill would need to be completed in 2012—would include most food aid/food security policy issues

Concluding Remarks

- The U.S. government took a lot of important steps in last several years in improving the efficiency of food aid programs and re-engaging in a much larger way on the global agricultural development front with *Feed the Future*
- Maintaining that commitment and moving forward in these areas will be difficult in face of budgetary pressures
- The next logical step is to look for ways to enhance linkages between those programs, which should improve cost effectiveness and lead to better development outcomes
- The obstacles are daunting, but we need to remember why we are doing this work—it is to help people



Poem reciters at Stara school in Nairobi

For More Information

- The full policy paper is available on the Partnership website
- http://www.partnership-africa.org/content/partnership-report-food-aid-policy-and-2012-farm-bill