



July 2017

INTERNATIONAL FOOD ASSISTANCE

Agencies Should
Ensure Timely
Documentation of
Required Market
Analyses and Assess
Local Markets for
Program Effects

GAO Highlights

Highlights of [-GAO-17-640](#), a report to the Chairman, Committee on Agriculture, House of Representatives

Why GAO Did This Study

In 2015, USAID and USDA provided about \$1.9 billion of U.S. food aid overseas, including about 1.5 million metric tons of commodities. The Bellmon amendment to the Food for Peace Act requires determining, before distribution of commodities, that the distribution will not cause a substantial disincentive to a country's domestic production and that adequate storage will be available. Agency guidance requires documenting Bellmon determinations before food aid agreements are signed and promotes monitoring and evaluation to improve accountability and performance.

GAO was asked to review USAID's and USDA's provision of U.S. commodities. This report examines the extent to which the agencies have (1) documented their selection of countries for food aid, (2) documented Bellmon determinations before signing project agreements, and (3) monitored and evaluated markets to identify any negative effects during and after project implementation. GAO analyzed agency data, interviewed officials, and visited sites in Malawi and Guatemala where the agencies had projects. GAO also reviewed documentation for 38 projects initiated and 35 final evaluations or reports completed in fiscal years 2014 and 2015.

What GAO Recommends

GAO is making eight recommendations to strengthen USAID's and USDA's provision of U.S. commodities. For example, GAO recommends that both agencies document all Bellmon determinations before signing agreements with partners and require monitoring and evaluation for negative market effects. Both USAID and USDA agreed with our recommendations.

View [-GAO-17-640](#). For more information, contact Thomas Melito at (202) 512-9601 or MelitoT@gao.gov.

July 2017

INTERNATIONAL FOOD ASSISTANCE

Agencies Should Ensure Timely Documentation of Required Market Analyses and Assess Local Markets for Program Effects

What GAO Found

The U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA) each have a process for prioritizing countries to receive U.S. commodities. USAID's documents lay out its steps to select countries for Food for Peace (FFP) projects in fiscal years 2013 through 2016. However, USDA's documents do not consistently account for decisions to provide commodities to countries that did not meet its prioritization criteria for McGovern-Dole International Food for Education and School Nutrition (McGovern-Dole) and Food for Progress development projects. For example, analysis of USDA documents showed countries that did not meet these criteria received 40 percent of Food for Progress funding in fiscal year 2015; however, the documents do not provide USDA's reasons for these decisions. Better documentation of such decisions would improve transparency and accountability.

USAID and USDA did not consistently document that U.S. commodities would not negatively affect recipient countries' production or markets and that adequate storage was available before providing the commodities. USAID and USDA guidance requires documentation of such "Bellmon determinations" before food aid agreements are signed. In fiscal years 2014 and 2015, USAID and USDA followed this guidance for the 6 FFP emergency projects and 5 of 6 Food for Progress projects GAO reviewed. However, USAID documented determinations before signing agreements for only 5 of 8 FFP development projects, and USDA did so for only 2 of 18 McGovern-Dole projects. As a result, the agencies did not consistently document compliance with a key control.

GAO found lower-than-expected prices 12 percent of the time for key commodities in countries that received commodity-based U.S. food aid at some point in 2015 and 2016. However, neither agency required implementing partners to monitor or evaluate markets during this period. In December 2016, USAID began requiring partners to monitor and evaluate emergency projects for negative market effects, such as unusual price changes. However, USAID does not require this for development projects, and USDA does not require it for either McGovern-Dole or Food for Progress. Yet both agencies require monitoring of project performance and evaluation of project outcomes to identify challenges, ensure projects achieved intended results, and to improve future projects. Monitoring and evaluation for negative market impacts would help identify any needed midcourse corrections and inform future Bellmon determinations.

Delivery of U.S. Department of Agriculture Commodities to a School in Guatemala



Source: GAO. | GAO-17-640

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Abbreviations

AARAD	Acquisition and Assistance Review and Approval Document
2014 Farm Bill	Agricultural Act of 2014
BEST	Bellmon Estimation for Title II
FEWS NET	Famine Early Warning Systems Network
FFP	Office of Food for Peace
FAS	Foreign Agricultural Service
McGovern-Dole	McGovern-Dole International Food for Education and Child Nutrition
SOP	standard operating procedures
Title II	Title II of the Food for Peace Act
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
WFP	World Food Program

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July 13, 2017

The Honorable Mike Conaway
Chairman
Committee on Agriculture
House of Representatives

Dear Mr. Chairman:

The United States is the world's largest donor of international food assistance, chiefly through the U.S. Agency for International Development (USAID) and U.S. Department of Agriculture (USDA). The Agricultural Act of 2014 (2014 Farm Bill) reauthorized funding for international food assistance through Title II of the Food for Peace Act (Title II), which USAID administers, and through two USDA-administered programs, the McGovern-Dole International Food for Education and Child Nutrition program (McGovern-Dole) and Food for Progress. USAID has used Title II funding primarily to provide U.S. in-kind food aid (i.e., food commodities purchased in the United States and transported overseas) through Food for Peace emergency projects that provide food to populations affected by conflicts or natural disasters as well as through Food for Peace development projects designed to address long-term chronic hunger.¹ USDA's McGovern-Dole program provides U.S. food commodities for school feeding, and its Food for Progress program supports agricultural, economic, and infrastructure development projects through the sale of U.S. food commodities in recipient countries. In fiscal year 2016, USAID

¹In addition to using Title II funding to provide U.S. in-kind food aid, since fiscal year 2014 USAID has used a proportion of Title II funds, pursuant to Section 202(e) of the Food for Peace Act, to provide cash-based food assistance. Cash-based assistance includes cash transfers and vouchers that recipients may use to purchase food in local markets and also includes commodities procured overseas, known as local and regional procurement. For more information, see GAO, *International Food Assistance: USAID Has Controls for Implementation and Support Costs but Should Strengthen Financial Oversight*, GAO-17-224 (Washington, D.C.: Mar. 9, 2017); *International Cash-Based Food Assistance: USAID Has Established Processes to Monitor Cash and Voucher Projects, but Data Limitations Impede Evaluation*, GAO-16-819 (Washington, D.C.: Sept. 20, 2016); and *International Cash-Based Food Assistance: USAID Has Developed Processes for Initial Project Approval but Should Strengthen Financial Oversight*, GAO-15-328 (Washington, D.C.: Mar. 26, 2015).

received appropriations of \$1.47 billion for Title II programs, while USDA's McGovern-Dole program received \$202 million.²

In-kind food aid can affect commodity supply in recipient countries, and market assessments are therefore important for determining where and when to provide commodities—as well as how much and what types—to help avoid distorting local markets and displacing commercial trade. The “Bellmon amendment” to the Food for Peace Act requires U.S. agencies to determine, before supplying in-kind food aid to a country, that adequate storage facilities are available in that country and that the distribution of commodities will not result in a substantial disincentive to, or interference with, domestic production or marketing in recipient countries.³ USAID and USDA guidance requires documentation of “Bellmon determinations” before the signing of food assistance agreements. In addition, the agencies’ policies and guidance promote monitoring and evaluation of their programs to strengthen accountability and improve program performance.

You asked us to review USAID’s and USDA’s provision of U.S. in-kind food aid, including their selection of recipient countries and their use of market assessments. In this report, we examine the extent to which USAID and USDA have (1) documented their selection of countries to receive U.S. in-kind food aid through, respectively, USAID Food for Peace emergency and development projects and USDA McGovern-Dole and Food for Progress projects; (2) documented Bellmon determinations before signing agreements for such projects; and (3) monitored and evaluated local markets to identify potential negative effects during and after project implementation that may have been caused by the distribution of in-kind food aid.

²The Commodity Credit Corporation, a USDA agency, authorizes the sale of commodities for the USDA Food for Progress program and donates them to implementing partners. The corporation authorizes the sale of agricultural commodities to other government agencies and foreign governments and authorizes the donation of food to domestic, foreign, or international relief agencies. In fiscal year 2016, Food for Progress finalized assistance agreements with implementing partners for allocations of \$153 million of commodities.

³The Bellmon amendment, originally adopted as Section 212 of the International Development and Food Assistance Act of 1977 (Pub. L. No. 95-88) and codified at 7 U.S.C. 1773(a), applies to commodities provided under the Food for Peace Act. While McGovern-Dole and Food for Progress were not enacted as part of the Food for Peace Act, the authorizing legislation for these two programs incorporates the Bellmon amendment by reference.

To examine the extent to which USAID and USDA have documented their selection of countries to receive U.S. in-kind food aid, we reviewed the agencies' documentation of selection processes and criteria for fiscal years 2013 and 2016 and spoke with agency officials. To examine the extent to which USAID and USDA have documented Bellmon determinations, we reviewed agency guidance related to the Bellmon amendment. We also reviewed project documentation for a nongeneralizable sample of 6 USAID Food for Peace emergency projects, all 8 USAID Food for Peace development projects, all 18 USDA McGovern-Dole projects, and a nongeneralizable sample of 6 USDA Food for Progress projects initiated in fiscal years 2014 and 2015 that had an in-kind food commodity component. We based our selection of these samples on a number of criteria, including the existence of multiple programs and projects in the country, the type of implementing partner, and the presence of market monitoring apparatuses. To examine the extent to which USAID and USDA have monitored programs' effects on local markets, we reviewed agency monitoring and evaluation policy. We also reviewed project documentation for a nongeneralizable sample of 6 USAID Food for Peace emergency projects, 5 USAID Food for Peace development projects, 5 USDA McGovern-Dole projects, and 6 USDA Food for Progress projects initiated in fiscal years 2014 and 2015 that had an in-kind food commodity component. We also performed an analysis of commodity prices in a nongeneralizable sample of nine countries that received U.S. in-kind food aid in fiscal years 2014 through 2016; our analysis compared actual prices of key commodities with expected prices based on seasonal and historical trends. To analyze the extent to which the agencies evaluated markets after project completion, we reviewed final evaluations or reports that USAID and USDA identified as completed in fiscal years 2014 and 2015 (15 USAID final evaluations or reports and 20 USDA final evaluations or reports) for assessments of the projects' market impacts and of storage facilities or commodity management. In addition, we visited Guatemala and Malawi, where we conducted case studies of U.S. in-kind food aid projects. While in these countries, we met with USAID and USDA officials, implementing partners involved in monitoring prices and monetizing donated in-kind commodities, and beneficiaries. We also met with agency and partner officials in Washington, D.C. For more information on our scope and methodology, see appendix I. Appendix II provides further details on our analysis of price data for selected countries.

We conducted this performance audit from January 2016 through July 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to

obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

In 2015, USAID and USDA together provided approximately \$1.9 billion of food assistance, which included about 1.5 million metric tons of U.S.-produced commodities to serve a total of about 36 million beneficiaries in 43 countries.⁴ Figure 1 shows the metric tons of U.S. commodities provided through USAID and USDA international in-kind food aid programs for fiscal years 2012 through 2015.

⁴USAID reports both direct and indirect beneficiaries. USAID defines direct beneficiaries as those who come into direct contact with its program interventions and defines indirect beneficiaries as those who benefit indirectly from the goods and services provided to the direct beneficiaries. USDA's Food for Progress program reports both direct and indirect beneficiaries, and USDA's McGovern-Dole program reports only direct beneficiaries. USDA defines direct beneficiaries as those who come into direct contact with the set of interventions (goods or services) provided by the program in each technical area or program activity. USDA defines indirect beneficiaries as those who benefit indirectly from the goods and services provided to the direct beneficiaries (e.g., families of producers).

Figure 1: Metric Tons of U.S. Commodities Provided through USAID and USDA International In-Kind Food Aid Programs, by Program and Year, Fiscal Years 2012-2015

Metric tons (in thousands)
2000



Source: U.S. Department of Agriculture (USDA) and U.S. Agency for International Development (USAID) data. | GAO-17-640

USAID Title II Emergency and Development Programs

USAID’s Office of Food for Peace (FFP) administers Food for Peace emergency and development projects.⁵ Food for Peace emergency projects address crises in which the food supply in recipient countries is severely disrupted and populations lack access to sufficient food through normally available means because of circumstances including drought and civil conflict. According to USAID, emergency projects save lives, boost the resilience of disaster-affected communities, and support the transition from relief to recovery. Food for Peace development projects,

⁵The Food for Peace Act authorizes the USAID Administrator to establish programs to provide agricultural commodities to foreign countries on behalf of the people of the United States and to provide assistance to address a number of situations related to famine and food crises. See 7 U.S.C. § 1691 *et seq.*

including activities such as sustainable agricultural production, natural resource management, and education, are used to reduce food insecurity and address underlying sources of chronic hunger, typically through multiyear programs.

FFP uses a similar process for developing and implementing Food for Peace emergency and development projects. After FFP approves a project, the implementing partner orders commodities for delivery. Typically, USDA procures the requested commodities on behalf of USAID, and the partners arrange for the commodities to be shipped to the recipient country.⁶ During project implementation, the partners distribute the commodities according to documented project plans. Figure 2 shows USAID emergency food assistance being prepared for distribution in Malawi.

Figure 2: U.S. Agency for International Development Emergency Food Assistance in Malawi



Source: GAO. | GAO-17-640

In fiscal years 2014 and 2015, USAID awarded the majority of Title II–funded in-kind food aid in response to humanitarian emergencies—81 percent, or almost \$1.1 billion, in fiscal year 2014 and 78 percent, or \$1.1 billion, in fiscal year 2015. USAID awarded the remainder of Title II–funded in-kind food aid for development projects.

⁶According to FFP officials, deviations from these typical procedures may occur when required for emergency response.

USDA McGovern-Dole and Food for Progress Programs

USDA's Foreign Agricultural Service (FAS) administers two nonemergency food aid programs, Food for Progress and McGovern-Dole.⁷

- Food for Progress has two primary goals: to improve agricultural productivity and to expand trade of agricultural products. Through Food for Progress, U.S. agricultural commodities are donated to recipient implementing partners and—in a practice known as monetization—sold in local markets, with the proceeds used to fund activities supporting agricultural, economic, or infrastructure development. In fiscal years 2014 and 2015, Food for Progress provided about \$325 million of in-kind food aid to projects in 14 countries through its implementing partners.
- The McGovern-Dole program helps support education, child development, and food security in low-income, food deficit countries by providing U.S. in-kind food aid. The program also provides financial and technical assistance—for example, through maternal and child nutrition projects—with the goal of achieving improvements in education and nutrition. In fiscal years 2014 and 2015, McGovern-Dole provided \$409 million of in-kind food aid to recipients in 18 countries. Figure 3 shows beneficiaries of the McGovern-Dole school feeding program in Guatemala.

⁷In addition, the Bill Emerson Humanitarian Trust is a special authority that allows USAID to respond to unanticipated food crises abroad, when other Title II resources are not available. The trust is a cash reserve under the authority of the Secretary of Agriculture, with the USAID Administrator overseeing the release and use of funds. Recent drawdowns from the trust include \$50 million for the purchase of commodities and associated costs for emergency food assistance in South Sudan in 2014.

Figure 3: U.S. Department of Agriculture McGovern-Dole International Food for Education and Child Nutrition Program Beneficiaries in Guatemala



Source: GAO. | GAO-17-640

Bellmon Amendment Requirements

Section 212 of the International Development and Food Assistance Act of 1977—commonly referred to as the Bellmon amendment to the Food for Peace Act—requires that federal agencies determine, before providing commodities to a country as part of a food assistance program, that adequate storage facilities will be available to prevent the spoilage or waste of the commodity and that the distribution of commodities will not result in a substantial disincentive to or interference with domestic production or marketing in that country.⁸ Additionally, both Section 3107 of the Farm Security and Rural Investment Act of 2002—the authorizing legislation for USDA’s McGovern-Dole program—and the Food for Progress Act of 1985 incorporated the Bellmon amendment by reference.

⁸Pub. L. No. 95-88, § 212 codified at 7 U.S.C. § 1733(a).

USAID and USDA Monitoring and Evaluation Requirements

Both USAID and USDA require monitoring and evaluation of their programs.⁹ In September 2016, we reviewed foreign assistance monitoring and evaluation policies for USAID and USDA, in addition to four other U.S. agencies, and found that USAID's and USDA's foreign assistance monitoring and evaluation policies address key monitoring and evaluation practices that we identified.¹⁰ For example, both agencies have monitoring policies that require the development, collection, analysis, and reporting of data on performance indicators. These policies are intended to help ensure measurement of project implementation and promote timely analysis and reporting of results that could identify needed course corrections. In addition, both agencies have policies that require documenting an evaluation plan or agenda, assuring evaluation quality and independent evaluators, and disseminating evaluation findings and results to help ensure that key stakeholders have access to quality information for informed management decisions.

USAID Has Documented Country Selection, but USDA Has Not Consistently Documented Reasons for Assistance to Nonpriority Countries

USAID documentation outlines the processes used to both prioritize and select countries for in-kind food aid; however, USDA documentation does not consistently record USDA's reasons for providing such assistance to nonpriority countries. USAID's internal guidance and other documentation lay out its process for prioritizing countries to consider for development food assistance and list criteria for eliminating countries from the priority list.¹¹ According to this documentation, all newly funded projects in fiscal years 2013 through 2016 were located in countries that USAID had prioritized for consideration through its country selection process for Food for Peace projects. In contrast, while USDA guidance defines the processes used to prioritize countries for McGovern-Dole and Food for

⁹For the purposes of this report, monitoring is the continuous oversight by the U.S. government of programs and projects to assess their performance and progress toward achieving objectives and results; evaluations are systematic studies conducted periodically or on an ad hoc basis to assess how well a program is working and to learn the benefits of a program or how to improve it. See GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, GAO-11-646SP (Washington, D.C.: May 2011).

¹⁰See GAO, *Foreign Assistance: Selected Agencies' Monitoring and Evaluation Policies Generally Address Leading Practices*, GAO-16-861R (Washington, D.C.: Sept. 27, 2016).

¹¹Emergency food assistance programs do not use country priority lists. USAID provides emergency food assistance in response to proposals from private voluntary organizations, appeals from international organizations, or disaster declarations by U.S. embassies in countries undergoing food emergencies.

Progress projects in fiscal years 2013 through 2016, USDA did not document its reasons for providing assistance in several nonpriority countries in two of those years. Federal standards for internal controls call for reliable and timely information for decision making and for management to clearly document significant decisions.¹² Without consistently documenting its country selections for both the McGovern-Dole and Food for Progress programs, USDA cannot assure the transparency and accountability of its funding for these programs.

USAID Has Documented Its Process for Prioritizing Countries for Development Food Assistance and Provided Funding Only for Priority Countries

USAID internal guidance lays out the process that FFP followed to prioritize and select the countries that received in-kind food aid through Food for Peace development projects in fiscal years 2013 through 2016. According to USAID's documentation, in each case, the prioritization process began with the development of a weighted index of the percentages of the population who were stunted, impoverished, or undernourished in each of the 100 countries listed in the Directory of Foreign Assistance.¹³ After identifying the 25 countries with the highest percentages of these populations, USAID added to that list any of the 10 countries that had received the largest amounts of Food for Peace emergency funds in the past 10 years and were not already listed.¹⁴ USAID then considered other factors (e.g., security concerns, in-kind distribution issues) to remove countries from the list. For example, in prioritizing countries to receive development food assistance in fiscal year 2015, USAID removed Afghanistan, Pakistan, Central Africa Republic, and Somalia because of security concerns. The results of this process constituted USAID's list of priority countries. Table 1 shows USAID's country prioritization process and numerical results in fiscal year 2015.

¹²GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

¹³According to USAID documents, the agency considers percentages of countries' populations that are stunted, impoverished, and undernourished because these three factors address different aspects of food security, including utilization, access, and availability. USAID weights the three factors at 60 percent, 30 percent, and 10 percent, respectively, and uses United Nations International Children's Emergency Fund, World Bank, Food and Agriculture Organization, and Demographic Health Surveys as its data sources for these factors.

¹⁴According to USAID documents, the agency includes countries that received a high level of emergency funding because this metric indicates the possibility for transitioning the countries from emergency to development assistance. Examples of such countries from USAID's fiscal year 2015 country prioritization include Pakistan, Sudan, Uganda, and Zimbabwe.

Table 1: USAID’s Process for Prioritizing and Selecting Countries to Receive Food for Peace Development Assistance, Fiscal Year 2015

Step	Factors considered	Resulting action	Resulting number of countries
1	Countries listed in the Directory of Foreign Assistance with the highest percentages of stunting, poverty, and undernourishment	Identified 25 initial countries	25
2	Countries that received significant Food for Peace emergency funding in the past 10 years	Added 5 countries ^a	30
3	Countries with security issues that limit effective program management	Eliminated 4 countries	26
4	Countries with obstacles to distribution of in-kind food aid, such as government restrictions	Eliminated 2 countries	24
5	Countries not designated as strategic priorities for U.S. food assistance ^b	Eliminated 6 countries	18
6	Countries whose environment does not support the leveraging of Title II resources ^c	Eliminated 4 countries	14

Legend: USAID = U.S. Agency for International Development

Source: GAO analysis of USAID documents. | GAO-17-640

Note: According to USAID officials, the process is used to prioritize and select countries for development projects providing other types of assistance, such as cash transfers and food vouchers.

^aThe 5 countries added in step 2 include 1 country that USAID added on the basis of U.S. strategic interest.

^bUSAID’s Office of Food for Peace (FFP) considers whether assistance to countries is in the strategic interest of the U.S. government, applying criteria used by the Department of State, USAID regional bureaus, or other U.S. government agencies. For example, a country might be eliminated if it has a particularly low population or if no USAID mission is present.

^cFFP considers whether a country has an enabling environment for projects—for example, whether the country is receiving other types of U.S. development assistance, such as health or agriculture assistance, with which a project could link for greater scale and impact or whether the country has systems in place that would enhance the sustainability of the project.

USAID documentation shows that in fiscal years 2013 through 2016, the agency provided funding for new Food for Peace development projects only in countries on its priority list. After prioritizing and selecting countries for development in-kind food aid, USAID selected a subset of those priority countries for food assistance projects; issued public requests for applications for those projects; and evaluated the applications that implementing partners submitted. According to USAID documentation, typically two to four new country programs began annually.

USDA Documentation Shows Processes for Annual Country Prioritization but Does Not Consistently Show Reasons for Aid to Nonpriority Countries

USDA Documentation Shows Country Prioritization Process

USDA guidance and other documents lay out the processes used to prioritize countries to receive in-kind food aid through the McGovern-Dole and Food for Progress programs in fiscal years 2013 through 2016. According to USDA documents, USDA established priority countries each year to make its funding decisions more strategic and to create a results-oriented focus for both programs. USDA worked with mission staff and country teams to identify priority countries on the basis of a number of qualitative factors. With respect to quantitative factors, USDA guidance has varied from year to year. In some years, USDA used a selection of quantitative indices to narrow down the list of potential priority countries; in one year, they relied on only qualitative criteria (see table 2 for the criteria USDA used in fiscal years 2013 through 2016). According to USDA documentation, the results of the annual country prioritization process were reviewed by USDA personnel at multiple levels, and the recommended countries were included in the notice of funding opportunities for project proposals.

Table 2: USDA Criteria Used to Select Priority Countries to Receive In-Kind Food Aid through McGovern-Dole and Food for Progress Programs, Fiscal Years 2013-2016

	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016
Quantitative criteria	McGovern-Dole: Income level, undernourishment, literacy, status as a net food importer	No quantitative criteria	McGovern-Dole: No quantitative criteria	Income level
	Food for Progress: Income level, undernourishment, political freedom		Food for Progress: Income level, political freedom, share of value-added agriculture measured as the percentage of gross domestic product	
Qualitative criteria	McGovern-Dole: Country commitments to education	Ability to monitor	Ability to monitor	Ability to monitor
	Country context that might hamper USDA's ability to carry out a project	Country context that might hamper USDA's ability to carry out a project	Country context that might hamper USDA's ability to carry out a project	Country context that might hamper USDA's ability to carry out a project
	Past implementation problems	Amount of USDA funding already committed in country	Amount of USDA funding already committed in country	Amount of USDA funding already committed in country
	Politically sensitive countries (e.g., Iran, Libya, Syria)	USDA country post comments received to date	USDA country post comments received to date	USDA country post comments received to date
		Major administration initiatives	Major administration initiatives	Major administration initiatives
		USDA foreign assistance goals		

Legend: USDA = U.S. Department of Agriculture

Source: USDA. | GAO-17-640

Note: Criteria shown for fiscal years 2013 through 2015 are based on USDA standard operating procedures (SOP) for the McGovern-Dole International Food for Education and Child Nutrition (McGovern-Dole) and Food for Progress programs. Criteria shown for fiscal year 2016 are stated in a USDA decision memo and provided by USDA officials; USDA did not provide SOP documents for fiscal year 2016.

USDA Did Not Consistently Document Reasons for Providing Assistance to Nonpriority Countries

In fiscal years 2013 through 2016, USDA did not consistently document its reasons for providing in-kind food aid to countries that it had not selected for its annual priority lists for the McGovern-Dole and Food for Progress programs. Federal standards call for management to clearly document transactions and significant decisions in a manner that allows the documentation to be readily available for examination. We identified one instance where USDA documented reasons for providing assistance to nonpriority countries, but in two other instances USDA did not document the reasons for providing the assistance to nonpriority countries.

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- **McGovern-Dole.** USDA did not document reasons for providing in-kind food aid to nonpriority countries in fiscal year 2013, although it documented such reasons in fiscal year 2015. In fiscal year 2013, the 8 countries that received funding for McGovern-Dole projects included 2 that were not on USDA's list of 15 priority countries for that year. Funding for projects in these 2 countries accounted for 34 percent of total McGovern-Dole funding in fiscal year 2013. USDA officials did not provide documentation of the reasons for the assistance to nonpriority countries in fiscal year 2013. In fiscal year 2015, the McGovern-Dole program funded projects in 4 countries that were not included on that year's country priority list. USDA documentation noted reasons to fund projects in 2 of the 4 countries. Funding was requested for one project because it had been approved but not finalized in the prior fiscal year and for another because it was an ongoing program that was taking important steps toward sustainability.
 - **Food for Progress.** USDA did not provide documentation of its reasons for providing in-kind food aid to all countries that received such assistance through Food for Progress in fiscal year 2015. The 6 countries that received assistance through Food for Progress that year included 2 that were not on USDA's list of 12 priority countries. Funding for the projects in these 2 countries accounted for 40 percent of total Food for Progress funding in fiscal year 2015. USDA officials did not provide documentation of the reasons for soliciting proposals and funding projects in countries that were not selected as priority countries.

According to USDA officials, decisions to fund projects in countries that were not previously selected as priorities are made by USDA leadership through a consultative process that may not be officially documented. USDA guidance does not clearly state a requirement to document such decisions or indicate the information that such documentation should include. However, without documenting its country selection decisions for McGovern-Dole and Food for Progress, USDA cannot assure the transparency and accountability of its funding for these programs.¹⁵

¹⁵GAO-14-704G.

USAID and USDA Did Not Consistently Document Bellmon Determinations before Signing In-Kind Food Aid Agreements

USAID and USDA did not consistently document Bellmon determinations before signing agreements with implementing partners for in-kind food aid projects in fiscal years 2014 and 2015. Under the Bellmon amendment, U.S. agencies are required to determine, before supplying in-kind food aid, that adequate storage facilities are available for U.S. in-kind food assistance and that such assistance will not negatively affect recipient countries' domestic production or markets. In addition, USAID and USDA guidance requires documentation of Bellmon determinations before food assistance agreements are signed. In fiscal years 2014 and 2015, USAID documented Bellmon determinations for all 6 USAID Food for Peace emergency projects in the sample that we reviewed. However, USAID documented Bellmon determinations before signing assistance agreements for only 5 of the 8 Food for Peace development projects initiated in fiscal years 2014 and 2015 and has not updated related guidance. USDA documented Bellmon determinations before signing assistance agreements for only 2 of the 18 McGovern-Dole projects and 5 of the 6 Food for Progress projects in our samples initiated in those years.¹⁶

USAID Title II Development and Emergency In-Kind Food Aid Programs

USAID Did Not Document Bellmon Determinations for Three Development Projects in Bangladesh and Has Not Updated Related Guidance

Our review of documentation for all USAID Title II development projects initiated in fiscal years 2014 and 2015 found that the USAID mission in Bangladesh did not document Bellmon determinations before USAID signed agreements with implementing partners for its fiscal year 2015 projects in Bangladesh, as USAID guidance requires. USAID guidance on Bellmon determinations, issued in 2008, details the process by which

¹⁶We initially selected a nongeneralizable, judgmental sample of 6 USAID Food for Peace emergency projects, 5 USAID Food for Peace development projects, 5 USDA McGovern-Dole projects, and 6 USDA Food for Progress projects. Our initial analysis determined that USAID and USDA completed Bellmon determinations for the 6 USAID Food for Peace emergency projects and the 6 USDA Food for Progress projects but did not complete Bellmon determinations for all of the USAID Food for Peace development projects and the USDA McGovern-Dole projects in our samples. Therefore, we expanded the scope of our review to include all 8 USAID Food for Peace development projects and all 18 McGovern-Dole projects that were initiated in fiscal years 2014 or 2015.

USAID missions are to document compliance with the Bellmon amendment for proposed Food for Peace projects.¹⁷ The 2008 guidance states that the USAID mission in the country where a project is proposed is responsible for preparing a Bellmon determination—that is, a statement specifying that the proposed distribution of commodities is in compliance with the Bellmon amendment—before final project approval.¹⁸ According to USAID, the standard practice for Bellmon determinations is for a USAID mission to send a concurrence document before the award of a food assistance project, formally concurring with the selection of applicants and affirming that the selected projects are in compliance with the Bellmon amendment. However, as table 3 shows, we found that the Bellmon determinations were not documented before USAID signed assistance agreements with implementing partners in fiscal year 2015 for the three Bangladesh projects. USAID officials told us that, because of the implementation of new procedures that year, the Bangladesh mission inadvertently did not document Bellmon determinations for the three projects before USAID signed the assistance agreements.¹⁹

¹⁷See Food for Peace Information Bulletin 09-02, “New Procedure to Determine Compliance of P.L. 480 Title II Food Aid Program Proposals with the Conditions of the Bellmon Amendment” (2008).

¹⁸According to USAID’s guidance, the Bellmon determination may be based on independent market analyses as well as other factors, including subject matter experts. USAID requires that implementing partners’ applications for development food assistance projects discuss local market factors, potential risks that may affect distribution, and transportation and storage infrastructure. In the absence of a USAID mission, the U.S. diplomatic post is responsible for documenting the Bellmon determination.

¹⁹According to USAID officials, in fiscal year 2015, USAID instituted the Acquisition and Assistance Review and Approval Document (AARAD) process, which allows USAID senior leadership to review and provide authorization on proposed projects totaling \$25 million or more. The officials told us that Food for Peace was the first program office in the agency to use the AARAD process and that it piloted the process for its fiscal year 2015 development projects in Bangladesh. While USAID’s 2008 guidance states that a Bellmon determination requires a statement from the USAID mission director that the proposed distribution of commodities is in compliance with the Bellmon amendment, USAID officials said the mission in Bangladesh inadvertently did not document mission concurrence because they thought the newly implemented AARAD process covered the Bellmon requirements. USAID officials noted that the AARAD process has been implemented agency-wide and that Bellmon determinations will be completed for all future development projects.

Table 3: USAID Documentation of Bellmon Determinations Relative to Signing of Assistance Agreements for All Title II Food for Peace Development Projects, Fiscal Years 2014-2015

Fiscal year	Country	Bellmon determination documented before agreement was signed	Number of months late
2014	Burundi	✓	N/A
	Madagascar	✓	N/A
	Madagascar	✓	N/A
	Malawi	✓	N/A
	Malawi	✓	N/A
2015 ^a	Bangladesh	✗	Not documented
	Bangladesh	✗	Not documented
	Bangladesh	✗	Not documented

Legend: ✓ = completed on time. ✗ = not completed on time. N/A = not applicable, USAID = U.S. Agency for International Development

Source: GAO analysis of USAID documents. | GAO-17-640

Note: USAID guidance requires that the USAID mission in the country where a project is proposed is responsible for preparing a Bellmon determination (i.e., a statement specifying that the proposed distribution of commodities is in compliance with the “Bellmon amendment” to the Food for Peace Act) before final project approval. See Food for Peace Information Bulletin 09-02, “New Procedure to Determine Compliance of P.L. 480 Title II Food Aid Program Proposals with the Conditions of the Bellmon Amendment” (2008). We assessed USAID’s documentation of Bellmon determinations against the date of the signature approval of the agreement by the project’s implementing partner.

^aUSAID’s Food for Peace Title II development projects may include monetization and direct distribution components. Each of the fiscal year 2015 projects in Bangladesh included monetization of commodities.

However, the agency has not updated its 2008 guidance to reflect all changes in the process for conducting Bellmon determinations.²⁰ The 2008 guidance—which is referenced in all public USAID requests for applications for Title II development projects in fiscal years 2014 through 2016 and which the agency and implementing partners use in developing proposals for USAID development in-kind food aid projects—cites the Bellmon Estimation for Title II (BEST) project as a primary source for market information for conducting Bellmon determinations.²¹ However, according to USAID officials, the BEST project was discontinued in fiscal year 2015 and replaced first by market analyses produced by USAID and an independent contractor and later by market analyses conducted by the Famine Early Warning Systems Network (FEWS NET).²² Federal standards for internal control require that agencies maintain documentation of their internal control systems, including changes to controls. Without updating its guidance for conducting Bellmon determinations, USAID lacks assurance that its missions and implementing partners are following current procedures. (Fig. 4 shows local markets in Malawi and Guatemala.)

²⁰In May 2017, USDA updated its guidance on conducting Bellmon determinations to reflect current procedures.

²¹According to USAID documents and officials, USAID directed FINTRAC, a consultancy, to produce BEST reports for countries selected for food assistance projects. BEST reports include information on market and production systems, storage capabilities, and policy issues affecting the country. Additionally, BEST reports may include a recommendation on the quantity of commodities that may be provided to a country without affecting its markets.

²²FEWS NET is a leading provider of early warning and analysis on food insecurity. Created by USAID in 1985 to help decision makers plan for humanitarian crises, FEWS NET provides evidence-based analysis on some 36 countries. Beginning in fiscal year 2015, FEWS NET began publishing Staple Food Market Fundamentals reports, which USAID officials described as an improvement over the BEST project due to FEWS NET's ongoing expertise and presence in many countries.

Figure 4: Local Markets in Malawi and Guatemala



Source: GAO. | GAO-17-640

USAID Consistently Documented Sampled Projects' Compliance with Bellmon Amendment for 2014-2015 Emergency Projects

Our review of documentation of a nongeneralizable sample of six Title II emergency food assistance projects initiated in fiscal years 2014 and 2015 and implemented by the United Nations World Food Program (WFP) found that USAID documented compliance with the Bellmon amendment in both the initial agreements and all modifications. According to USAID officials, awards for Title II emergency commodities are governed by the agency's Annual Program Statement (APS) for International Emergency Food Assistance.²³ Additionally, according to an official, USAID's 2008 guidance on Bellmon determinations applies to emergency food assistance projects as well as development projects, including the requirement to document Bellmon determinations through a concurrence document before the award of projects.²⁴ Figure 5 shows

²³Since 2010, USAID has issued five versions of the APS for international food assistance (in 2010, 2011, 2013, 2015, and 2016). According to USAID officials, qualifying international organizations, such as WFP—USAID's primary implementing partner for emergency food assistance—are generally exempt from the APS requirements. The Title II emergency projects we reviewed were implemented by WFP, and USAID officials noted that for WFP agreements the agency generally relies on WFP to conduct market assessments used in determining compliance with the Bellmon amendment. USAID officials said they maintain an oversight role, reviewing market assessments that are submitted. In addition to WFP, other United Nations agencies, such as the United Nations International Children's Emergency Fund, may implement Title II emergency food assistance projects.

²⁴USAID's 2016 APS requires implementing partners for emergency projects to submit a market analysis that addresses the proposed intervention's likely impact on the commodity market system in the proposed location and the potential resulting risks to the community.

USAID and WFP emergency commodities being prepared for distribution in Malawi.

Figure 5: U.S. Agency for International Development and World Food Program Commodities Being Prepared for Distribution in Malawi



Source: GAO. | GAO-17-640

According to USAID officials, as USAID's largest partner for emergency food assistance projects, WFP produces its own market analyses and certifies its compliance with the Bellmon amendment when signing an agreement with USAID. Those officials also told us that awards to WFP are typically made in response to a WFP appeal to the international community. USAID documents its response to a WFP appeal, as well as any award, in an internal memo that details the types and quantities of commodities to be provided as well as concurrence with the project from the relevant USAID mission. According to WFP officials, WFP uses internal food security assessments, commodity price information, and logistical assessments to determine that adequate storage is regionally available for the proposed commodities and that provision of the commodities will not cause substantial disincentive to, or interference with, local production or marketing. Our examination of the final agreements between USAID and WFP for all USAID emergency projects in our sample, as well as all modifications to those agreements, found that each contained a statement that WFP was in compliance with the provisions of the Bellmon amendment.

USDA McGovern-Dole and Food for Progress Programs

USDA Did Not Document Bellmon Determinations for Most 2014-2015 McGovern- Dole Projects in a Timely Manner

For most McGovern-Dole projects initiated in fiscal years 2014 and 2015, USDA did not complete its documentation of Bellmon determinations before signing agreements with implementing partners, as its guidance requires. USDA's standard operating procedures (SOP) for Bellmon determinations requires documentation of a Bellmon determination for all food assistance projects prior to the signing of the agreement with the implementing partner. According to the SOP, a Bellmon determination consists of, among other items, (1) a basis for determination, which includes an analysis of storage facilities and market disincentives related to the Bellmon amendment, and (2) a determination by the deputy administrator of the Office of Capacity Building and Development that the project complies with the requirements of the Bellmon amendment. According to agency officials, the basis for determination may rely on information from a number of sources, including information provided by the implementing partner and publicly available information.²⁵ (Fig. 6 shows McGovern-Dole commodities and recipients in Guatemala.)

²⁵For projects that include a monetization component, USDA's Office of Global Analysis performs a Market Analysis for Monetization, considering information that includes the size of the proposed commodity monetization, current and forecasted commodity prices, and the timing of harvests in the country where the commodity is being monetized. Officials told us that they do not have a rule for determining whether monetized commodities will have negative market effects but that they informally consider that monetization of a commodity for more than 10 percent of the local market for that commodity may cause negative market effects. According to USDA's SOP, market analyses may consider, among other factors, whether food assistance will depress the price of locally produced commodities, lower the priority of local-government investment, or cause changes in eating habits that create a dependency on food imports.

Figure 6: U.S Department of Agriculture McGovern-Dole International Food for Education and Child Nutrition Commodities and Recipients in Guatemala



Source: GAO. | GAO-17-640

Our review of documentation for all McGovern-Dole projects initiated in fiscal years 2014 and 2015 found that USDA completed both the basis for determination and the determination by the deputy administrator for only 2 of the 18 projects before signing assistance agreements with the projects' implementing partners (see table 4). For 9 projects, USDA did not document either the basis for determination or the determination by the deputy administrator before signing assistance agreements.²⁶ For the remaining 7 projects, the basis for determination was completed before the agreement was signed, but the determination by the deputy administrator either was not completed before the agreement's signing or was undated. According to USDA officials, the failure to document Bellmon determinations before the agreements were signed was an oversight. Moreover, they noted that in at least two cases, USDA discovered the oversight as a result of our review. Without complete and timely documentation of Bellmon determinations for all McGovern-Dole projects, USDA failed to comply with its guidance on Bellmon determinations.

²⁶We initially reviewed a sample of five McGovern-Dole projects. However, after identifying a lack of documentation in this initial subset of projects, we expanded the scope of our review to include all McGovern-Dole projects in fiscal years 2014 and 2015.

Table 4: USDA Documentation of Bellmon Determinations Relative to Signing of Assistance Agreements for All McGovern-Dole Projects, Fiscal Years 2014 and 2015

Fiscal year	Project location	Documentation of Bellmon determinations for USDA McGovern-Dole projects ^a			
		Basis for determination		Determination by the deputy administrator	
		Completed before signing of assistance agreement	Number of months past due ^b	Completed before signing of assistance agreement	Number of months past due ^b
2014	Bangladesh	✗	28	Unknown ^c	Unknown ^c
	Benin	✓	N/A	✗	1
	Burkina Faso	✓	N/A	✗	2
	Guatemala	✓	N/A	✗	1
	Laos	✗	28	✗	28
	Nepal	✗	28	Unknown ^c	Unknown ^c
	Nicaragua	✓	N/A	✗	1
	Senegal	✗	28	✗	28
2015	Cameroon	✗	18	Unknown ^c	Unknown ^c
	Cote d'Ivoire	✗	13	✗	13
	Guinea-Bissau	✗	13	✗	13
	Haiti	✗	11	Unknown ^c	Unknown ^c
	Honduras	✓	N/A	✓	N/A
	Mali	✓	N/A	✓	N/A
	Mozambique	✓	N/A	Unknown ^c	Unknown ^c
	Mozambique	✓	N/A	✗	1
	Rwanda	✗	13	✗	13
	Sierra Leone	✓	N/A	Unknown ^c	Unknown ^c

Legend: ✓ = completed on time. ✗ = not completed on time. McGovern-Dole = McGovern-Dole International Food for Education and Child Nutrition, N/A = not applicable, USDA = U.S. Department of Agriculture

Source: GAO analysis of USDA documents. | GAO-17-640

^aUSDA's standard operating procedures for Bellmon determinations for McGovern-Dole international food assistance projects require the completion of, among other items, (1) a basis for determination and (2) a determination by the deputy administrator of the Office of Capacity Building and Development before USDA signs an assistance agreement with the implementing partner for the project.

^bNumber of months between the date the assistance agreement was signed and the documentation was signed.

^cThe determination by the deputy administrator was completed but undated.

USDA Generally Documented Bellmon Determinations for Sampled 2014-2015 Food for Progress Projects

Our review of documentation for a nongeneralizable sample of six Food for Progress projects initiated in fiscal years 2014 and 2015 found that for five of the six projects, USDA documented both a basis for determination and a determination by the deputy administrator before signing an agreement with each project's implementing partner (see table 5).

USDA's SOP for Bellmon determinations, which applies to both the McGovern-Dole and Food for Progress programs, requires documentation of Bellmon determinations for all Food for Progress projects before the signing of agreements with the projects' implementing partners.²⁷ According to the SOP, a Bellmon determination consists of, among other items, (1) a basis for determination, which includes an analysis of storage facilities and market disincentives related to the Bellmon amendment; and (2) a determination by the deputy administrator of the Office of Capacity Building and Development that the project complies with the requirements of the Bellmon amendment. We found that in one instance, USDA documented the basis for determination before signing the agreement but did not document the determination by the deputy administrator until a month later.

²⁷USDA's SOP applies to food assistance agreements with both private organizations and foreign governments.

Table 5: USDA Documentation of Bellmon Determinations Relative to Signing of Assistance Agreements for Sampled Food for Progress Projects, Fiscal Years 2014 and 2015

Fiscal year	Project location	Documentation of Bellmon determinations ^a			
		Basis for determination		Determination by the deputy administrator	
		Completed before signing of assistance agreement	Number of months past due	Completed before signing of assistance agreement	Number of months past due
2014	Guatemala	✓	N/A	✓	N/A
	Nicaragua	✓	N/A	✗	1
	Philippines	✓	N/A	✓	N/A
2015	Dominican Republic	✓	N/A	✓	N/A
	Ghana	✓	N/A	✓	N/A
	Mali	✓	N/A	✓	N/A

Legend: ✓ = completed on time. ✗ = not completed on time. N/A = not applicable, USDA = U.S. Department of Agriculture

Source: GAO analysis of USDA documents. | GAO-17-640

^aUSDA's standard operating procedures for Bellmon determinations for international food assistance projects, including Food for Progress projects require the completion of (1) a basis for determination and (2) a determination by the deputy administrator of the Office of Capacity Building and Development before USDA signs an assistance agreement with the implementing partner for the project.

Price Data Show Potential Negative Effects of U.S. In-Kind Food Aid on Local Markets, but USAID and USDA Have Not Required Market Monitoring or Evaluation

Our analysis of commodity price data found potential negative market effects of U.S. in-kind food aid in a sample of countries that received it at some point in 2014 through 2016. Neither USAID nor USDA required implementing partners to monitor or evaluate markets for potential negative effects of in-kind food aid projects during that period. Our analysis of price data for key commodities in nine countries that received in-kind food aid at some point in 2014 through 2016 found that there were instances from August 2015 through July 2016 when prices were significantly lower during that period than we predicted on the basis of historical and seasonal trends.²⁸ Although both agencies generally require or promote monitoring and evaluation of project performance and outcomes, until recently neither agency specifically required implementing partners to conduct ongoing monitoring of markets to identify any potential negative effects of in-kind food aid, such as unusual changes in

²⁸We also found instances of unusually high prices, consistent with the need for commodity distribution during food crises (see app. II). However, our focus is on unusually low prices, since they may signal an unusually high supply or low demand that could be problematic in the context of commodity provision.

commodity prices. Additionally, neither agency required implementing partners to evaluate or assess whether in-kind food aid had caused negative market effects after project completion. In December 2016, USAID began requiring implementing partners for emergency programs to conduct ongoing monitoring of markets as well as market assessments after project completion to identify any negative market effects. USAID and USDA monitoring and evaluation policies stress the importance of monitoring to identify implementation challenges as well as evaluation or assessment to ensure that completed projects achieved intended results and to improve future projects. Without monitoring of markets during project implementation, agencies miss the opportunity to identify potential negative effects and to make course corrections to mitigate those effects.²⁹ Without evaluating or assessing markets after project completion, the agencies miss the opportunity to identify lessons learned that could be used to ensure that future projects do not cause disincentives to, or interference with, domestic production or marketing. The agencies may also lack information that could inform their Bellmon determinations for future projects.

Commodity Prices in a Sample of Countries Receiving Food Assistance Were Significantly Lower Than Predicted Given Historical and Seasonal Trends

We found some instances in which prices of key commodities in a sample of countries that received food aid were lower than would be predicted as a result of normal seasonality and trends. Lower-than-predicted prices may negatively affect local farmers and traders by reducing income but may also positively affect local consumers by increasing their purchasing power. Our analysis of commodity prices in a nongeneralizable sample of nine countries that received U.S. in-kind food aid for some period in 2014 through 2016 found, in eight of the countries, at least one instance when prices in August 2015 through July 2016 were lower than would be predicted as a result of normal seasonality and trends (see table 6). During this time period, we found that 12 percent of the time there were unusually low prices of key staple commodities for the nine countries.

²⁹Agency officials told us course corrections could include changes in the type or amount of commodities, or the timing of distribution of commodities, among other actions.

Table 6: Observations with Unusually Low Commodity Prices in Nine Countries That Received U.S. In-Kind Food Aid, August 2015–July 2016

Country	Total number of observations	Number of observations showing unusually low prices	Percentage of observations showing unusually low prices
Bangladesh	72	2	3
Burundi	192	44	23
Colombia	17	0	0
Democratic Republic of the Congo	60	4	7
Ghana	660	80	12
Guatemala	15	7	47
Haiti	180	3	2
Malawi	456	53	12
South Sudan	113	16	14
Total	1765	209	12

Source: GAO analysis of World Food Program commodity price data. | GAO-17-640

Notes: The data shown represent monthly observations of prices for key commodities (e.g., rice, cassava, maize) from August 2015 through July 2016 in local markets in the nine countries shown. We used price data beginning in 2001 or later (depending on data availability) to examine long-term seasonality and price trends. Unusually low prices are defined as those that differed from predicted prices (predicted on the basis of seasonality and trends) by more than one standard deviation. See GAO-17-640, appendix II, for a complete description of our price analysis.

For example, prices of local staple commodities in Malawi and Guatemala were significantly lower than would be predicted based on seasonality and other factors. In the Nsanje district of Malawi, U.S. in-kind commodities were distributed from October 2015 to April 2016. In March and April 2016, prices of maize (a local staple) were significantly lower than would typically be predicted based on historical price modeling (fig. 7 shows a maize vendor in a Nsanje market).³⁰ Implementing partner staff and local market experts told us that market prices may have fallen as a result of the distribution of emergency food assistance; they also noted that the lower prices improved food security for the local population.³¹ In Guatemala, white-maize prices in the central market were unusually low during most of 2015, with the largest discrepancy between predicted and

³⁰See app. II for a complete description of our price analysis.

³¹At the time, prices were significantly higher than normal owing to an historic drought. According to implementing partners and food assistance recipients, the fall in prices improved food security outcomes for Malawians.

actual prices occurring from July through October.³² During this period, U.S. in-kind commodities were distributed in several regions of the country. In August 2015, the standardized difference between the actual and predicted prices for white maize was 1.63, corresponding to a difference of approximately 17 percent; the actual price was unusually low, with a likelihood of occurrence of approximately 1 in 20 in this market. Representatives of the food processing industry we met with in Guatemala expressed concern that, because of the scope of food aid in the country, the food aid projects might affect their business.

Figure 7: Maize Vendor Using Recycled U.S. Agency for International Development Commodity Bags in Nsanje, Malawi



Source: GAO. | GAO-17-640

Although the unusually low prices that we identified may not be attributable to in-kind food aid distribution, negative market effects from distribution of the commodities could include lower-than-predicted market prices.³³ Without ongoing monitoring of markets during project implementation or evaluation or assessment of markets after project

³²According to USDA and Guatemalan government officials, most products distributed in the country pass first through the central wholesale market. Thus, prices in the central market may represent prices throughout the country.

³³Market prices may be influenced by a variety of factors, including weather, input prices, and the size and targeting of in-kind food aid. The model we used helps identify anomalies in prices but not to identify the specific cause of such anomalies.

completion, USAID, USDA, and their implementing partners may remain unaware of the occurrence of unusually low prices and may miss opportunities for adjusting the type or amount of assistance in response to observed price behavior.

**USAID and USDA
Generally Promote
Monitoring and Evaluation
to Strengthen
Accountability and
Improve Performance**

USAID policy generally expresses the agency’s aim to “do no harm” and promote monitoring during project implementation and evaluation after project completion to strengthen accountability and improve performance. USDA guidance expresses the department’s goal of improving food security and child development, and USDA monitoring and evaluation guidance states that the purpose of the agency’s policy is to institutionalize results-oriented management to ensure that public resources are used as effectively and efficiently as possible.

USAID

- USAID’s Food for Peace Food Assistance and Food Security Strategy states that “do no harm” is a guiding principle of all its food assistance programs, with the goal of reducing hunger and malnutrition in vulnerable populations around the world. USAID guidance for all USAID officers and implementing partners, *Monitoring and Evaluation Responsibilities of Food for Peace Multi-Year Assistance Program Awardees*, notes that monitoring reveals whether desired results are occurring and whether assistance objectives are on track.³⁴ The guidance also states that monitoring allows Food for Peace and its partners to track progress toward planned results and to influence decision making and resource allocation.
- USAID evaluation policy notes that evaluations prevent mistakes from being repeated and that projects’ fundamental assumptions should be evaluated. USAID policy notes that evaluations of projects that are well designed and well executed can systematically generate knowledge about the magnitude and determinants of project performance, permitting those who design and implement projects and those who develop programs and strategies—including USAID staff, host governments, and a wide range of partners—to refine designs and introduce improvements into future efforts. USAID policy also notes that learning requires careful selection of evaluation questions to test fundamental assumptions underlying project designs. Additionally, the guidance notes that evaluation is used to identify the reasons for success or lack of success, assess effects and

³⁴Food for Peace Information Bulletin 09-06 (July 30, 2009).

impacts, and indicate which activities and approaches are the most efficient and effective.

USDA

- USDA guidance notes that assistance provided by implementing partners is expected to not disrupt commercial sales or create market disincentives for local production. USDA policy notes that a primary concern is that resources reach the target beneficiaries and produce the intended changes to reduce food insecurity, improve literacy, increase agricultural productivity, and expand trade.
- USDA policy promotes continuous monitoring to strengthen accountability and improve program performance and operations. USDA's policy notes that continuous monitoring during the implementation of projects will assist project management in identifying challenges and determining whether midcourse project changes need to be made and how such changes should be implemented. The policy also notes that monitoring helps to demonstrate that projects are implemented in compliance with agreed rules and standards.
- USDA policy notes that evaluations are used to deepen the department's understanding about how and why things work or do not work, to provide evidence of success, and to strengthen future programming and strategic planning. Specifically, the policy states that evaluations aim to assess the relevance, effectiveness, efficiency, sustainability, and impact of a project or program.

USAID Did Not Require Monitoring or Evaluation of Markets for In-Kind Food Aid Projects We Reviewed but Now Requires Both for Emergency Projects

USAID Development Projects

Although USAID Food for Peace program guidance contains a number of requirements regarding monitoring and evaluation of development projects, the guidance does not require development partners to monitor or evaluate markets for potential negative effects during and after implementation of projects providing in-kind food aid. USAID requires implementing partners to include monitoring plans in their project designs, including plans for monitoring risks, such as conflict, drought, or changes

in government policies, that may negatively affect expected results. USAID also requires implementing partners to annually submit a Pipeline and Resources Estimate Proposal describing their development food aid resource needs and planned activities for the coming year and providing supplemental information regarding Bellmon analyses, such as information showing that food aid would not interfere in local markets. However, the guidance does not require implementing partners to provide specific information on potential market effects, such as unusual changes in prices. Instead, the guidance suggests that implementing partners provide evidence that the methodology used to determine beneficiary populations ensures that the beneficiaries are indeed food insecure and that the proposed food aid distribution will be additive. Some of the proposals we reviewed stated that continued in-kind food aid would not negatively affect local markets. However, the proposals did not analyze potential market effects, such as unusual changes in prices.

USAID officials told us that the agency conducts limited monitoring of markets during implementation of development projects providing in-kind food aid; however, the monitoring is for purposes other than determining potential negative market effects. For example, a USAID implementing partner in Malawi monitored prices of key commodities to determine a wage rate for projects that provided in-kind food aid in exchange for labor on local projects. Additionally, our review of project documentation for five USAID development programs found that none included monitoring of markets for potential negative effects.

USAID requires evaluations or final reports of development projects but does not require these project evaluations or reports to include analysis of any effect of the project on local markets. According to USAID evaluation policy, final evaluations must be conducted by an independent party and are intended to evaluate project outcomes, such as number of beneficiaries, and improvements in beneficiary nutritional status. We reviewed 10 final evaluations or reports completed in 2014 to 2015 for USAID development programs and found that none of the evaluations or reports included an analysis of the project's potential effects on local markets.

USAID Emergency Projects

USAID guidance for emergency in-kind food aid projects initiated in 2014 and 2015 included a number of monitoring and evaluation requirements for implementing partners. However, the guidance did not require partners distributing in-kind food aid to monitor markets for potential

negative effects.³⁵ USAID emergency projects initiated in fiscal years 2014 and 2015 were required to have final reports, but the final reports were not required to include an assessment of the effect of the project on local markets.³⁶ We reviewed five USAID final evaluations or reports completed in fiscal years 2014 and 2015 for USAID emergency projects and found that none of the evaluations or reports assessed whether the assistance affected prices in local markets or had other potential negative market effects.

In December 2016, USAID began requiring market monitoring and final reporting for emergency projects implemented after that date with a planned duration of 10 months or more. According to a USAID official, the agency changed the policy for emergency projects in response to prior GAO recommendations.³⁷ USAID officials noted that this change would strengthen its monitoring and evaluation of projects to help ensure improved program oversight. Specifically, USAID now requires implementing partners for emergency projects to develop a monitoring and evaluation plan that includes market monitoring and reporting on price changes over time, including comparisons with normal seasonal price changes. USAID also requires implementing partners to monitor for unexpected market impacts and to report on course corrections made. Additionally, USAID now requires implementing partners to submit a final report that includes a discussion of unexpected market impacts or disincentives to local production as well as course corrections made. A USAID official told us the new requirements do not apply to USAID development programs.³⁸

³⁵USAID partners implementing cash or voucher food assistance projects were required to monitor markets.

³⁶For assistance projects that include cash and vouchers, WFP's policy is to reassess the value of the assistance provided if prices for staple foods fluctuate by 10 percent or more. According to WFP officials, WFP may also change the assistance modality as a result of price fluctuations. See GAO-16-819.

³⁷See GAO-16-819.

³⁸In March 2017, USAID agreed to implement our recommendation to collect complete and consistent monitoring data from implementing partners for development projects on the use of 202(e) funding for cash transfers, food vouchers, and local and regional procurement of commodities. See GAO-17-224.

USDA Does Not Require Monitoring and Evaluation of Potential Negative Market Effects for McGovern-Dole and Food for Progress Projects

USDA McGovern-Dole Projects

USDA guidance for the McGovern-Dole program includes a number of requirements regarding project monitoring and evaluation but does not require implementing partners to monitor or evaluate markets for potential negative effects of the projects. For example, USDA requires implementing partners to monitor and evaluate outcomes of the projects, such as the number of school children receiving daily meals, training provided on food preparation and storage practices, and improved student attendance. However, our review of a sample of five McGovern-Dole programs found that the agreements did not require implementing partners to monitor markets for any negative effects of the projects. Additionally, representatives from an implementing partner we met with told us they do not monitor markets to determine whether food assistance may be causing negative effects. However, the same implementing partner representatives told us they periodically check market prices to determine what local families pay for key commodities, which helps in determining the types of commodities the families are buying and the amounts they are consuming.³⁹

USDA requires final evaluations of McGovern-Dole projects unless the project agreement specifies otherwise, but USDA does not require the evaluations to include an assessment of the project's effect on local markets. Our review of 12 McGovern-Dole evaluations found that 1 evaluation partially addressed the project's effect on local markets, noting that the project may have contributed in some degree to making local rice production less competitive. However, the evaluation concluded that the amount of commodities provided as in-kind assistance was a small percentage of rice consumption and therefore would not have a disruptive impact. None of the other 11 McGovern-Dole evaluations addressed whether the project had potentially affected local markets.

³⁹According to the implementing partner representatives, they may use this information to augment the ration composition at schools. For example, they may increase the protein level in rations if they determine that families may not be consuming enough protein.

USDA Food for Progress Projects

USDA guidance contains requirements for monitoring and evaluation of Food for Progress projects, but the required monitoring and evaluation is not intended to identify potential negative market effects. Because USDA Food for Progress projects involve the sale of commodities on local markets, with proceeds from the sale used to fund development projects in the recipient country, according to USDA officials, USDA requires monitoring of prices of the proposed commodities before and after the sale to determine whether the commodities were sold at fair market prices that brought favorable returns on investment. In addition, USDA monitors prices before and after monetizing commodities for Food for Progress and evaluates past performance before monetizing additional commodities. USDA officials told us that they do not plan for monitoring of market impacts during project implementation or for evaluation of markets after program completion.

While USDA requires evaluations of all Food for Progress projects, it does not require the evaluations to include an assessment of potential negative market effects. Our review of eight Food for Progress evaluations completed in 2014 and 2015 found that none of them included a discussion of the effects on local markets.

Conclusions

The in-kind food aid that the United States provides through USAID and USDA benefits millions of people around the world. However, the need for food aid exceeds the amount of funding available and, therefore, proper stewardship of limited resources is essential. As the first step in determining where to allocate government funding, the selection of countries to receive food aid is an important decision. While USAID has documented its prioritization and selection of countries, USDA has not consistently documented its decisions to provide assistance to countries that did not meet its initial selection criteria. Without consistent documentation of these decisions, USDA's prioritization and selection of countries to receive in-kind food aid lacks transparency and accountability.

Because the provision of in-kind food aid can distort local markets and displace commercial trade in recipient countries, it is important that agencies take steps to monitor the effects of food aid commodities on local markets. However, neither USAID nor USDA has consistently documented before signing assistance agreements, as their own guidance requires, their determinations that adequate storage facilities are available for these commodities in the recipient countries and that the commodities provided will not negatively affect recipient countries' domestic production or markets. In some cases, they have documented

these Bellmon determinations a year or more after implementation of food aid projects began. Timely documentation of Bellmon determinations would help agencies ensure compliance with their guidance, thereby furthering the goal of ensuring that food aid does not create unintended consequences on local markets.

Until recently, neither agency required monitoring or evaluation of market effects of U.S. in-kind food aid. In December 2016, USAID implemented requirements for monitoring and evaluation of market effects during and after implementation of emergency in-kind food aid projects but did not implement this requirement for development projects. However, we found evidence of unusually low prices for key commodities in some countries that received U.S. in-kind food aid, representing a potential negative effect on producers and domestic marketing. While we did not determine the cause of these low prices, without monitoring, evaluating, or assessing local markets in countries where they provide in-kind food aid, USAID and USDA have limited ability to identify any negative market effects resulting from delivery of the commodities. In addition, the agencies lack access to information that could be useful for making any needed midcourse corrections as well as information that could be used to ensure that future projects do not cause disincentives to, or interfere with, domestic production or marketing.

Recommendations

To help ensure that, consistent with the Bellmon amendment, the provision of U.S. in-kind food aid does not result in a substantial disincentive to, or interference with, domestic production or marketing in countries receiving in-kind food aid, we recommend that the USAID Administrator take the following four actions:

- Ensure that Bellmon determinations are documented for all food assistance projects prior to the provision of commodities, consistent with agency guidance.
- Update guidance on Bellmon determinations to reflect current policies and procedures.
- Monitor markets during implementation of development projects to identify any potential negative effects, such as unusual changes in prices.
- Evaluate markets after development projects are completed to determine whether markets were negatively affected during project implementation or after project completion.

To ensure the transparency and accountability of USDA's selection of countries to receive in-kind food aid, we recommend that the Secretary of Agriculture take the following action:

- Develop guidance to require documentation of the reasons for providing funding to countries that were not on the priority list.

In addition, to help ensure that, consistent with the Bellmon amendment, the provision of U.S. in-kind food aid does not result in a substantial disincentive to, or interference with, domestic production or marketing in countries receiving in-kind food aid, we recommend that the Secretary of Agriculture take the following three actions:

- Ensure that Bellmon determinations are documented for all food assistance projects prior to the provision of commodities, consistent with agency guidance.
- Monitor markets during implementation of McGovern-Dole projects to identify any potential negative effects, such as unusual changes in prices.
- Evaluate markets after the completion of McGovern-Dole and Food for Progress projects to determine whether markets were negatively affected during project implementation or after project completion.

Agency Comments

We provided a draft of this report to USAID and USDA for comment. Both agencies provided substantive comments, which are reprinted in appendixes III and IV, respectively. Each agency concurred with the recommendations we addressed to it and outlined steps it plans to take in response. For example, USAID intends to update and reissue its guidance on Bellmon determinations, and USDA plans to develop guidance for program recipients on monitoring markets and identifying potential market impacts. Separately, USDA also provided technical comments, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Administrator of the U.S. Agency for International Development, and the Secretary of the U.S. Department of Agriculture. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-9601 or melitot@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix V.

Sincerely yours,

A handwritten signature in black ink that reads "Thomas M" followed by a long horizontal flourish.

Thomas Melito
Director, International Affairs and Trade

Appendix I: Objectives, Scope and Methodology

In this report, we examined the extent to which the U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA) have (1) documented their selection of countries to receive U.S. in-kind food aid through, respectively, USAID Food for Peace emergency and development projects and USDA McGovern-Dole International Food for Education and Child Nutrition (McGovern-Dole) and Food for Progress projects; (2) documented Bellmon determinations before signing agreements for such projects; and (3) monitored and evaluated local markets during and after project implementation to identify any negative effects that may have been caused by the distribution of in-kind food aid.

To address our first objective, we reviewed documentation of processes that USAID and USDA used to select countries to receive international food assistance for their programs providing U.S. in-kind food assistance—USAID’s Food for Peace emergency and development programs and USDA’s Food for Progress and McGovern-Dole programs. We also reviewed any related USAID and USDA analyses and final documentation of country selections for fiscal years 2013 and 2016. In addition, we spoke with USAID and USDA officials regarding their processes. We also spoke with officials of organizations, such as the Famine Early Warning Systems Network (FEWS NET) and the World Food Program (WFP), whose data the agencies may use in developing their food assistance programming.¹

To address our second and third objectives, we reviewed the Bellmon amendment to Section 212 of the International Development and Food Assistance Act of 1977; USAID and USDA guidance related to compliance with the amendment; and documentation specific to approval and monitoring of projects. We selected nongeneralizable, judgmental samples comprising 22 projects initiated in fiscal years 2014 or 2015 with a commodity component of \$1 million or greater—six USAID Food for Peace emergency projects, five USAID Food for Peace development projects, five USDA McGovern-Dole projects, and six USDA Food for

¹FEWS NET provides early warning and analysis of food insecurity in more than 36 countries. FEWS NET members include USAID, USDA, and other federal entities as well as private sector entities.

Progress projects.² In addition to considering the total amount of commodities of the projects, we considered the following criteria in selecting these projects: (1) security in the country where the project is located; (2) the type of implementing partner that received the award (e.g., government, multilateral organization, nongovernmental organization); (3) the awardee (e.g., WFP or a specific government or nongovernmental organization); (4) the value of the commodity costs, both in absolute terms and relative to other projects; (5) the presence of FEWS NET offices in the country; and (6) for USDA projects, the presence of a USDA attaché or attaché coverage in the country. In addition, we selected, from among the 15 countries represented in our samples, Guatemala and Malawi as the locations for site visits. We based our selection of these two countries on a number of criteria, including the existence of multiple programs and projects in the country; the type of implementing partner for each project in the country (e.g., whether it was a government, multilateral, or nongovernment organization); and the presence of market monitoring apparatuses, including FEWS NET.

To examine the extent to which USAID and USDA documented projects' compliance with the Bellmon amendment requirements, we reviewed agency guidance on performing and documenting Bellmon determinations. Because both USAID and USDA guidance requires documentation of Bellmon determinations before such agreements are signed, we also created a data collection instrument to review the agencies' documentation of determinations relative to their signing of final agreements with implementing partners for the projects in our samples. After determining that the agencies had not completed all required Bellmon determinations for our nongeneralizable samples of 5 USAID Food for Peace development and 5 USDA McGovern-Dole projects, we expanded our analysis to include all 8 USAID Food for Peace development projects and all 18 USDA McGovern-Dole projects initiated in fiscal years 2014 and 2015, to provide precise counts for those projects

²We selected five projects from each program and, on the basis of the relative size of the programs, selected an additional project from the larger program at each agency—that is, one additional USAID Food for Peace emergency project and one additional USDA Food for Progress project. Thus, our samples consisted of 6 of 41 Food for Peace emergency projects, 5 of 8 USAID Food for Peace development projects, 5 of 18 USDA McGovern-Dole projects, and 6 of 17 USDA Food for Progress projects initiated in fiscal years 2014 or 2015 with a commodity component of \$1 million or greater—a total of 22 projects.

for these 2 years.³ Our final samples of projects for this analysis therefore consisted of a nongeneralizable sample of 6 USAID Food for Peace emergency projects, a generalizable sample of 8 USAID Food for Peace development projects, a generalizable sample of 18 USDA McGovern-Dole projects, and a nongeneralizable sample of 6 USDA Food for Progress projects—a total of 38 projects (see table 7).

Table 7: Initial and Final Samples of USAID and USDA Projects Examined for Compliance with Agency Guidance on Bellmon Determinations, Fiscal Years 2014-2015

Program	Initial sample	Additional projects	Final sample
USAID Food for Peace Emergency	6	N/A	6
USAID Food for Peace Development	5	3	8
USDA McGovern-Dole	5	13	18
USDA Food for Progress	6	N/A	6
Total	22	16	38

Legend: McGovern-Dole = McGovern-Dole International Food for Education and Child Nutrition, N/A = not applicable

Source: GAO analysis of U.S. Agency for International Development (USAID) and U.S. Department of Agriculture (USDA) data. | GAO-17-640

Note: To examine the extent to which USAID and USDA documented “Bellmon determinations” of in-kind food aid projects’ compliance with Section 212 of the International Development and Food Assistance Act of 1977—commonly referred to as the Bellmon amendment to the Food for Peace Act—we selected nongeneralizable, judgmental samples comprising a total of 22 projects initiated in fiscal years 2014 or 2015 with a commodity component of \$1 million or greater—6 (of 41) USAID Food for Peace emergency projects, 5 (of 8) USAID Food for Peace development projects, 5 (of 18) USDA McGovern-Dole projects, and 6 (of 17) USDA Food for Progress projects. After determining that USAID and USDA did not complete all required Bellmon determinations for the samples of 5 USAID Food for Peace development and 5 USDA McGovern-Dole projects, we expanded these two samples to include all 8 Food for Peace development projects and all 18 McGovern-Dole projects initiated in fiscal years 2014 and 2015. The final samples for these two programs are therefore generalizable.

Additionally, we met with officials from USAID, USDA, FEWS NET, and implementing partners from selected nongovernmental organizations that were awarded USAID and USDA funds via Title II of the Food for Peace Act in Washington, D.C. While in Guatemala and Malawi, we met with officials from USAID and USDA responsible for monitoring in-kind food assistance projects, implementing partners, foreign-government

³Our analysis did not identify deficiencies in the documentation of Bellmon determinations for the six USAID Food for Peace emergency projects or the six USDA Food Progress projects in our samples.

ministries, FEWS NET, private sector organizations involved in price monitoring and monetization of donated in-kind commodities, and beneficiaries.

To examine the extent to which agencies monitored and evaluated for market effects during and after project implementation, we reviewed agency guidance on monitoring and evaluation, including agency requirements for implementing partners. We also reviewed standards for internal control in the federal government.⁴ We created a data collection instrument to capture information on implementing partners' monitoring and reporting plans as well as the assistance agreements between the agencies and implementing partners. We analyzed all 22 of the projects in our initial samples using this methodology. To identify any unusually low prices of key commodities for our study countries, particularly in the period from August 2015 through July 2016 and during the periods of in-kind food aid distribution for countries for which we had distribution information, we analyzed price data for 9 of the 15 countries represented in our samples and assessed the extent to which actual prices deviated from the prices we predicted on the basis of normal seasonality and trends.⁵ In addition, we manually reviewed all 15 USAID and 20 USDA program evaluations involving in-kind commodities that the agencies indicated were completed in fiscal years 2014 and 2015. We reviewed these 35 evaluations for discussions of the projects' market impacts, including any disincentives or interferences in production or marketing, and of storage facilities or commodity management. To help ensure the validity of our manual review of the evaluations, we also used a computer-assisted automated text analysis to identify passages that the manual review could have missed. Specifically, the text analysis searched each evaluation for 30 search terms relating to market impacts, disincentives or interferences in production or marketing, storage facilities, or commodity management. We reviewed any passages identified through the text analysis for relevance and applicability to the requirements of the Bellmon amendment.

We conducted this performance audit from January 2016 through July 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to

⁴See GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014)

⁵See app. II for a complete description of the analysis of food prices.

obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Analysis of Price Data for Selected Countries

We analyzed monthly market price data in selected countries that had received U.S. in-kind food aid sometime in 2014 through 2016. Our analysis was designed to identify any unusual deviations of prices from their long-term seasonal trends but not to identify specific causes of such anomalies. The “Bellmon amendment” to the Food for Peace Act requires U.S. agencies to determine, before providing international food assistance, that the distribution of commodities in recipient countries will not result in substantial disincentive or interference with domestic production and marketing in the country.¹ If not properly targeted, an influx of in-kind food aid has the potential to lower prices and thus hurt local producers and disincentivize local production.

Data Sources

We used World Food Program (WFP) monthly price data for markets and commodities in a selected set of countries. According to its documentation, WFP collects such data primarily for countries where it operates, obtaining the data from its country offices or from national government agencies and partner organizations.² WFP price data were available for 10 of the 15 countries represented in our awards sample, all of which received U.S. in-kind food aid sometime in 2014 through 2016.

We excluded pairings of markets and commodities with price data for fewer than 60 months, which reduced the number of market-commodity pairs by 33 percent. We also excluded market-commodity pairs with price data unavailable for more than 30 percent of the total months covered in the series, which reduced the number of market-commodity pairs with data for at least 60 months by an additional 28 percent. The price data for 9 of the 10 countries for which data were available passed these two selection filters. For this sample of nine countries, we analyzed wholesale prices when they were available and we analyzed retail prices when wholesale prices were not available; wholesale prices were available for approximately 38 percent of the market-commodity pairs in our sample.

¹The “Bellmon amendment,” originally adopted as Section 212 of the International Development and Food Assistance Act of 1977 (Pub. L. No. 95-88), is now codified at 7 U.S.C. 1773(a). The Bellmon amendment also requires that U.S. agencies determine, before providing the food assistance, that adequate storage facilities will be available to prevent the spoilage or waste of the commodity.

²Each WFP data record contains a variety of information, such as price, month, country, market, commodity type, and unit of measurement. For some countries, the data records also include retail or wholesale prices, or both, at subnational levels.

The period of data coverage varies across markets; for example, data for one market covered 2001 through 2015, while data for several other markets covered 2008 through 2016. For each market-commodity pair, we used the earliest available data. Table 8 below lists the countries, commodities, numbers of markets covered, and time frames of the data we used in our analysis.

Table 8: Countries, Commodities, Number of Markets Covered, and Time Frames of Data Used to Analyze Monthly Market Prices in Countries That Received U.S. In-Kind Food Aid at Some Point in 2014-2016

Country	Commodity	Number of markets	Time frame
Bangladesh	Rice (coarse)	6	2004–2016
Burundi	Beans	6	2003–2016
	Cassava flour	6	2003–2016
	Maize (white)	4	2007–2016
Colombia	Maize (white)	3	2005–2015
Democratic Republic of the Congo	Maize	11	2008–2016
Ghana	Cassava	14	2008–2016
	Maize	15	2008–2016
	Rice (local)	12	2008–2016
	Yam	14	2008–2016
Guatemala	Beans (black)	2	2001–2015
	Maize (white)	1	2002–2015
Haiti	Maize meal (local)	9	2005–2016
	Rice (tchako)	7	2005–2016
Malawi	Maize	39	2003–2016
South Sudan	Maize (white)	4	2007–2016
	Sorghum (white)	6	2006–2016

Source: GAO analysis of World Food Program commodity price data. | GAO-17-640

Methodology

Our analysis sought to identify any abnormally low local prices for the selected market-commodity pairs in the countries represented in our sample, particularly from August 2015 through July 2016 and during the periods of in-kind food aid distribution for countries with available distribution information. In performing this analysis, we examined the magnitude of differences between predicted and actual prices as well as the distribution of these price differences.

To measure the magnitude of price differences in a given period, we used the following statistic: let $dif = price_t - \widehat{price}_t$ (i.e., the difference between

actual and predicted price, given seasonality and time trends), then define the standardized price difference= $dif/sd(dif)$ (i.e., the severity of the difference between actual and predicted prices compared with the usual variability in this difference). We looked at lower-than-predicted prices as well as higher-than-predicted prices and at the distribution of the statistic. We conducted the analysis for each commodity in each market separately.³

For each country-market-commodity monthly series, we first estimated the following equation.⁴

$$price_t = \sum_{m=1}^{m=12} \beta_m D_{moy} + \gamma_2 trend_t + \epsilon_t$$

where

$price_t$ is the price at time t

$trend_t$ is a linear time trend

D_{moy} is a set of 12 monthly indicators to control for seasonality, and

ϵ_t is the error term

We then calculated the difference between the market price and the predicted price for each period:

$$\hat{\epsilon}_t = price_t - \widehat{price}_t$$

³Missing price data were interpolated between periods. In cases where the series were not stationary, the analysis was performed on the first differences of prices.

⁴For the theoretical framework we used for the price analysis, see Claude Araujo, Catherine Araujo-Bonjean, and Stéphanie Brunelin, "Alert at Maradi: Preventing Food Crises by Using Price Signals," *World Development*, vol. 40, no.9 (2012). WFP has used this framework in computing its Alert for Price Spikes indicator, which WFP uses to monitor markets by identifying unusually high prices.

where \widehat{price}_t is the predicted price based on seasonality and trends, that is:

$$\widehat{price}_t = \sum_{m=1}^{m=12} \widehat{\beta}_m D_{moy} + \widehat{\gamma}_2 trend_t$$

Finally, we estimated the following for each period:

$$Price\ difference\ (standard\ deviations)_t = \frac{price_t - \widehat{price}_t}{\sigma_\epsilon}$$

where σ_ϵ is the standard deviation of the residuals.

The price difference in standard deviations is a measure of intensity in the price difference between observed market prices and predicted prices.

Results

Our analysis of commodity prices in a nongeneralizable sample of nine countries that received U.S. in-kind food aid at some point in 2014 through 2016 found that in eight of the countries there was at least one instance in August 2015 through July 2016 when prices were lower than we predicted on the basis of normal seasonality and trends. During this period, observed prices in these eight countries included at least one instance in which actual prices were lower than predicted by more than one standard deviation—an unusual event for any market. As table 9 shows, almost 12 percent of the total month-market-commodity observations in these countries were of unusually low observed prices. Although unusually high prices were more common than unusually low prices, which would be expected if food aid is distributed during crises, unusually low prices occurred frequently in some of the countries. For instance, in Guatemala and Burundi, unusually low prices were a frequent occurrence, with 47 percent and 23 percent, respectively, of the month-market-commodity observations showing prices that were more than one standard deviation lower than we predicted. Although we cannot attribute these unusually low prices to food aid distribution, negative effects from

distribution of in-kind assistance could include lower-than-predicted market prices.⁵

Table 9: Price Observations for Key Commodities in Local Markets in Nine Countries That Received U.S. In-Kind Food Aid, August 2015–July 2016

Country	Total observations	Total observations with unusually low prices	Percentage of observations with unusually low prices	Total observations with unusually high prices	Percentage of observations with unusually high prices	Total observations with midrange prices	Percentage of observations with midrange prices
Bangladesh	72	2	3	2	3	68	94
Burundi	192	44	23	43	22	105	55
Colombia	17	0	0	5	29	12	71
Democratic Republic of the Congo	60	4	7	2	3	54	90
Ghana	660	80	12	129	20	451	68
Guatemala	15	7	47	0	0	8	53
Haiti	180	3	2	21	12	156	87
Malawi	456	53	12	153	34	250	55
South Sudan	113	16	14	54	48	43	38
Total	1765	209	12	409	23	1147	65

Source: GAO analysis of World Food Program commodity price data. | GAO-17-640

Notes: The data shown represent monthly observations of prices for key commodities (e.g., rice, cassava, maize) from August 2015 through July 2016 in local markets in the nine countries shown. We used price data beginning in 2001 or later (depending on data availability) to examine long-term seasonality and price trends. Unusually low/high prices are defined as those where actual prices are lower/higher than predicted prices on the basis of seasonality and trends by more than one standard deviation. Mid-range prices are those where the difference between actual and predicted prices is within one standard deviation.

For example in Guatemala and Malawi, prices of local staple commodities were significantly lower than would be expected on the basis of seasonality and trends.

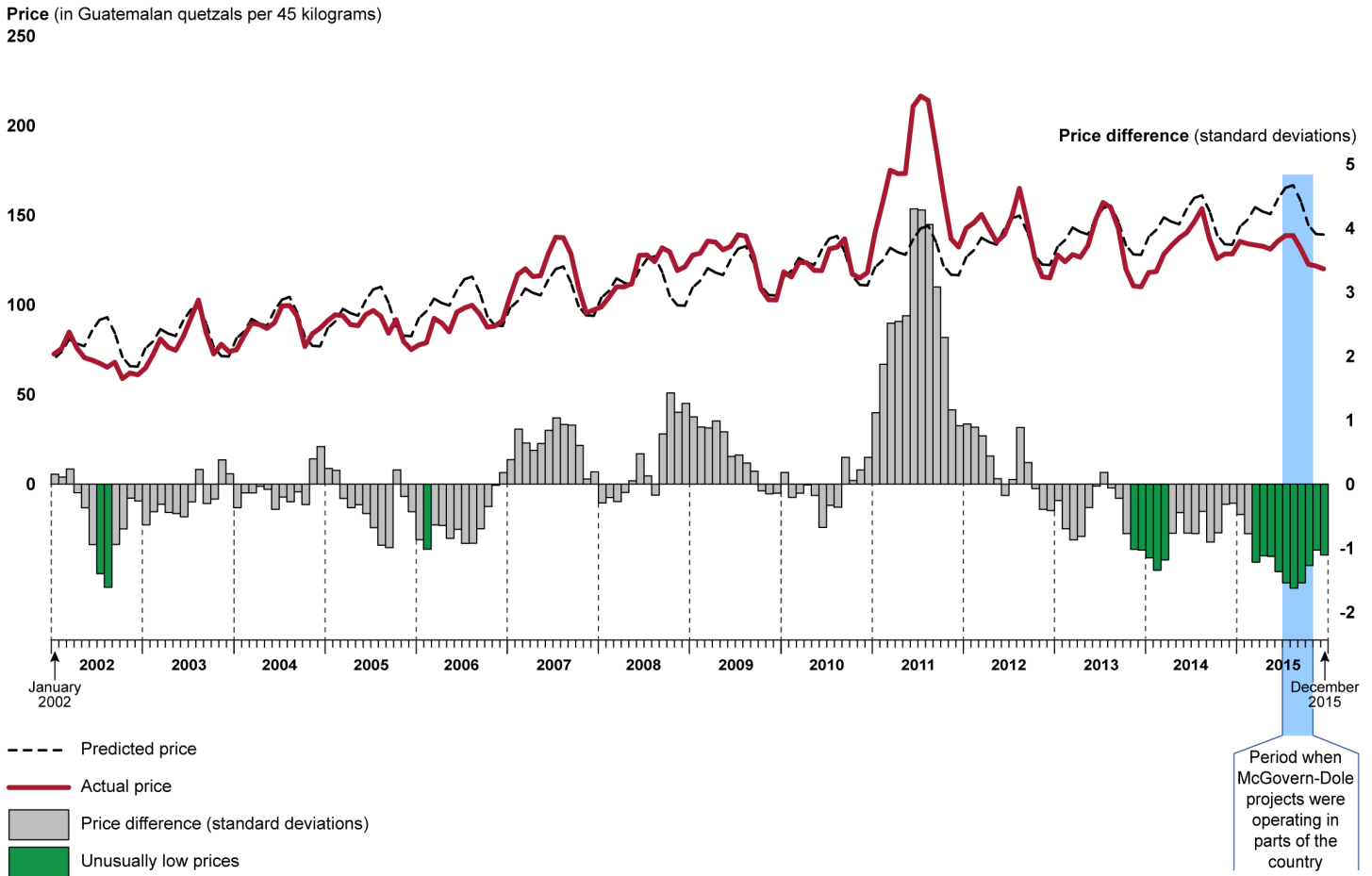
- **Guatemala.** In Guatemala, white-maize prices in the central wholesale market were unusually low during most of 2015, with the largest discrepancy between predicted and actual prices occurring

⁵Market prices may be influenced by a variety of factors, including weather, input prices and the size and targeting of in-kind food aid. The model we used identifies anomalies in prices but not the specific cause of such anomalies.

from July through October.⁶ During this period, U.S. Department of Agriculture McGovern-Dole International Food for Education and Child Nutrition projects distributed in-kind commodities in several regions of the country. (Fig. 8 shows actual prices and the predicted average price trend for maize for that time of the year at the main wholesale market in Guatemala City. The bars indicate the severity of the difference between the actual price and the predicted price; unusually low prices—those that differ from predicted prices by more than one standard deviation—are shown in dark green.) For instance, in August 2015, the standardized difference between the actual and predicted price was 1.63; this difference corresponds to a difference of approximately 17 percent—and shows an unusually low price, with a likelihood of occurrence of approximately 1 in 20 in this market. Because maize prices in 2011 were unusually high, we included an indicator for this period in a different econometric specification to ensure that these unusually high prices were not driving the results, and we obtained similar results. Moreover, analysis of monthly consumer price index data does not show any unusually low consumer prices during this period; therefore the abnormally low prices for maize do not appear to be part of unusually low prices in general. For black beans, another staple commodity, prices were unusually low only in August 2015. Analysis of data from the Ministry of Agriculture of Guatemala yielded similar results.

⁶According to Guatemalan government officials, most products distributed in the country pass first through the central wholesale market. Thus, movement in prices in the central market may represent movement in prices throughout the country.

Figure 8: Severity of Difference between Actual and Predicted Monthly Maize Prices in Guatemala, 2002-2015



Legend: McGovern-Dole = McGovern-Dole International Food for Education and Child Nutrition

Source: GAO analysis of World Food Program commodity price data. | GAO-17-640

Notes: Prices shown are for La Terminal, the main wholesale market in Guatemala City. Prices are wholesale prices. Bars depict the price difference in standard deviations, which shows the severity of the difference in the actual versus the predicted prices. The standardized price difference measures the extent to which prices experience unusual volatility. It is derived from the difference between actual prices and the prices we predicted on the basis of seasonality and linear time trends; this difference is then standardized to classify the severity or atypicality of the price difference. This standardized difference was -1.63 in August 2015.

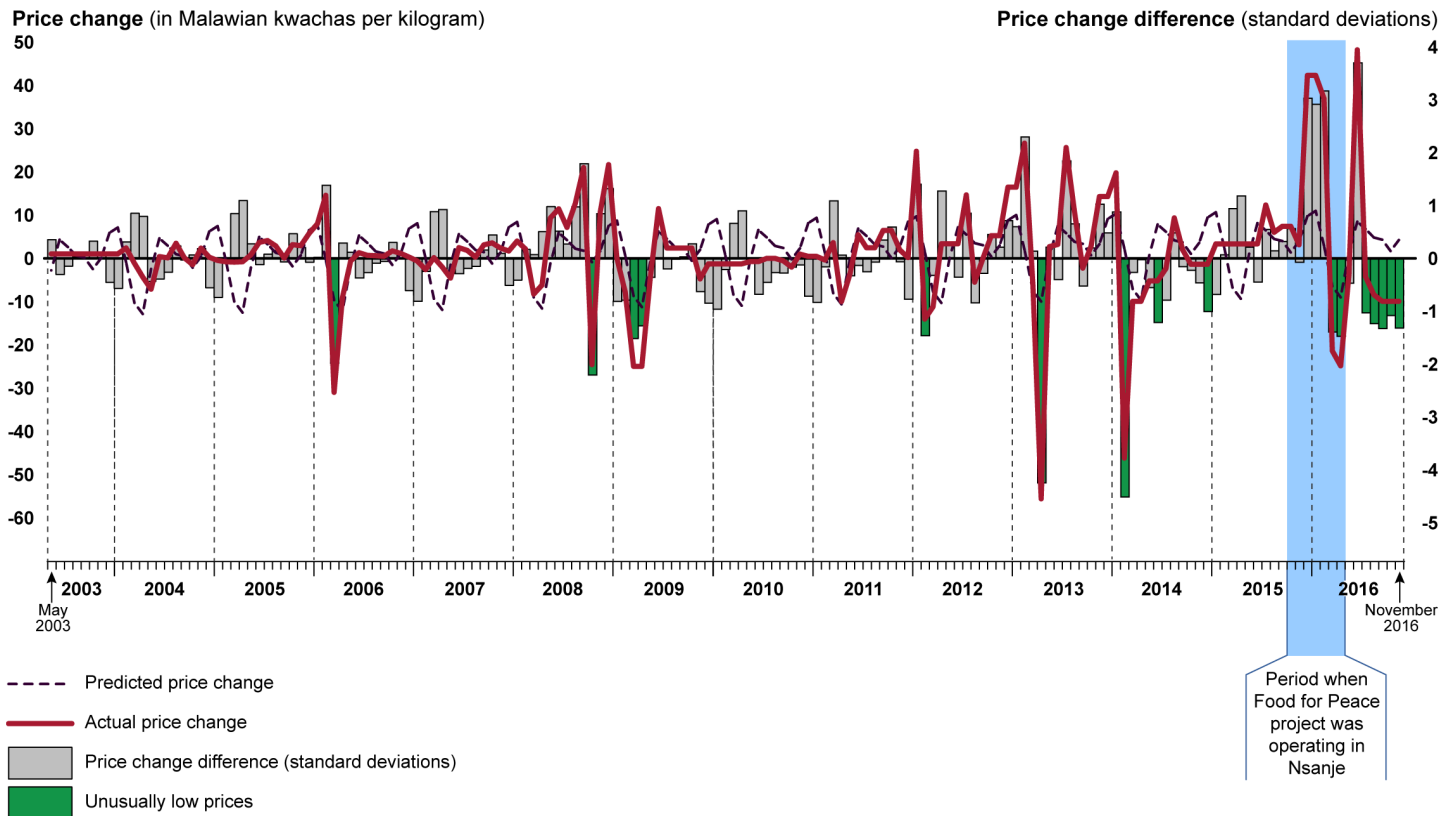
Data shown are for January 2002–December 2015.

Vertical lines indicate the July 2015–October 2015 period, when U.S. Department of Agriculture McGovern-Dole projects were operating in parts of Guatemala.

- **Malawi.** In the Nsanje district of Malawi, U.S. Agency for International Development Food for Peace in-kind commodities were distributed from October 2015 to April 2016. During this period, 26 of the 38 markets in Malawi had at least one instance of unusually low prices. In Nsanje, in particular in March and April 2016, the growth of prices of maize (a key local staple) was significantly less than would typically be predicted based on historical price modeling. Implementing partner staff and local market experts told us that market prices may have fallen as a result of the distribution of emergency food assistance.⁷ Figure 9 shows actual and predicted price changes, as well as the standardized price difference, in Nsanje, Malawi. Analysis of data from the Famine Early Warning Systems Network for Malawi yielded similar results.

⁷At the time, prices were significantly higher than normal owing to an historic drought. According to implementing partners and food assistance recipients, the fall in prices improved food security outcomes for Malawians.

Figure 9: Severity of Difference between Actual and Predicted Monthly Maize Price Changes in Nsanje, Malawi, 2003-2016



Source: GAO analysis of World Food Program commodity price data. | GAO-17-640

Notes: Because the price level series are nonstationary, we analyzed the first difference of the prices (i.e., the month-to-month price changes). Month-to-month changes in retail prices are shown for Nsanje, Malawi. Bars depict the difference between actual and predicted month-to-month price changes in standard deviations—that is, the extent to which prices exhibited unusual volatility. The price change difference is derived from the difference between actual month-to-month price changes and the predicted month-to-month price changes on the basis of seasonality and linear time trends; this difference is then standardized to classify the severity or atypicality of a given price change. In March and April 2016, the standardized difference was -1.4 and -1.5, respectively. Predicted price changes are based on seasonality and linear time trends.

Data shown are for May 2003–November 2016.

Vertical lines indicate the October 2015–April 2016 period when the U.S. Agency for International Development Food for Peace projects were operating in Nsanje.

Appendix III: Comments from the U.S. Agency for International Development



JUN 29 2017

Mr. Thomas Melito
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: INTERNATIONAL FOOD ASSISTANCE: Agencies Should Ensure Timely
Documentation of Required Market Analyses and Assess Local Markets for Program
Effects (GAO-17-640)

Dear Mr. Melito:

I am pleased to provide the United States Agency for International Development's (USAID) formal response to the U. S. Government Accountability Office (GAO) draft report entitled "*INTERNATIONAL FOOD ASSISTANCE: Agencies Should Ensure Timely Documentation of Required Market Analyses and Assess Local Markets for Program Effects*" (GAO-17-640).

This letter and the enclosed USAID comments are provided for incorporation as an appendix to the final report. Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff while conducting this GAO engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Angelique M. Crumbly".

Angelique M. Crumbly
Acting Assistant Administrator
Bureau for Management

Enclosure: a/s

- 2 -

**USAID COMMENTS ON GAO DRAFT REPORT
INTERNATIONAL FOOD ASSISTANCE: Agencies Should Ensure Timely Documentation of
Required Market Analyses and Assess Local Markets for Program Effects (GAO-17-640)**

USAID appreciates the opportunity to comment on GAO's draft report entitled "INTERNATIONAL FOOD ASSISTANCE: Agencies Should Ensure Timely Documentation of Required Market Analyses and Assess Local Markets for Program Effects."

USAID's Office of Food for Peace (FFP) has made significant investments to improve market analysis and programmatic monitoring and oversight in recent years. GAO's review and recommendations in this area will ensure that our processes and award requirements support these investments. Since 2009, USAID has contracted for independent research and analyses to inform both Bellmon determinations and program design for development food assistance activities. USAID has also increased its internal technical expertise in this area, with staff available to conduct market analyses and advise on modality choice, as well as review market analyses submitted by implementing partners through applications and/or reporting.

USAID plans to continue to further strengthen our processes and award requirements to ensure that Bellmon determinations are properly documented and market conditions are monitored and assessed before, during and after development food assistance activities.

This report has the following 4 recommendations for USAID as shown on pages 31-32 of the draft report:

Recommendation 1: To help ensure that, consistent with the Bellmon amendment, the provision of U.S. in-kind food aid does not result in a substantial disincentive to, or interference with, domestic production or marketing in countries receiving in-kind food aid, we recommend that the USAID Administrator ensure that Bellmon determinations are documented for all food assistance projects prior to the provision of commodities, consistent with agency guidance.

- **USAID Response:** USAID concurs with this recommendation, and will ensure that Bellmon determinations are documented for all food assistance projects prior to the provision of commodities.

Recommendation 2: To help ensure that, consistent with the Bellmon amendment, the provision of U.S. in-kind food aid does not result in a substantial disincentive to, or interference with, domestic production or marketing in countries receiving in-kind food aid, we recommend that the USAID Administrator update guidance on Bellmon determinations to reflect current policies and procedures.

- **USAID Response:** USAID concurs with this recommendation, and will update and reissue the Food for Peace Information Bulletin, which outlines FFP's guidance on Bellmon determinations.

Recommendation 3: To help ensure that, consistent with the Bellmon amendment, the provision of U.S. in-kind food aid does not result in a substantial disincentive to, or interference with,

- 3 -

domestic production or marketing in countries receiving in-kind food aid, we recommend that the USAID Administrator monitor markets during implementation of development projects to identify any potential negative effects, such as unusual changes in prices.

- **USAID Response:** USAID concurs with this recommendation. FFP and its implementing partners regularly and consistently monitor program activities and the operational environment of its development food security activities. Over the past year, FFP has updated the market monitoring requirements for emergency food assistance projects, and will take steps to explicitly require similar monitoring appropriate to the development context during program implementation.

Recommendation 4: To help ensure that, consistent with the Bellmon amendment, the provision of U.S. in-kind food aid does not result in a substantial disincentive to, or interference with, domestic production or marketing in countries receiving in-kind food aid, we recommend that the USAID Administrator evaluate markets after development projects are completed to determine whether markets were negatively affected during project implementation or after project completion.

- **USAID Response:** USAID concurs with this recommendation. FFP focuses annual reporting of development food security activities on programmatic progress and implementation, while final evaluations are used to examine food security outcomes over a project's lifecycle. The Office of Food for Peace expects partners to address any evidence of a substantial disincentive to, or interference with, domestic production or marketing in countries receiving in-kind food aid in required reporting and notifications. After development projects are completed and/or after the cessation of in-kind food distributions, USAID will use this required reporting along with other data sources to assess any potential negative market impact.

Appendix IV: Comments from the U.S. Department of Agriculture



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

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Agricultural
Service

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Tom Melito
Director, International Affairs and Trade
United States Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Melito:

The U.S. Department of Agriculture (USDA) appreciates this opportunity to review and comment on the Government Accountability Office (GAO) draft report entitled "INTERNATIONAL FOOD ASSISTANCE: Agencies Should Ensure Timely Documentation of Required Market Analyses and Assess Local Markets for Program Effects" (GAO-17-640). The Department notes GAO's recommendations regarding its selection of countries to receive in-kind food aid and the analysis of any associated market impact. We agree with your recommendations in bold below and will take the following actions to address them.

Develop guidance to require documentation of the reasons for providing funding to countries that were not on the priority list.

The Foreign Agricultural Service (FAS) will develop written guidance to require documentation of the reasons for providing funding to countries not on the priority list and will document each occurrence.

Ensure that Bellmon determinations are documented for all food assistance projects prior to the provision of commodities, consistent with agency guidance.

The existing standard operating procedure has been updated to include the requirement that all Bellmon determinations are documented for all food assistance programs prior to provision of commodities, consistent with current FAS guidance.

Monitor markets during implementation of McGovern-Dole projects to identify any potential negative effects, such as unusual changes in prices.

New guidance will be developed for McGovern-Dole program recipients on monitoring markets and identifying any potential negative effects due to local program implementation.

Evaluate markets after the completion of McGovern-Dole and Food for Progress

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projects to determine whether markets were negatively affected during project implementation or after project completion.

A third party review and market evaluation will be conducted for McGovern-Dole and Food for Progress programs to determine whether markets were negatively affected during project implementation or after completion. In addition, starting in FY 2017 scoping missions were performed to identify if these programs would be viable in certain countries and if any negative impacts could be identified.

We would like to thank the GAO for its review and recommendations regarding international food assistance marketing assessments.

Sincerely,



Holly Higgins
Acting Administrator
Foreign Agricultural Service

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Thomas Melito, (202) 512-9601 or melitot@gao.gov

Staff Acknowledgments

In addition to the individual named above, Judith Williams (Assistant Director), Jon Fremont (Analyst-in-Charge), Lilia Chaidez, Ming Chen, Martin De Alteriis, Neil Doherty, Mark Dowling, Reid Lowe, Eric J. Schwab, Benjamin L. Sponholtz, and Brian Tremblay made key contributions to this report.

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