



## GLOBAL: Winds of change in US food aid policy?



Photo: Julian Weinberg/IRIN

Food aid policy could become more flexible

JOHANNESBURG, 4 March 2009 (IRIN) - A shift towards a mixed system of procuring food aid, with purchases in the US and in the beneficiary country, is the way to go for future policy, says Andrew Natsios, a former senior US aid official, and a group of US-based NGOs and lobby groups for UN agencies.

The US is the world largest donor of food and the only developed country yet to break the link between foreign food aid and supporting its own farmers, but US NGOs say sentiment is moving in favour of reforming US food aid policy, with the focus shifting towards buying food aid in the beneficiary country rather than shipping it from the US.

"If we go to an entirely local purchase of US food aid there would be a greater likelihood of a reduction of political support for the food aid account, which would mean, over time, declining budgets," said Natsios, who led the US Agency for International Development (USAID) for five years. He suggested a mixed system of overseas local and domestic US purchases.

Almost all food aid donated by the US is "tied" to domestic requirements for procurement, processing and shipping. "Freight costs form a major portion of the costs

of food aid," said Chris Barrett, who teaches development economics at Cornell University and edits the American Journal of Agricultural Economics.

It costs more than two dollars of US taxpayers' money to deliver one dollar's worth of food procured as in-kind food aid, but untied aid "would not necessarily become a useful development tool in encouraging agriculture in southern countries, because it would allow other major agricultural exporters to bid on food-aid contracts, which would not necessarily help local markets," said Natsios.

"Local purchase of food aid would concentrate on buying food in southern countries for use in emergencies in neighbouring countries, and could be used to stimulate and strengthen local agricultural markets. Our objective should be local purchase, not untied aid."

**“There is a movement afoot to restructure US foreign assistance more broadly”**

### Winds of change

Gawain Kripke, director of policy and research at the aid agency, Oxfam America, noted that "Local purchase is being actively promoted by several Congressional initiatives now."

Oxfam America and other American NGOs proposed a Roadmap to end Global Hunger, with a flexible approach to aid that would allow the use of cash transfers, vouchers, and a mix of local and US food purchases. It will inform a piece of legislation soon to be introduced in the US House of Representatives. The Roadmap has the backing of the Friends of the World Food Programme and the US Fund for UNICEF (UN Children's Fund), both US-based lobby groups.

The Global Food Security Act, introduced during the tenure of President George Bush in the midst of the global food price crisis in 2008, called for the creation of an emergency fund that could be used for local food purchases or as cash transfers, to enable rapid response and make money available to help developing countries improve their agricultural infrastructure. The bill is going through the senate process.

A partial shift from tied aid is gaining momentum in the US congress, said David Kauck, senior technical advisor and an expert on food security issues at CARE, one of the NGOs backing the Roadmap. "Both these pieces of legislation have arisen out of a growing concern over the economic and the food price crisis," he said. "The economic crisis had led many to question the cost-effectiveness of aid."

At present, American legislation requires that 50 percent of commodities be processed and packed in the US before shipment, and that 75 percent of food aid managed by USAID and 50 percent of the food aid managed by the US Department of Agriculture be transported in "flag-carrying" US-registered vessels.

"There is a movement afoot to restructure US foreign assistance more broadly, and with a serious reform of the 1961 Foreign Assistance Act I think we will see realignment of food aid with overseas development assistance more broadly, and an associated untying and relaxation of cargo preference restrictions, but that will likely take another couple of years to achieve," said Cornell University's Barrett.

"It will take some focus to achieve significant reform of US foreign assistance, and the economic crisis and other, higher-profile foreign policy matters are crowding this out for the time being."

Natsios pointed out that there were "powerful US interest groups opposing any reform at all, but I hope that the [Barack] Obama Administration continues the policy of the [George] Bush Administration to press for partial reform."

The 2008 Farm Bill, which governs American food aid and is updated every five years, for the first time freed some of the money to be used as cash for food purchases in recipient countries or regionally, instead of in-kind produce shipped from the US.

The amount - US\$60 million over four years – was a fraction of the \$300 million Bush had sought for cash purchases in one fiscal year, and will be spent on a pilot programme.

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