

Local and Regional Food Aid Procurement

Successes and Challenges as LRP Moves into its Second Generation

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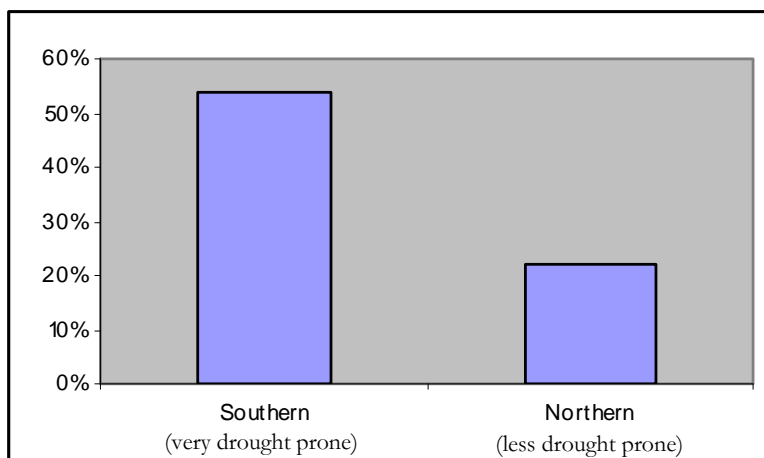
Outline

- Prefatory remarks on food markets and the poor
 - When is food the preferred resource?
- World Food Program's record in first generation LRP
 - A proven model
 - Nature of success
 - Bases for success
- Second generation LRP
 - More complex objectives/riskier outcomes
 - More difficult to assess
- Key issues in 2nd generation LRP

Is food typically the preferred resource?

- ▣ Households living in drought prone areas are most reliant on food markets for purchases

Percent Net Buyers of Maize in Two Provinces of Zambia, 2004

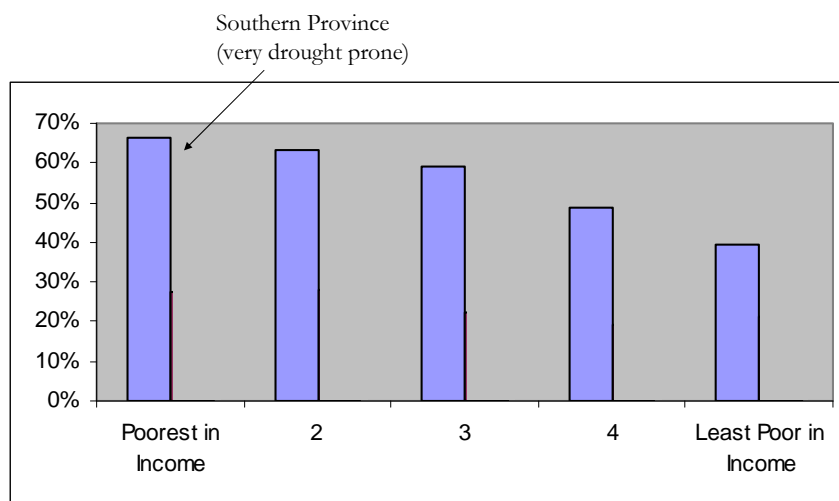


Source: MSU/MACO Supplemental Survey, Zambia, 2004

Markets and the Poor

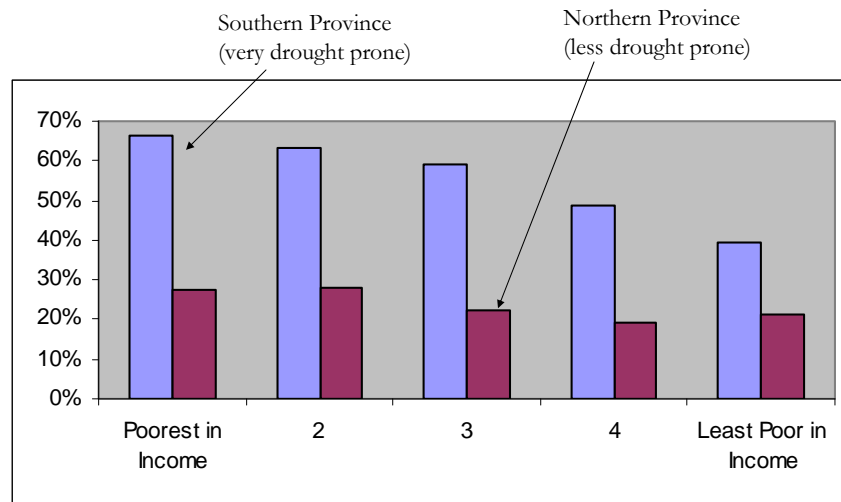
- Within these provinces, the poorest are the most reliant on food purchases

Percent Net Buyers of Maize in Two Provinces of Zambia, by Quintile of Income per capita, 2004



Source: MSU/MACO Supplemental Survey, Zambia, 2004

Percent Net Buyers of Maize in Two Provinces of Zambia, by Quintile of Income per capita, 2004

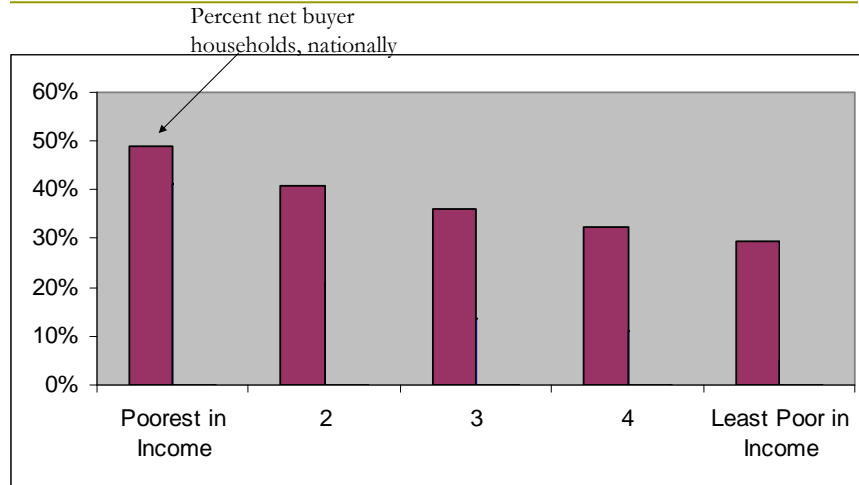


Source: MSU/MACO Supplemental Survey, Zambia, 2004

Markets and the Poor (3)

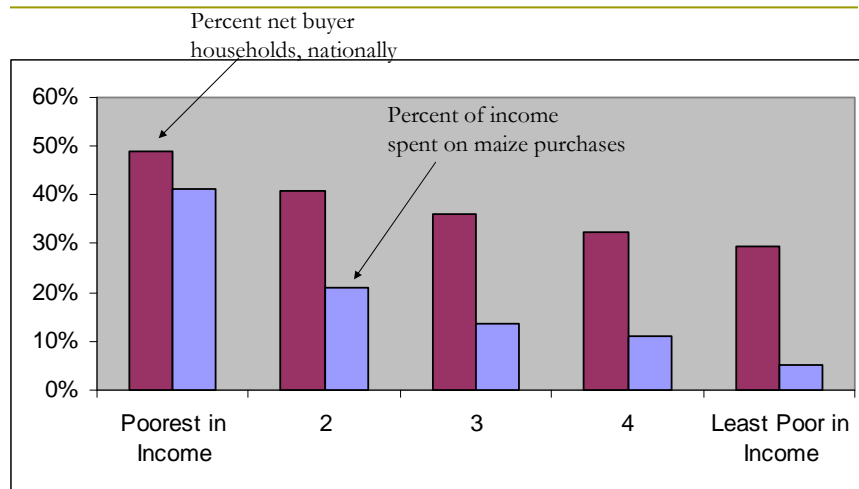
- And the poor spend a much higher share of their income on food staples

Percent Net Buyers of Maize Nationally in Zambia, by Quintile of Income per capita, 2004



Source: MSU/MACO Supplemental Survey, Zambia, 2004

Percent Net Buyers of Maize Nationally in Zambia, by Quintile of Income per capita, 2004



Source: MSU/MACO Supplemental Survey, Zambia, 2004

Markets and the Poor (4)

The poor
– *and those living in drought prone areas –*
are more reliant on markets, not less

WFP's record in 1st generation LRP

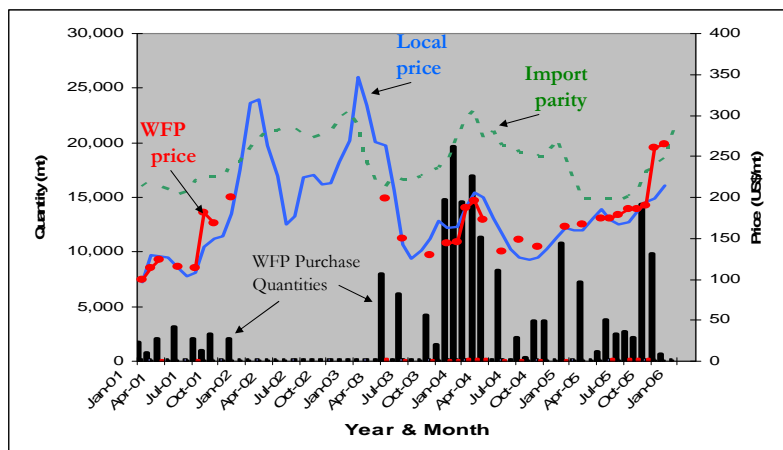
- ❑ High level of procurement
- ❑ Highly cost effective
- ❑ Improved timeliness
- ❑ Market development
 - Maize in Uganda
 - *Faffa, Likuni Phala*
- ❑ Generally good performance not distorting the market

Cost savings = feeding more people

- On actual WFP procurement of maize in Kenya, Uganda, and Zambia from 2001-2005:
 - Savings compared to U.S. food aid: US\$67,700,000
 - Extra maize this would purchase: 437,719 mt
 - People this could feed: 1,800,000 for 2 years
 - 1,200 kcal/person/day or 720,000 each year
 - During at most 8/180 months would U.S. food aid have been cheaper
- Consistent with other findings
- Savings on CSB and maize meal even higher
 - And timeliness advantage also larger

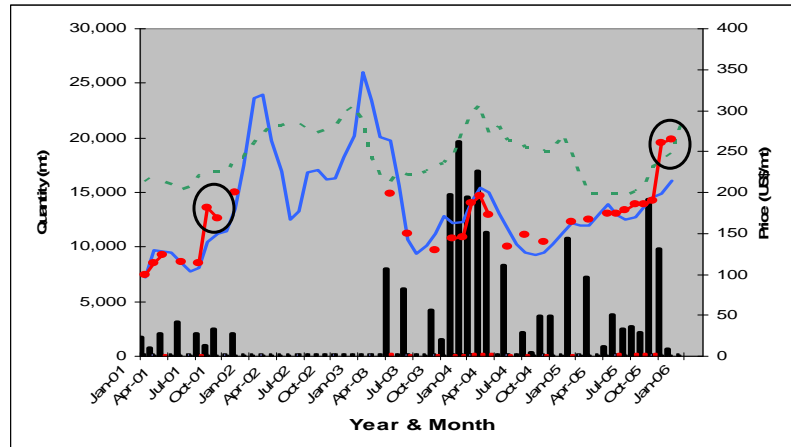
LRP's Track Record- Zambia

WFP Purchases, local wholesale prices, and IPP from SA in Lusaka



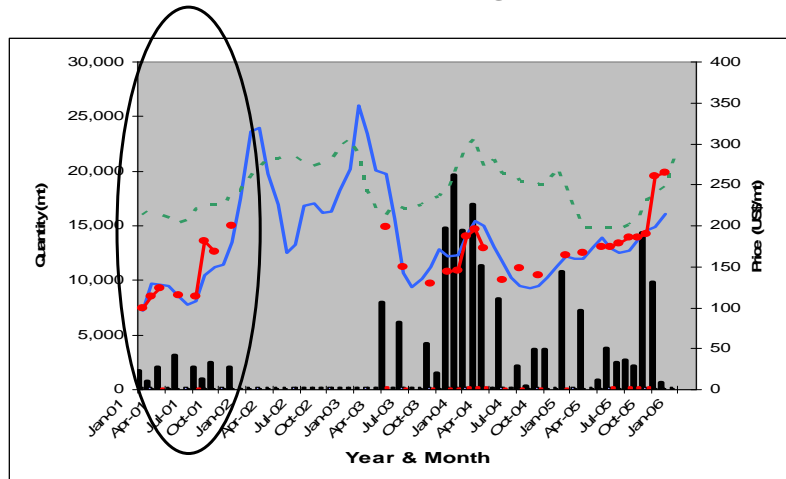
LRP's Track Record- Zambia

Prices Paid – generally good performance



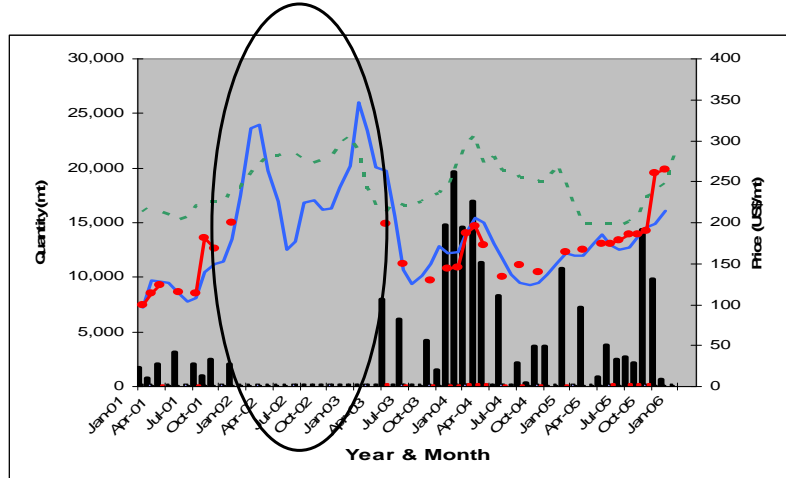
LRP's Track Record- Zambia

Decision to procure or not – good performance



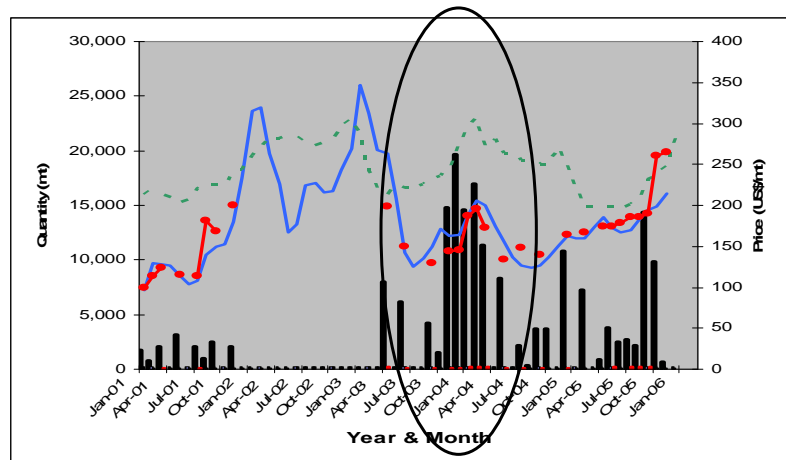
LRP's Track Record - Zambia

Decision to procure or not – good performance



LRP's Track Record - Zambia

Decision to procure or not – good performance



Bases for this Success

- Clear objectives
 - Minimum cost subject to timeliness needs
- Simple decision rule consistent with a market environment
 - Buy locally if $P < IPP$
 - Subject to timeliness
- Rigorously applied

Second generation LRP

- P4P (including USAID support to it)
- USDA
- USAID working with NGOs, WFP
- Some looks like 1st generation LRP, but ...
 - More actors
 - More complex, and different, objectives
 - Explicitly developmental
 - More gain (maybe)
 - More risk (definitely)

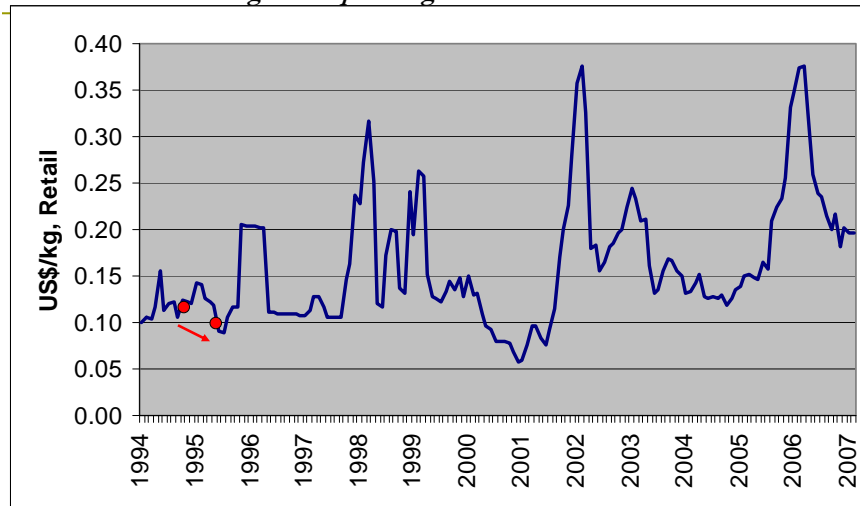
Key issues in 2nd generation LRP

- Benefit:Cost ratio
 - Not clearly high in P4P
 - And developmental LRP in general
 - M&E critical
 - Supporting local MIS
 - ***Need for learning***
- Need for evaluation
 - More complex when many actors
 - But data needs are not complex
 - Need to develop workable, common data base that each organization must maintain

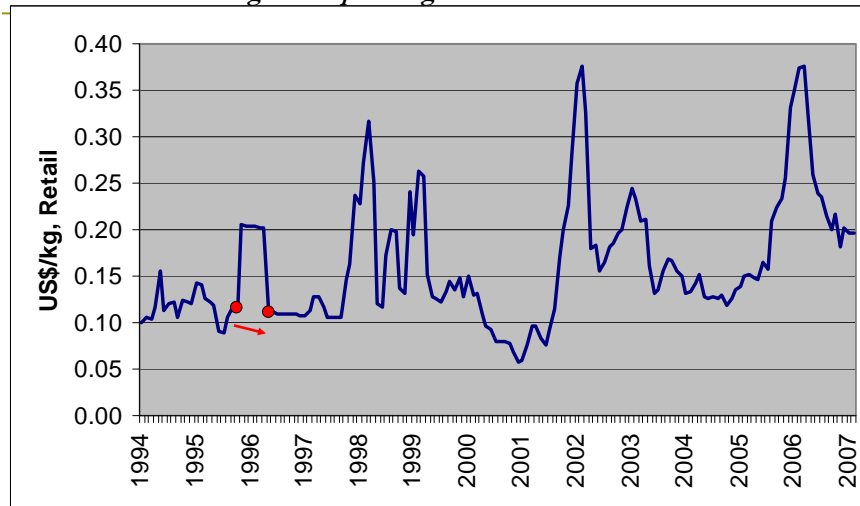
Key issues in 2nd generation LRP (2)

- Pricing
 - Need for a consistent approach across actors
 - If program is approved for a period of time, how protect against buying into a rapidly rising market?
 - Need to avoid idea that LRP is valuable in its own right
 - WFP's plans in P4P for forward contracting

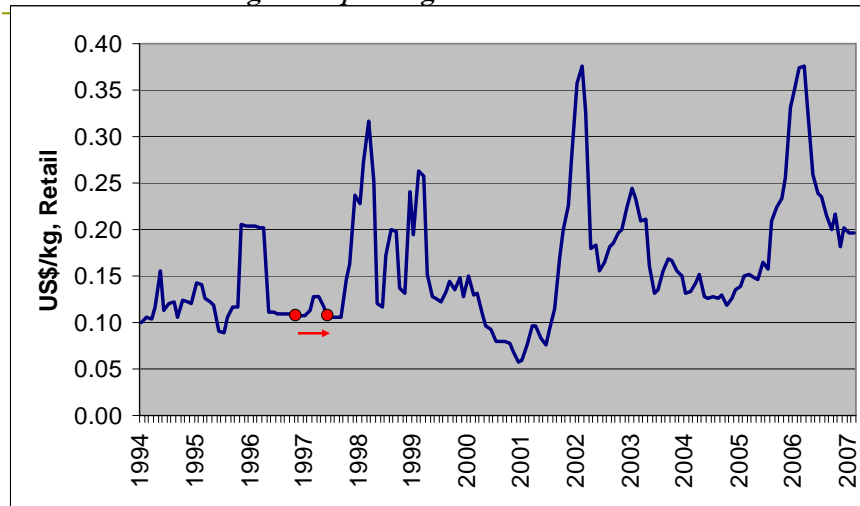
Maize grain prices in Eastern Province, Zambia
Change from planting season to harvest season



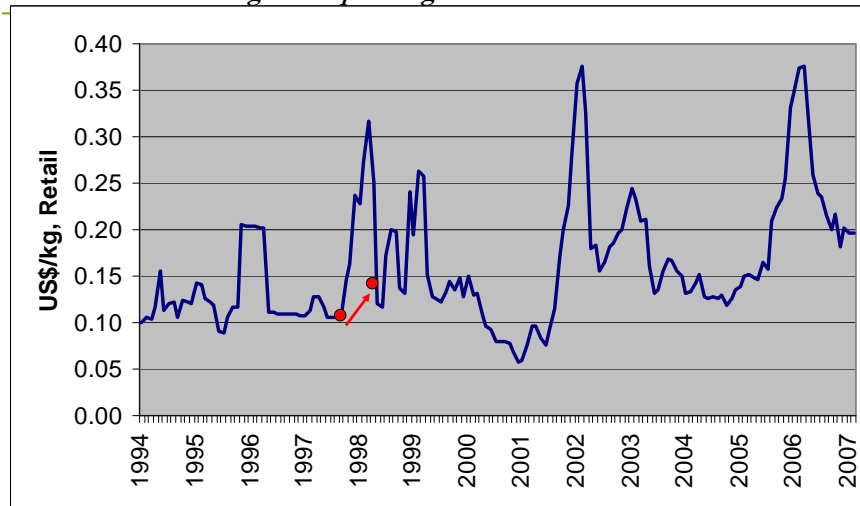
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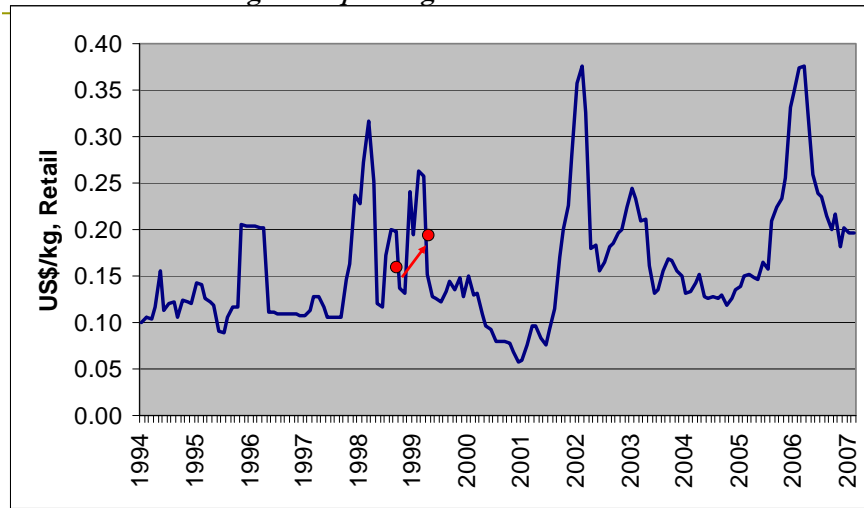
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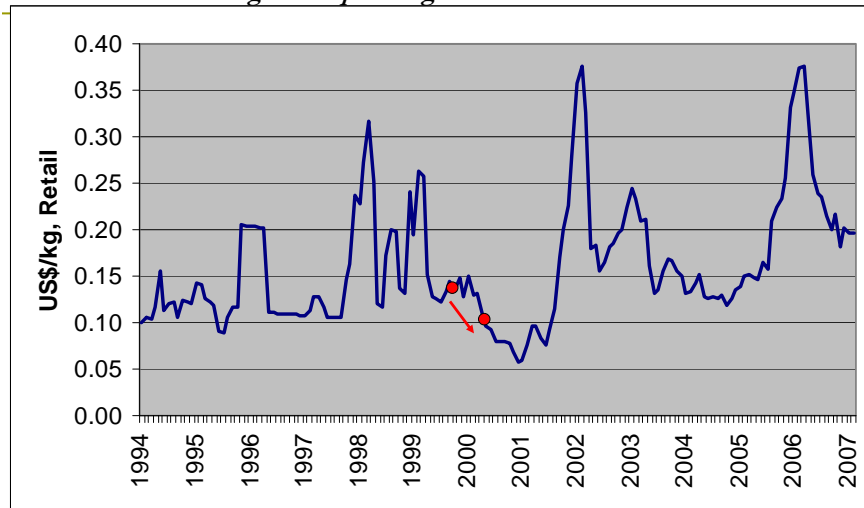
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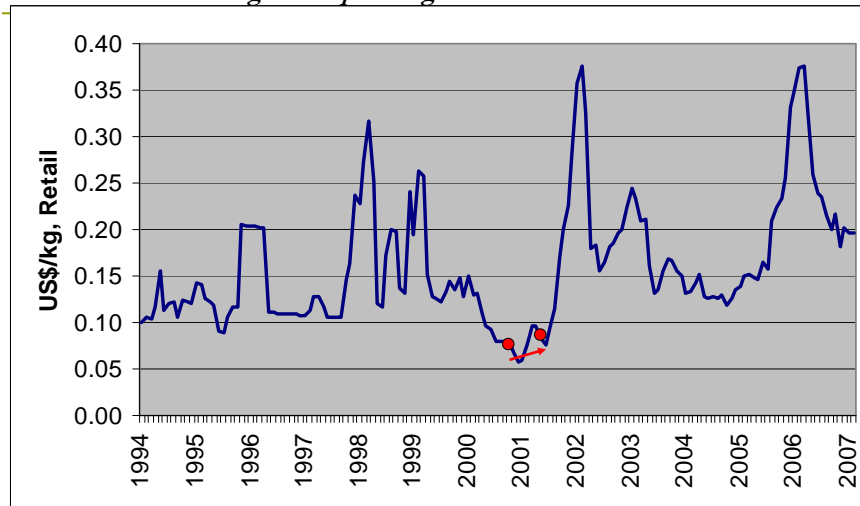
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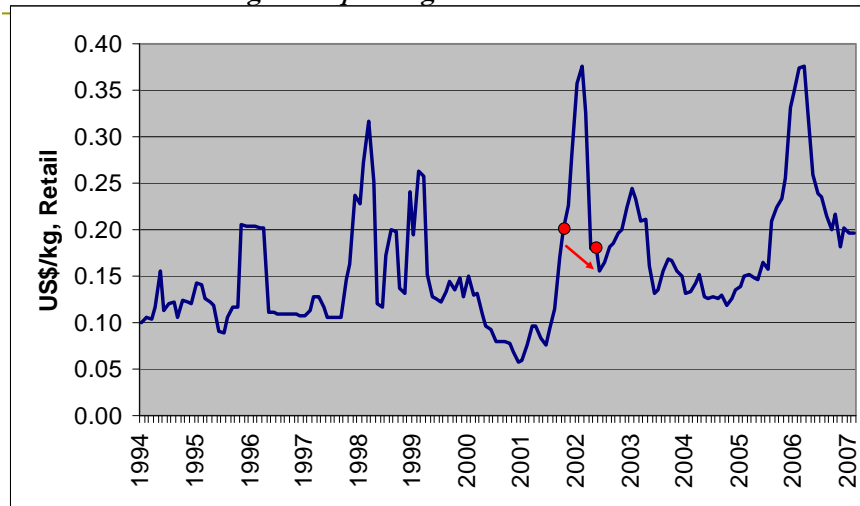
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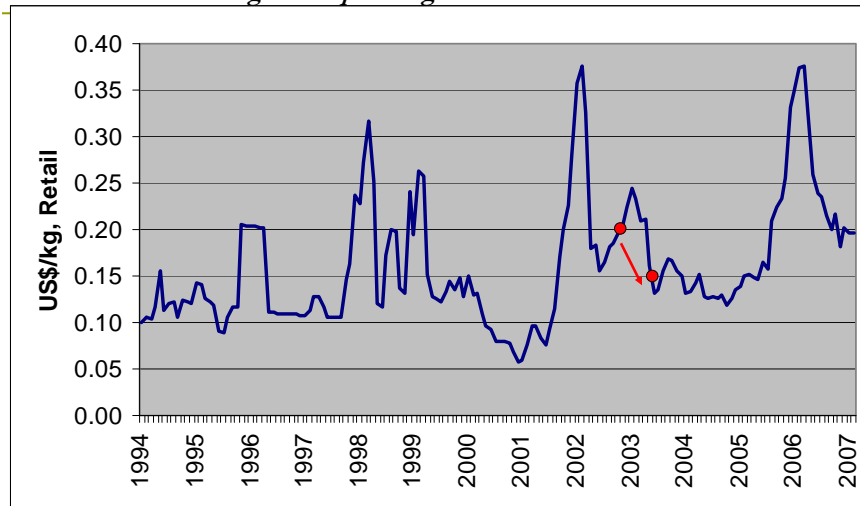
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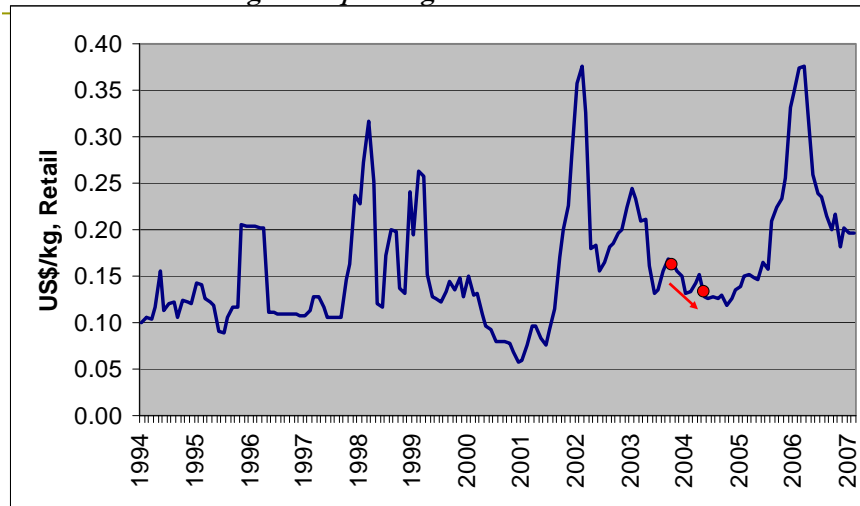
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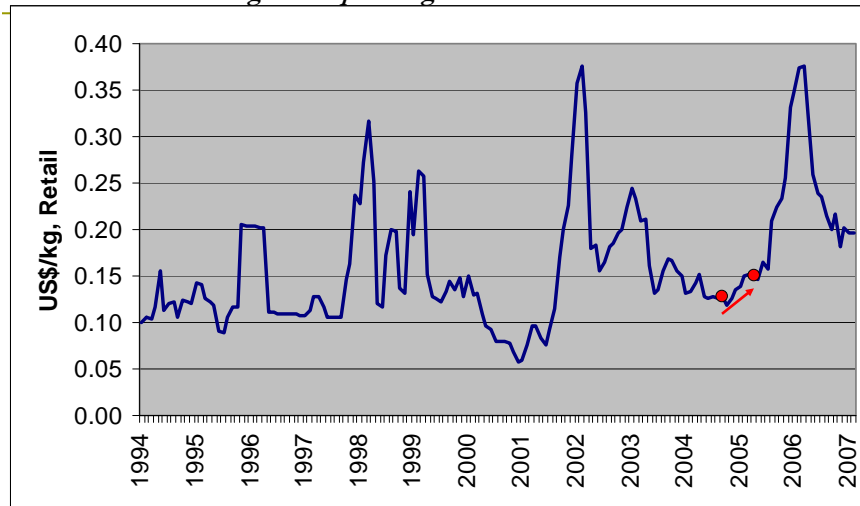
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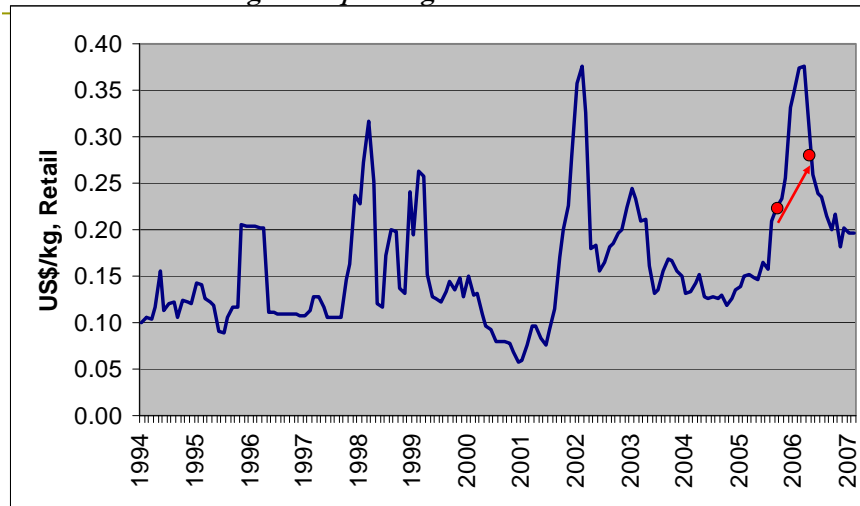
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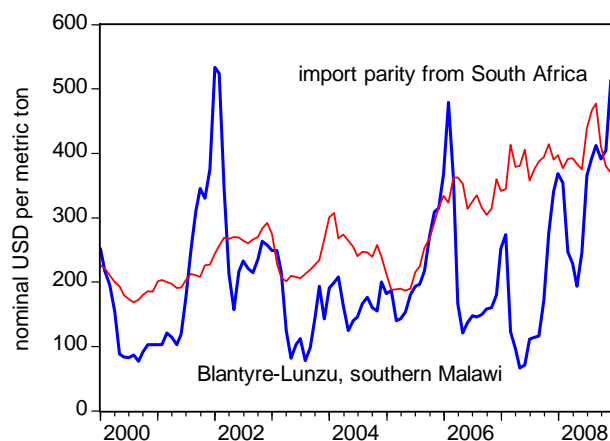
Correlation = 0.14

Key issues in 2nd generation LRP (2)

- Coordination
 - Taking advantage of strengths of different organizations
 - To keep objectives well defined
 - Avoiding uncoordinated purchases
- Who are you really reaching?
 - 2% of Zambian farmers provide 50% of marketed surplus coming out of smallholder sector
 - 10%-20% provide the rest
 - Comparable patterns elsewhere
 - P4P and related developmental approaches will not reach other 80%-90%

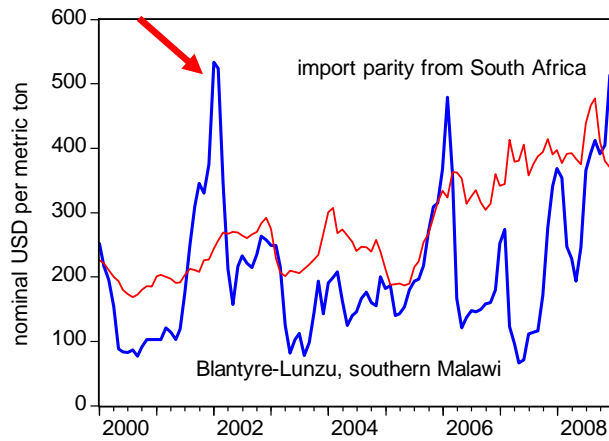
Key issues in 2nd generation LRP (3)

- Having the discipline *not* to buy



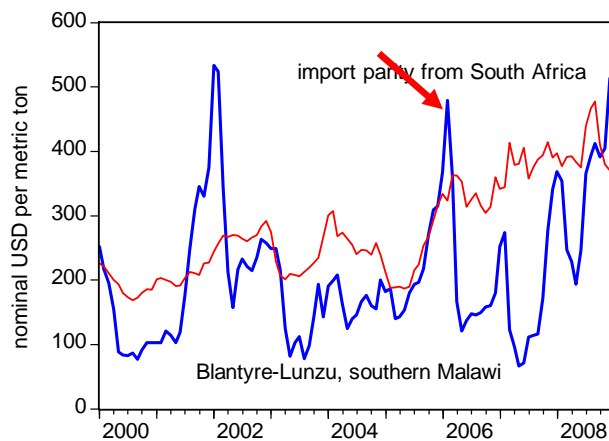
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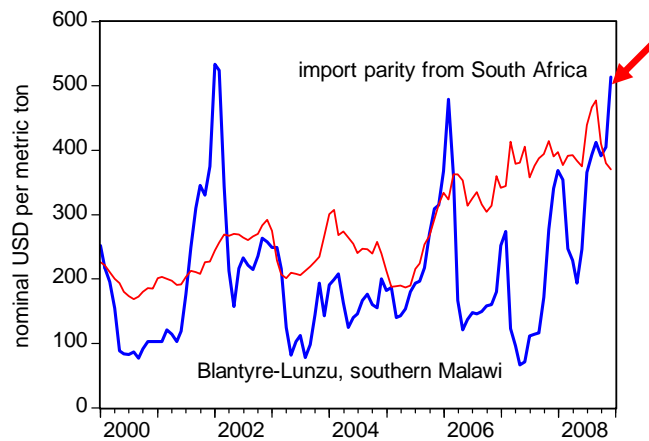
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Key issues in 2nd generation LRP (3)

- Having the discipline *not* to buy



Key issues in 2nd generation LRP (4)

- Taking care with purchases in thin markets
 - Beans compared to maize
 - Much greater risk of driving prices up

Wrapping up

- First generation LRP, based on efficiency criteria, a proven success
 - Will continue to account for vast majority of LRP
- Jury is very much out on developmental LRP
 - Who is it reaching?
 - Need for serious M&E
 - Common data base standards for ex-post assessment
 - Forward pricing very difficult
 - Need for procedures to avoid
 - buying into rising market,
 - Buying above IPP

Thank you