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Oversight Report Says U.S. Food Aid Practices Are Wasteful

By Celia W. Dugger
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The United States government's food aid programs are riddled with wasteful practices, including the "inherently inefficient" sale of American-grown food in poor countries to finance antipoverty programs run by aid groups, according to a report by the Government Accountability Office released yesterday.

The G.A.O.'s yearlong investigation of food aid also found that rising shipping and logistical costs have halved the amount of American food delivered to the hungry in Africa, Asia and Latin America over the past five years.

The agency which briefed Congress last month on its preliminary findings, released its full report yesterday. It was especially critical of the practice known as monetization, which involves shipping food at great expense across oceans to the developing countries.

There, managers at nonprofit groups double as grain traders, selling the food on local markets to generate cash for development programs.

Thomas Melito, the G.A.O.'s director of international affairs and trade, said this practice was a highly inefficient way to raise money for development, given that over a third of food aid spending has been consumed by the rapidly rising costs of ocean shipping.

Under American law, virtually all food given as aid must be grown in the United States, which means it has to be shipped out.

Federal agencies were unable to provide comprehensive estimates of how much money such sales had generated compared with the costs of buying, shipping and selling the food abroad, Mr. Melito said.

Over the past three years, more than $500 million in food aid has been sold in developing countries to raise cash for programs to combat poverty, federal statistics showed.

"The sales are likely to generate less than 50 cents on the dollar, and it may be much less," he said.

As a growing number of scholars and advocates have questioned the effectiveness of the American food aid system in recent years, monetization has received tougher scrutiny.

Some critics of food aid have characterized the nonprofit groups, along with shipping and agribusiness interests, as the so-called Iron Triangle of food aid — a coalition that has fended off changes to the status quo.

But the charitable groups have split sharply over the issue of their own sales of food aid in poor countries. CARE, Catholic Relief Services and Save the Children last year signed a declaration, along with British, French and Canadian aid groups, stating that such sales are usually inefficient and divert food from direct transfers to the hungry.

CARE, which has raised about $62 million a year for its programs through such sales, has decided to stop "monetizing" food by 2009, with few exceptions, though doing so will mean a major financial hit. Officials of the group said they concluded it would be more efficient for the government to simply give nonprofit groups cash for antipoverty programs.

They also said they worried that sales of American-grown food in poor countries had the potential to hurt farmers there who were also seeking the best price for their crops on local markets.

"We had to be consistent with our own beliefs and values in the best way to help poor people," Dr. Helene D. Gayle, the president of CARE, said in an interview yesterday.

But the Alliance for Food Aid, a group of 14 other nonprofit organizations, including World Vision and Adventist Development and Relief Agency International, strongly supports continued monetization.

The Alliance's members say that such sales provide poor countries with imports, keep hard currency in the countries and generate cash to help the needy.

Ellen S. Levinson, the Alliance's executive director, said that nonprofit groups usually received at least 80 percent of the aid's value in sales revenues, and sometimes more than 100 percent. "It's a good package, but it has to be done properly," she said.