

**Testimony of Andrew S. Natsios, Professor  
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House Committee on Foreign Affairs  
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“Modernizing Food Aid:  
Improving Effectiveness and Saving Lives”**

Mr. Chairman and members of this committee, I am grateful for the opportunity to speak today regarding the proposed reforms of the U.S. food aid program. My comments today are my own; I am not representing the George Bush School of Government and Public Service or Texas A&M University.

The Food for Peace program provides emergency food aid to populations facing famine, civil conflict, natural disasters, and development programs. These programs are important for saving lives, and building stability around the world, especially in the context of the current migration crisis engulfing virtually every region of the world.

Since I last spoke to this committee in June 2013, we have witnessed the most massive refugee and internal displacement crisis in world history. The number of displaced persons reached a record high of 65.6 million people in 2016, and, while the UN High Commissioner for Refugees has not released 2017 figures, the famines in Nigeria, Somalia, South Sudan, and Yemen have likely made this number considerably higher still over the past year. The UN classifies the current situation as the worst humanitarian crisis since the institution’s founding following WWII.

Though this is a humanitarian crisis, it has substantial political implications as well. Individuals frequently cope with famine by migrating, either within their home country or outside its borders. As a famine grows more deadly, refugee and internally displaced camps form and develop their own, often violent, systems of internal governance, and past experience shows us that allowing these camps to fester over time results in extremist groups taking root. For example, in Somalia in 1992, famine and conflict forced families into displaced camps under the control of warlords, who actively recruited unemployed, angry, and hungry young men for their militias.

Similarly, after the Russian invasion of Afghanistan in 1979 drove millions of Afghans to neighboring Pakistan, refugee camps formed which became the birthplace of the Taliban. We are all aware of how this led to the worst terrorist attack in U.S. history and the seventeen year effort by the United States government to stabilize Afghanistan. In histories such as these, we can see the unfolding of humanitarian crises that threaten not only human rights, millions of people’s lives, but also United States national security.

Severe and prolonged food insecurity, particularly for great powers with large militaries, has a history of leading to wars among the great powers. In the lead-up to World War II, Adolf Hitler executed a foreign policy that sought to overthrow the existing international order. One of his motivations for German expansionism was to secure land to cultivate food for the German population. He believed Germany lost WWI because it could not feed its own population from its own resources. Similarly, the Nazis carried out the horrors of the Holocaust and attempted the extermination of the urbanized Slavic peoples of central Europe to shrink these populations, which

Hitler believed would ensure food for German Aryans by killing off what the Nazi regime called “useless eaters”. The Japanese suffered localized famines in the early and mid-1930s because they could not produce or import enough food to feed their growing population: the expansion of the Japanese empire that led to WWII in Asia was partially driven by this fear. Over the past decade, Asian powers, concerned by their rising food needs over the next century, are leasing hundreds of thousands of acres of land in Africa on ninety-nine year leases to grow food in the future because they believe themselves to be at risk of food crisis in the event of a break of the international food system.

In non-democratic countries lacking feedback and accountability mechanisms for citizens to express discontent to government in a peaceful manner, famines heighten the risk of conflict. For example, during the West African famine of 1968-1974, most governments in West Africa fell to coups or uprisings driven by the famine. In the mid-2000s, this pattern repeated itself when rising food prices caused riots in urban areas across the Arab world and Africa. One of the major factors driving the Arab uprisings of 2009 and 2010 were food insecurity caused by rapidly and steeply rising food prices. We are living with the ongoing chaos in the region driven by these uprisings nine years ago. While famines or severe food insecurity are not the sole reason for these upheavals, they can be the straw that breaks the camel’s back in a context of popular discontentment with welfare and governance issues.

Over the next century, food will become an increasingly important matter to people in poor countries across the globe. This will affect the national security of Great Powers such as the United States. Roger Thurow, who has written a great deal on modern famines, notes:

“After World War II, eliminating hunger was seen to be a bulwark against the extremism of the day: international communism. Today, eliminating hunger would be a bulwark against the extremism of the twenty-first century: global terrorism.”

Food issues will determine war versus peace, and security and stability versus chaos. We must equip policymakers and aid administrators with the tools to manage the crises coming our way. U.S. food aid reforms are no longer simply a peripheral debate on an obscure issue; they will affect our national security interests more than Washington policymakers realize. These reforms will allow us to more quickly, efficiently, and effectively respond to famines, civil conflict, and food crisis.

The crises we are facing are occurring at such a rapid rate that USAID senior managers cannot run to the Congress after each crisis to get additional regulatory relief or to request more funding. We need a food aid program with a high level of statutory and regulatory flexibility to allow field officers to make programming decisions at the lowest possible level closest to the crisis. I managed humanitarian programs under both Presidents George H.W. Bush and George W. Bush, and can confidently say that our USAID program officers are highly competent, dedicated, and capable. When we grant them the leeway to make decisions in managing our food aid programs, they will make the right decisions in a timely fashion. Give them the tools and they will do the job.

Indeed, ample research points to the benefits of decentralizing decision-making. In James Q. Wilson’s classic 1991 book, *Bureaucracy*, he argues that “authority [to manage projects] should

be placed at the lowest level at which all essential elements of information are available.” The current regulations governing our food aid programs are rigidly enshrined in law, and have been held hostage by special interest groups that have no regard for the national security interests of the United States or of the humanitarian consequences of the PL 480 law in its current form.

More recently, Daniel Honig of the Johns Hopkins School of Advanced International Studies, whose research focuses on the relationship between organizational structure and program performance in aid agencies, finds that greater organizational autonomy and flexibility by program managers leads to higher success rates, especially in developing country contexts with high levels of unpredictability. Research increasingly shows that centralized decision-making in Washington, whether by law (in the case of PL 480), regulations, or regulatory oversight, significantly increases program failure rates.

The legal constraints imposed by law on Food for Peace programs have been generated by pressure from narrowly self-interested domestic political interests that have stonewalled reform for a decade and a half now. In a very real sense, these special interest groups threaten the national security interests of the American people by slowing down the humanitarian response programs of the United States government.

Mr. Chairman, I know that the House and Senate Foreign Affairs authorizing and appropriating committees have not only supported but led the efforts in Congress to reform our food aid statutes. I would like to commend you for your leadership on these issues for more than a decade. I deeply regret your decision to retire though I certainly understand it; it is a great loss for the humanitarian community.

While the United States remains the greatest humanitarian power in the world, it is because of the highly competent USAID career staff, time-tested business systems for carrying out programs, and a strong aid budget provided by strong support from the U.S. Congress. Because of these assets, the U.S. continues to succeed despite some of the dysfunctional and counter-productive provisions of PL 480. Our humanitarian leadership as a country could be so much more than it is does, today if we reformed our food aid laws.

What reforms are needed to save more lives at a lower cost and protect American interests abroad?

- First, the statute should allow up to 50% of the PL 480 appropriation at the discretion of the USAID Administrator to be used for local and regional procurement of food aid.
- Secondly, the Cargo Preference Law should be repealed entirely and under no circumstances should the 50% requirement for US ships be increased.
- Thirdly, the monetization of food aid to produce host country currency to manage aid programs, regardless of the programs, should be phased out, while protecting the ability of USAID officers to use US food aid to intervene in markets to stabilize rapidly rising prices, which are often the cause of famines.

The reforms under consideration would increase the return on taxpayer dollars devoted to humanitarian relief efforts. By making the system more efficient, we can feed more people with

the same amount of funds. These reforms will also increase the speed with which we provide aid, which is of utmost importance in crises to avoid high death rates, high levels of population displacement, and unintended and unpredictable political consequences.

First, we should repeal the cargo preference law. This is a provocative subject in the Congress, and I recognize that the maritime unions and shipping companies are putting pressure on this body. Nonetheless, the notion that the cargo preference law is maintaining our merchant fleet is utter nonsense. We lost our competitive edge in shipping long ago, and this law is constraining the reach of our food aid by imposing astronomically high costs on our programs and slowing the delivery of food aid. The Cargo Preference law has, in fact, facilitated the decline of our merchant shipping fleet by protecting inefficient and uncompetitive shippers. Whenever the federal government protects particular businesses and industries from the competitive pressures of the marketplace, they inadvertently sentence these businesses to a slow, inexorable decline.

Under the current law, fifty percent of U.S. food aid must be shipped on U.S. flag carriers. This system is expensive, slow, and diminishes quality, while providing little in the way of military readiness. The shipping rates paid by Food for Peace programs are estimated at 23 to 46 percent higher than global market rates, and in some cases can be more than double, according to Food for Peace staff. For example, Catholic Relief Services testified to you last October that if they had been able to use foreign carriers, the organization would have spent 24 million dollars less on ocean transport over three years, which would have paid for food aid to an additional half a million hungry people. Because of the cargo preference restrictions, the majority of taxpayer dollars devoted to food aid are financing not food, but inefficient shipping companies. In fact, only 35 to 40 cents of each taxpayer dollar that goes to food aid actually buys food. In comparison, 70 cents to the dollar on Canadian food aid goes toward the food itself.

Even among American carriers, the current system reduces price competition. As the percentage requirements must be met for certain types of vessels, companies game the system by arguing that they fall into a certain class, such as dry bulk carriers, dry cargo liners, or tankers. Furthermore, vessels must have a “U.S.-flagged” designation for three years before qualifying under the cargo preference restrictions, which is a barrier to entry and diminishes competition. Additionally, the astronomical rates paid by the U.S. government often benefit foreign, not U.S., shipping owners: between 2012 and 2015, nearly half of food aid was shipped on U.S. subsidiaries of three foreign companies from Denmark, Germany, and Singapore. Thus, the cargo preference restrictions largely benefit foreign, rather than American, companies. Why are we as a country protecting foreign shipping companies?

Beyond the wasted taxpayer funds, the cargo preference regulations make aid delivery unacceptably slow. It is not uncommon to face situations in which the U.S.-flagged fleet cannot provide the service necessary to deliver food to required locations due to a lack of available ships or regular service to certain destinations. When a U.S.-flagged vessel cannot service the destination port directly, USAID relies on a hub and spoke system to deliver the food aid. These added steps slow the delivery of food assistance to hungry people. Additionally, USAID does not always receive appropriate U.S.-flagged offers for commodity shipments when it issues a request for proposals. In these cases, the Agency must seek out a foreign-flagged vessel to transport the food aid. Thus, even when it is clear to staff that a U.S.-flagged vessel is unlikely to be available, they

must waste time and resources going through the procedure of seeking one out. Where U.S.-flagged vessels are available, timeliness continues to be an issue, as the regulation destroys the incentive for quality. Awarding contracts is conducted first on the minimum tonnage requirements to be shipped on American flag carriers, and secondly on cost. Because of this, American carriers have an automatic advantage and little incentive to provide superior services, and thus shipments are often damaged and arrive late.

The cargo preference rules have long been justified on the grounds that shipping food aid on U.S. flag carriers helps maintain a merchant marine fleet for emergency transport of military cargoes. A cursory look at the evidence, however, shows that using food aid cargo vessels for military readiness is both infeasible and unnecessary. In the sixty years that cargo preference has been in effect, the Defense Department's reserve sealift fleet has been sufficient for its needs in times of emergency. To prepare for emergency needs, the Defense Department maintains the Maritime Security Program, under which approximately 60 privately-owned and military-ready vessels are registered to be mobilized if needed. The Defense Department has never fully activated the MSP, and has never mobilized a non-MSP vessel. Recent studies show that the vast majority of the U.S. agricultural cargo preference fleet fails to meet the Defense Department's minimum standards for military usefulness. Between 2011 and 2013, only 18 percent of food aid was carried on MSP-qualified ships. Thus, it should be obvious that there is no legitimate defense-related rationale for shipping food aid on U.S.-flagged vessels.

Why is my testimony so focused on cargo preference? An unholy alliance of a small cartel of shipping companies and maritime unions, which are now the last remaining interest groups stonewalling food aid reforms. The NGOs, which helped stopped these reforms 15 years ago when USAID first proposed them, have now embraced them. U.S. farmers, in the past, have also opposed the reforms, but I understand that some farmers associations may shortly endorse the reform legislation. This leaves the shipping companies and maritime unions as the sole special interest groups trying once again to scuttle the food aid reforms.

Secondly, we should allow 50% of the PL 480 Title II appropriation to be used for local and regional purchase of food aid. While cargo preference restrictions waste taxpayer funds, the Title II requirements for domestic procurement of commodities is also wasteful of funds, causes delays in getting food to the recipients, and damaging to foreign markets in poor countries. I support a food aid reform package that would allow up to 50% of PL 480 Title II appropriations to be used for local and regional purchase of food aid. The 2014 Farm Bill allowed Section 202(e) funding to be used to enhance Title II programming through local and regional procurement (LRP) and other measures such as cash transfers and vouchers. This is a step in the right direction, as it has allowed USAID to blend food aid with other measures to respond more quickly in some circumstances. Still, the effect of this change was quite limited, as the great majority of funds must still go toward purchase of U.S. commodities, constraining the speed and effectiveness of U.S. response to emergencies. For example, a major surplus of grain in Tanzania last year offered the opportunity for 25% savings, but USAID was forced to respond with U.S. in-kind food aid instead. Over three-fourths of PL 480 Title II funds go toward emergency aid for disaster relief in protracted crises such as famines, civil wars, and severe food insecurity. The speed and efficiency of U.S. humanitarian aid is of the utmost importance, as delays kill people, allow chaos to fester and spread, and unintentionally lead to mass population movements.

Local and Regional Procurement is regarded by virtually every humanitarian assistance manager I know to be best practice for managing food aid, and all donors except the United States allow the practice for 100% of their food aid programs. This is particularly embarrassing, given that the United States is the greatest humanitarian power in the world today, despite (not because of) these regressive provisions of PLO 480. Both international NGOs and U.S. government agencies have carried out pilot programs that demonstrate that local procurement is cheaper and faster than shipping and monetizing U.S. commodities in foreign markets. The World Food Program has been managing local and regional purchase of food aid for nearly twenty years with high success rates. For example, a USDA pilot in 2012 found that the average response time to a food crisis under a Local and Regional Procurement system was 56 days, while under the current system, it was 130 days. This makes a crucial difference in the long-term health and livelihood outcomes of young children. Additionally, rapid and decisive action through emergency aid programs is the best way to prevent the politically destabilizing effects of mass population movements caused by famine, and such rapid action is best achieved through locally purchased food.

Frederick Cuny, a well-known disaster relief practitioner from my home state of Texas argued in a book discovered in his papers after he was murdered in Chechnya, “the chances of saving lives at the outset of an operation are greatly reduced when food is imported. By the time it arrives in the country and gets to people, many will have died.” This was the case in Ethiopia in 1985, when imported food aid took four to six months to reach the rural areas of the country. By this point, it was too late, as the death rate had peaked and had already begun to decline.

Furthermore, introducing large amounts of free or inexpensive food aid into foreign markets may undermine local farmers by depressing prices. When I was Administrator of USAID, we launched several programs aimed at decreasing opium production in Afghanistan by creating alternate sources of livelihoods for farmers. Famine conditions were beginning to appear in several parts of the country in the summer of 2001 before 9/11, so we instituted an improved wheat seed program in early 2002 to encourage production of this staple. Wheat prices dropped dramatically when an unexpectedly good rainy season, combined with the higher yielding wheat, resulted in local farmers producing far more than expected. Excessive supply and limited demand led to a sizable drop in food prices which sent the disastrous signals to farmers to grow less, not more, food.

Not surprisingly, many Afghan farmers returned to poppy farming for opium production. If the United States had purchased food locally by buying up the surplus rather than importing more U.S. commodities, we could have ensured that the local Afghan farmers earned enough money to make the continued production of wheat economically viable. Many have wondered why Afghanistan is still the world’s largest producer of heroin despite our efforts to eradicate poppy production. Indirectly, food aid played a role in the limited effectiveness of the eradication program. Locally-sourced food aid could have been used to discourage opium production by making wheat farming more attractive as an alternate source of income. USAID could not pursue that option because the PL 480 would not allow it.

In many cases, countries that have been hit by natural disaster have specifically requested that the U.S. not send them food. After the 2004 tsunami hit Aceh, Indonesia, the Indonesian foreign

minister asked the world to refrain from sending rice, because there was plenty of food to be bought in Indonesia. Of course, we did not have the flexibility in our food aid program to do that. After the Haiti earthquake in 2010, the president of Haiti asked the world not to send food aid out of concern it would damage local rice production. Aid agencies sent food anyway, and local rice farmers businesses were damaged. When we put local producers out of business, we have a longer-term development problem on our hands. These problems of poverty often turn into security problems, as unemployed males turn to gangs, drug trafficking, and violent extremism.

We have considerable evidence that purchasing food locally provides additional support to farmers and helps boost the local economy. In one particular study examining the World Food Program's local purchase program in Uganda, the author found numerous favorable secondary effects of purchasing the food locally, including improved farmer knowledge of local markets, improved reliability of the markets, the absence of a middle man which led to higher prices for the farmers, improved housing, and higher cash income.

Even where local or countrywide crop failure occurs, regional procurement can cut costs and make delivery quicker. For example, in 2017, surpluses of staple foods existed in Northern Uganda. It would have been cost effective to purchase this food in Uganda (which, as an added benefit, would support local income generation for Ugandans) and ship it a short distance to beneficiaries in South Sudan. Instead, because of Title II procurement regulations, we had to pay to ship the food to east African ports, then ship it inland to South Sudanese beneficiaries.

We can save money, respond faster, and increase flexibility by improving the Food for Peace statute. I must emphasize, however, that while the system can be improved, it is not broken and should not be abandoned. We must protect the Food for Peace account against unwise and imprudent budget reductions. The three billion dollar cut in the USAID and State Department humanitarian relief budget just announced by OMB is imprudent, shortsighted, and will, if approved, result in widespread deaths across the world in crisis and famines. I hope Congress will overrule the Administration and restore the cuts as they did this year. Because of food aid, more people are surviving food and health crises that would have, in earlier years, killed them. Of the one hundred million people who died in famines between 1870 and 2010, most died before 1980. In his book *Mass Starvation*, Alex de Waal acknowledges that, while humanitarian operations are sometimes guided more by domestic political interests than by the needs of the hungry, the programs are generally effective in saving lives. But these humanitarian programs can be improved, and the food aid reforms are one way of doing that.

A few years ago, I sat on a commission of The Overseas Development Institute (ODI) in the UK to examine the effectiveness of cash and vouchers as a replacement for all types of food aid. Humanitarian aid vouchers are increasingly being used in emergencies, as they ought to be, but they should be one of many options available to disaster relief managers. Unfortunately some in European aid agencies have used the report to try to eliminate all food aid programs which is an ideological, rather than pragmatic approach to programming emergency aid funding. Food vouchers are an important, but not exclusive, approach to emergency management during famines and conflicts, and they are not a panacea.

In most cases, monetization of U.S. commodities for the purpose of raising local currency to support INGO programs should be phased out, as it is counterproductive in building local agricultural markets, and in any case does not generate the funds needed to cover program costs. However, in some, select cases, monetization of U.S. commodities may be appropriate to stabilize food prices on markets during a famine. For example, in the example of price hikes after a major, regional crop failure, introducing additional supply by shipping US food aid to the market can help stabilize prices, thus making food accessible to those who otherwise could not afford it. As Amartya Sen, the Nobel-prize winning economist and renowned scholar of poverty and famine issues, wrote, "Starvation is the characteristic of some people not having enough food to eat. It is not the characteristic of there being not enough to eat. While the latter can be a cause of the former, it is but one of many possible causes." The causes of any given famine must be carefully assessed before sending U.S. food aid into foreign markets. Unfortunately, under our current law, it is usually the first policy choice.

Nonetheless, there are still famine deaths, and the system must become more efficient. I am unaware of any serious scholar or practitioner of emergency of food assistance who advocates maintaining the system in its current form. Nobel Prize winning economist Amartya Sen writes in his book *Hunger and Public Action*:

"The case for scrutinizing alternative entitlement protection strategies is all the more important because, apart from not being particularly ingenious, the strategy of direct delivery is intrinsically vulnerable to severe administrative and logistic failures. The requirement of transport makes the provision of relief dangerously contingent upon the successful and timely movement of food, sometimes all the way from the other end of the world to the very mouths of the starving, and often in painfully adverse conditions. The disruption of relief efforts as a result of the failed or delayed arrival of food is one of the most widely observed (and predictable) defects of the strategy of direct delivery."

These reforms have a history of bipartisan support, among Democrats and Republicans, liberals and conservatives, and have been advocated by diverse stakeholders in the food aid system. President Bush introduced reforms to allow Local and Regional Procurement for 25% of the Food for Peace Title II budget. He was the first American president to propose these reforms, and urged support for food aid reform in his 2008 speech to the General Assembly of the United Nations. President Obama similarly supported Title II reforms in his FY2014 budget request.

In my 2003 address, which began the current effort to reform PL 480, to a Food Aid Coalition annual meeting of donor agencies, NGOs, trade unions, shipping companies, and American farmers in Kansas City, MO, I argued, "The fact that U.S. farmers and shippers are able to benefit from the Food for Peace program is an important, but secondary benefit. The primary objective is to save lives." While this message was met with hostility in 2003, the situation has since changed. The primary NGOs carrying out Food for Peace programming, including CARE, Catholic Relief Services and World Vision, were originally opposed to reforms as they represented an adjustment to their ways of doing business, but all of them now support the reforms. This is telling, as these are the professionals most closely acquainted with the costs of food aid and its effects in recipient countries. Some agricultural groups, which have opposed reform previously, may now be poised to endorse them.



Given the humanitarian and national security issues at stake, our country cannot afford to delay reform any longer. Herbert Hoover's words as he led U.S. relief efforts during and after World War I, the Volga Famine in Russia, and then after World War II ring just as true today:

“Hunger brings not alone suffering and sorrow, but fear and terror. He carries disorder and the paralysis of government, and even its downfall. He is more destructive than armies, not only in human life but in morals. All of the values of right living melt before his invasions, and every gain of civilization crumbles.”

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