

# Local and Regional Food Aid Procurement

## *Successes and Challenges as LRP Moves into its Second Generation*

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Michigan State University Food Security Group

*Panel on "Opportunities: Local and Regional Procurement"  
International Food Aid Conference  
Kansas City, MO*

*Wednesday, 8 April, 2009*

## Outline

- World Food Program's record in first generation LRP
  - Nature of success
  - Bases for success
- Second generation LRP
  - More complex objectives
- Key issues in 2<sup>nd</sup> generation LRP

## WFP's record in 1<sup>st</sup> generation LRP

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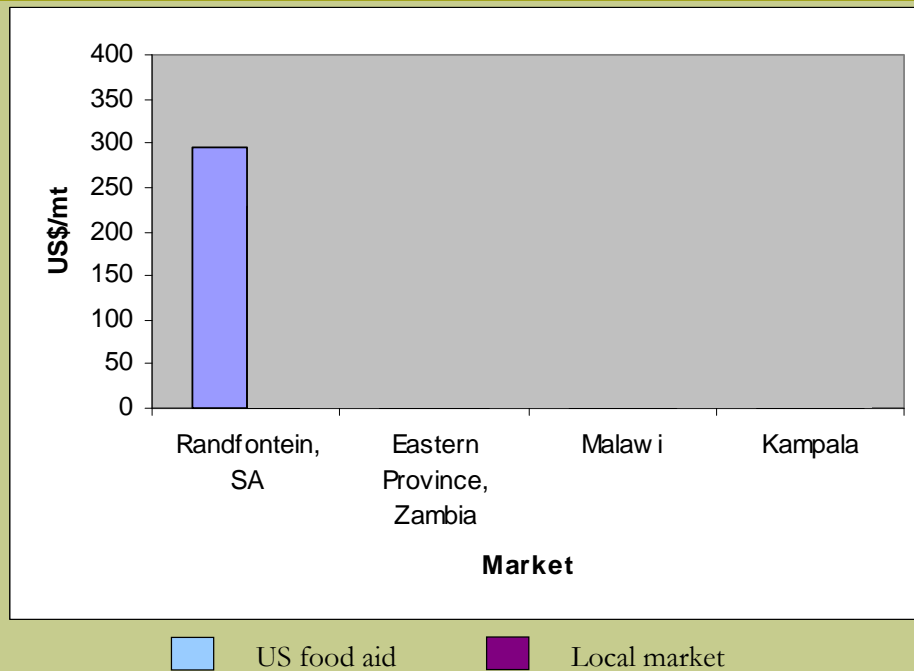
- High level of procurement
- Highly cost effective
- Improved timeliness
- Market development
  - Maize in Uganda
  - *Faffa, Likuni Phala*
- Generally good performance not distorting the market

## Cost savings = feeding more people

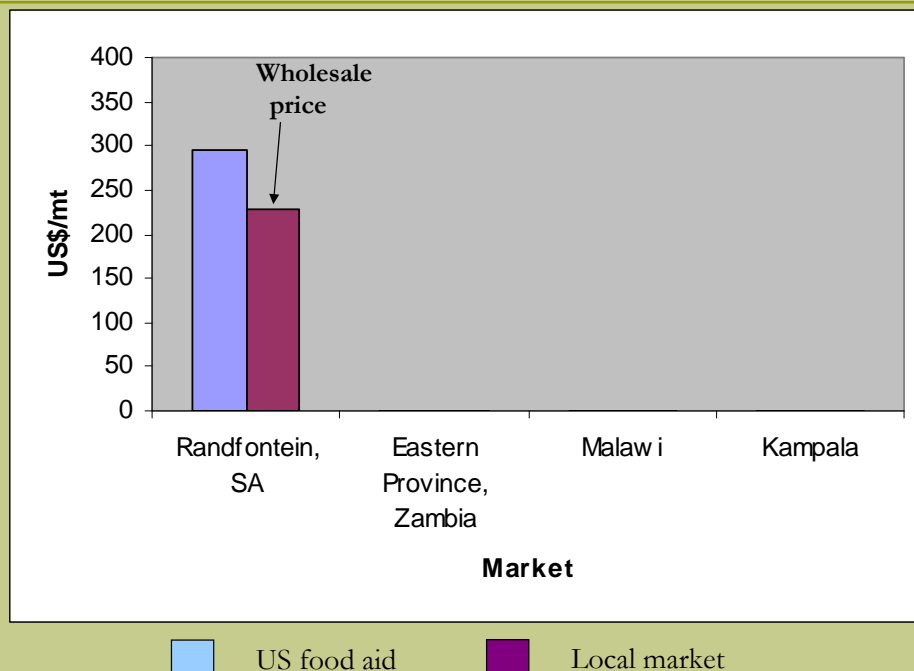
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- On actual WFP procurement of maize in Kenya, Uganda, and Zambia from 2001-2005:
  - Savings compared to U.S. food aid: US\$67,700,000
  - Extra maize this would purchase: 437,719 mt
  - People this could feed: 1,200,000 for 2 years
    - 1,800 kcal/person/day
  - 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

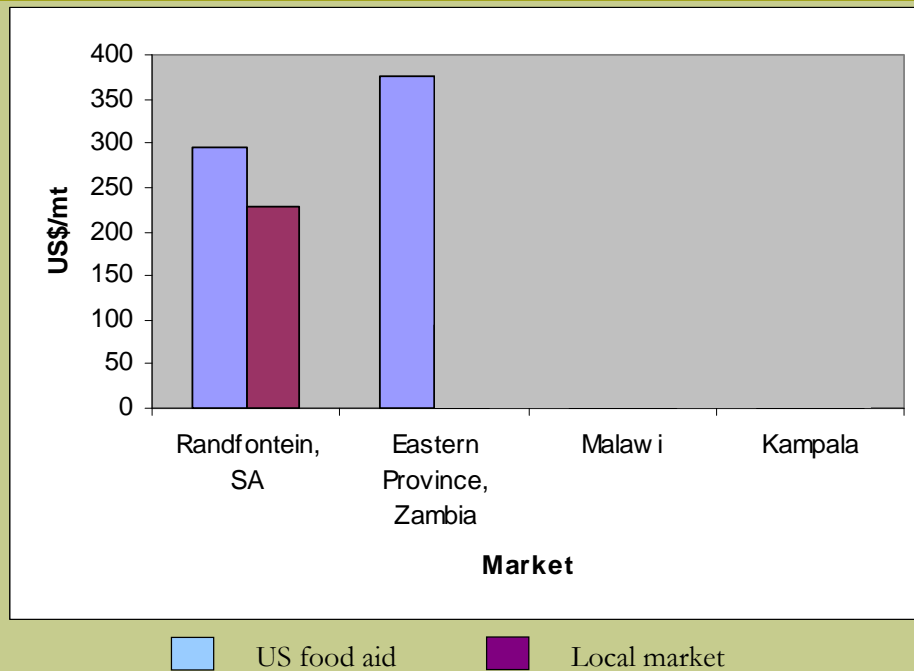
## Maize prices in various SSA markets vs. imported U.S. food aid – April 2007



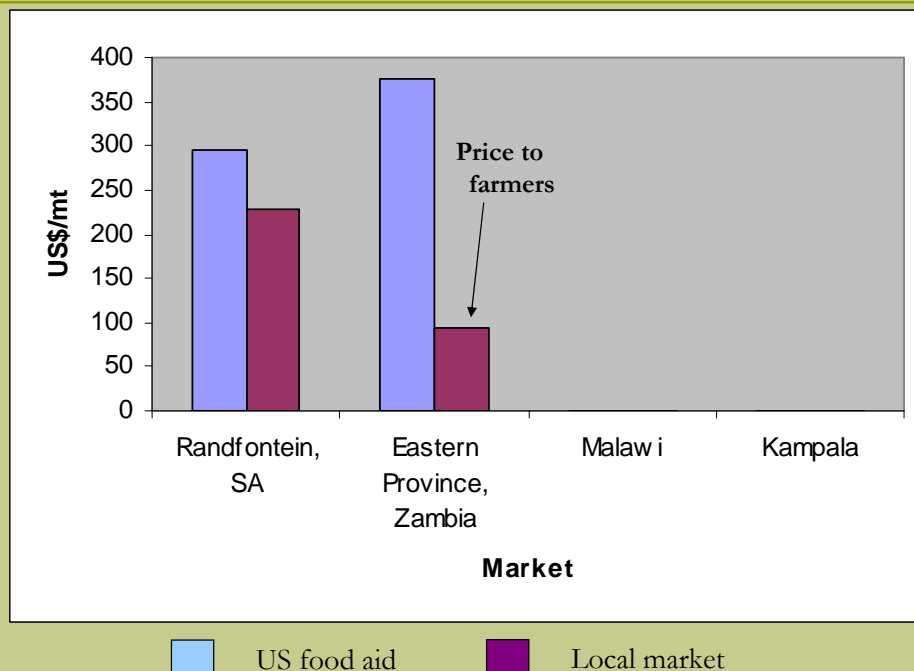
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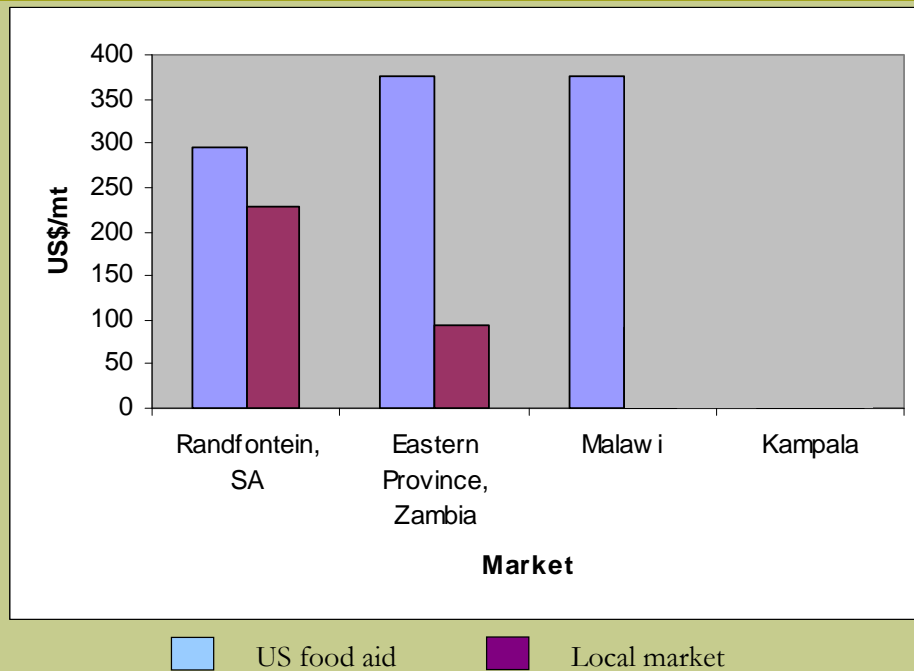
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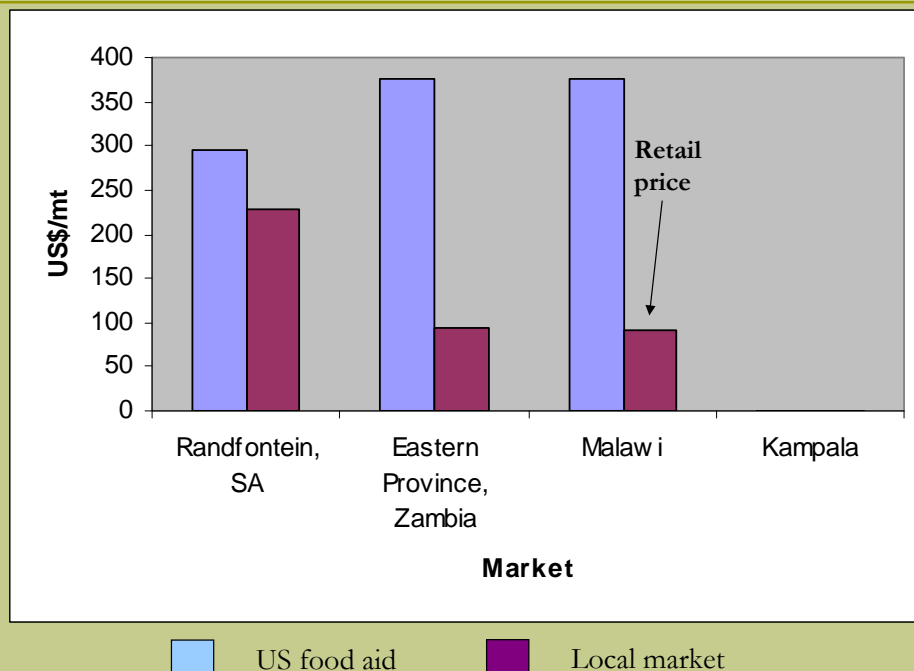
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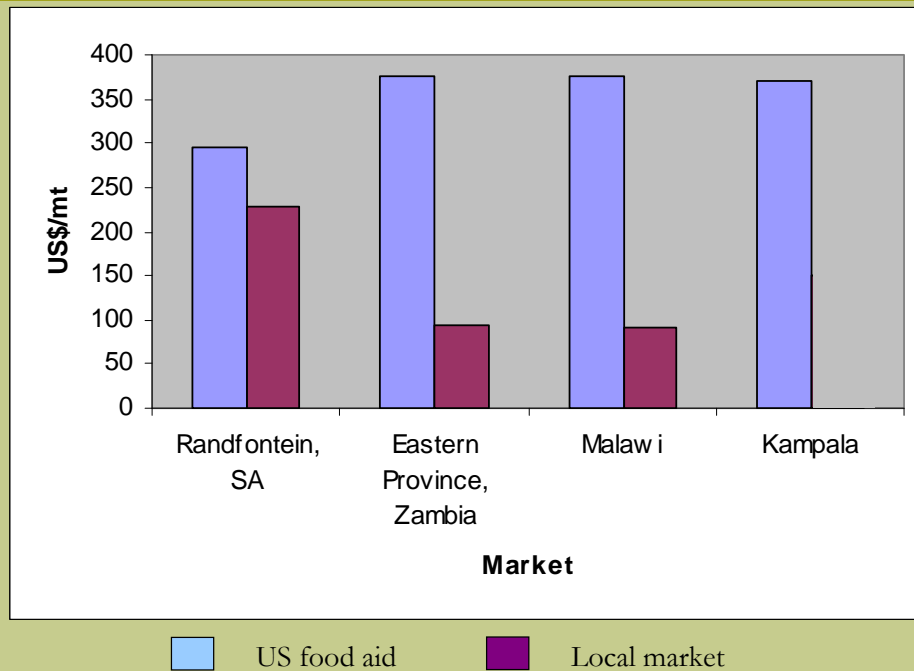
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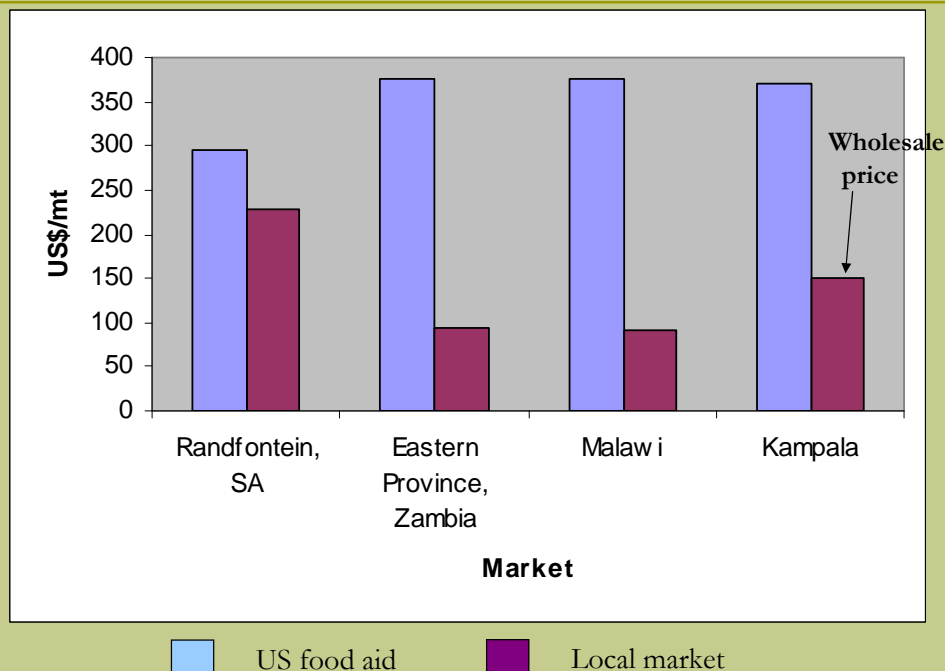
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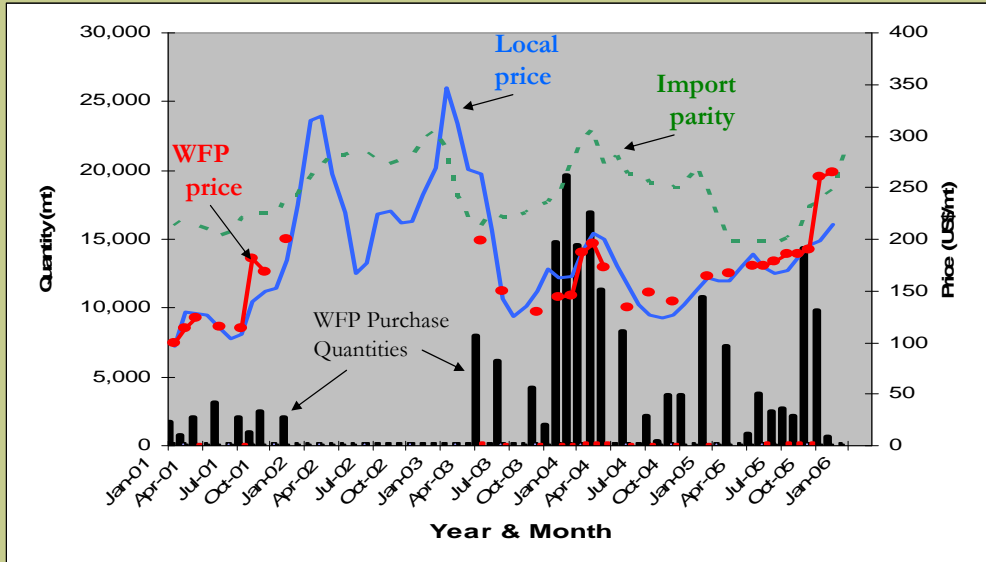


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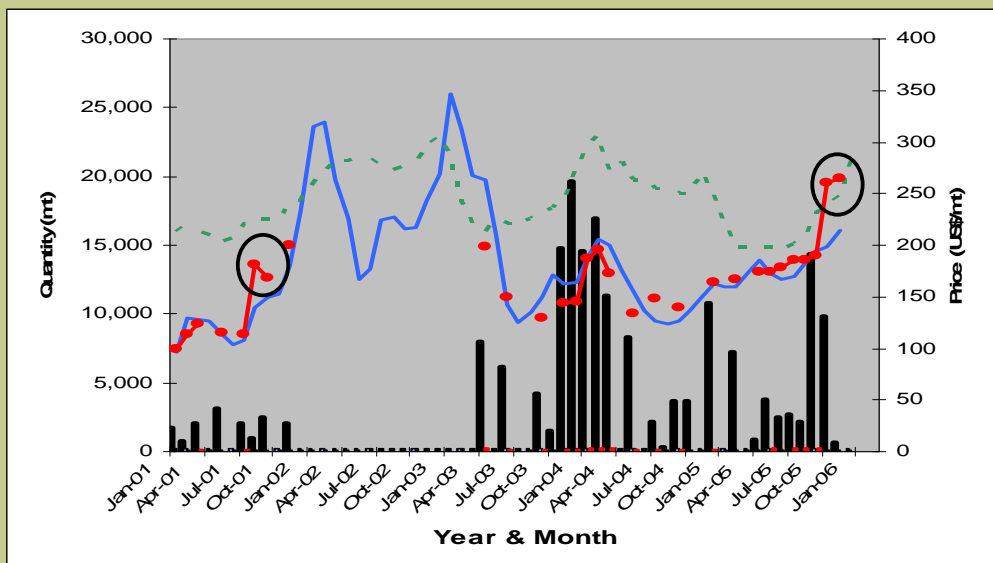
# LRP's Track Record- Zambia

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



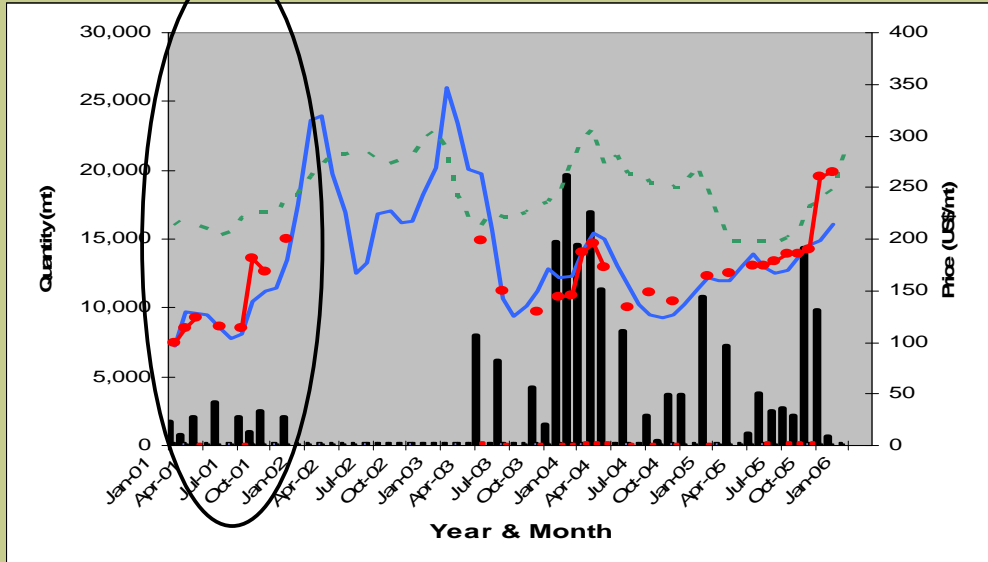
# LRP's Track Record- Zambia

*Prices Paid – generally good performance*



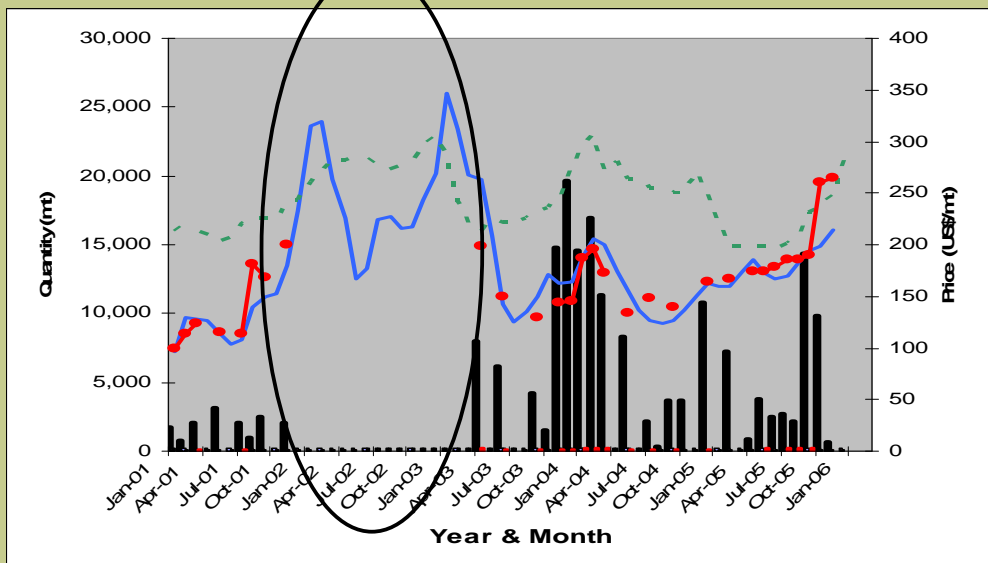
# LRP's Track Record- Zambia

*Decision to procure or not – good performance*



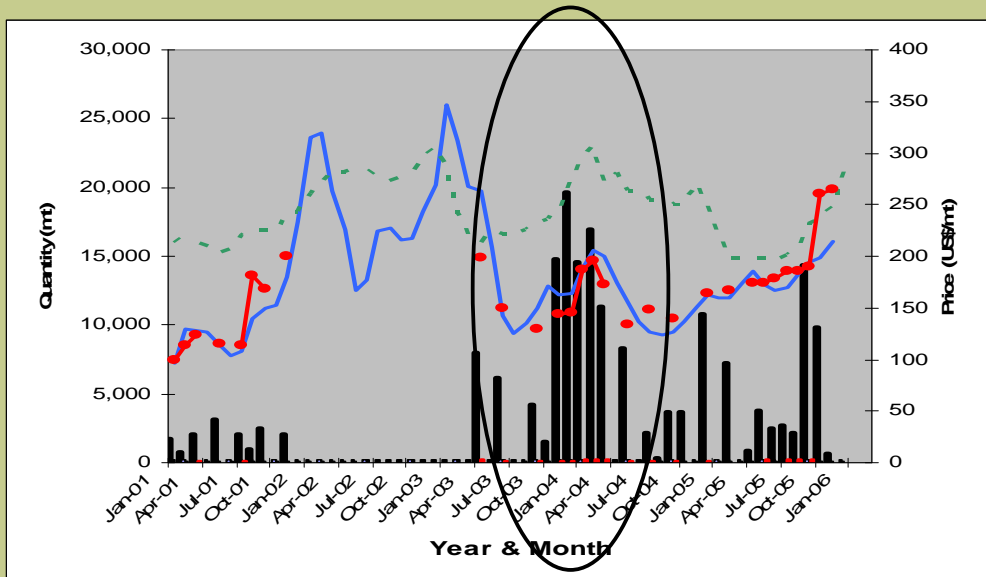
# LRP's Track Record - Zambia

*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

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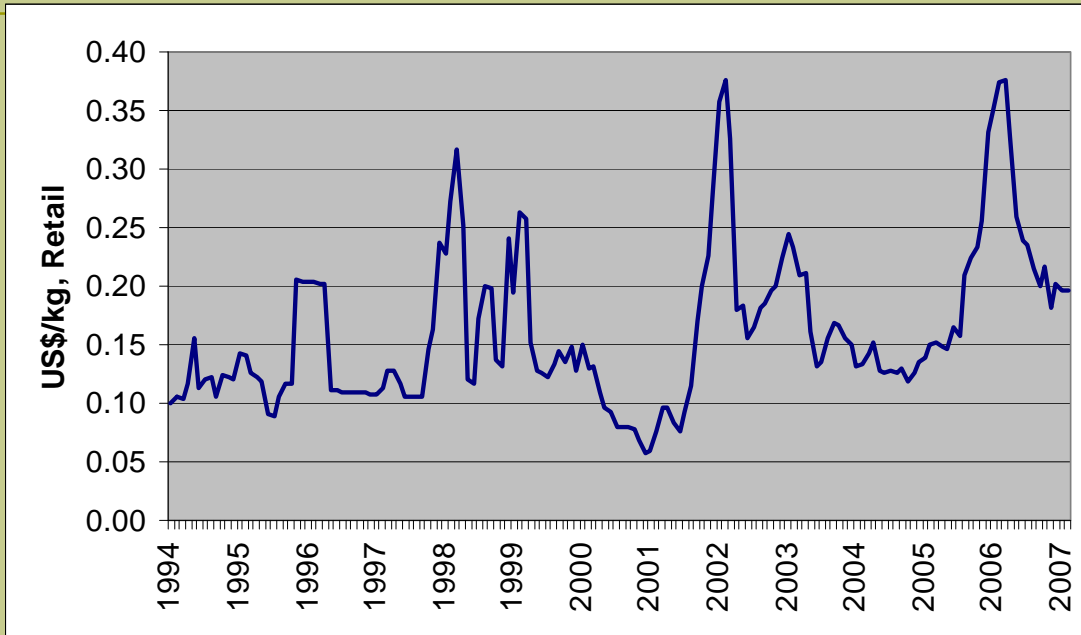
- P4P (including USAID support to it)
- USDA
- USAID working with NGOs
  
- More actors
- More complex objectives
  - Explicitly developmental
- More gain (maybe)
- More risk (definitely)

## Key issues in 2<sup>nd</sup> generation LRP

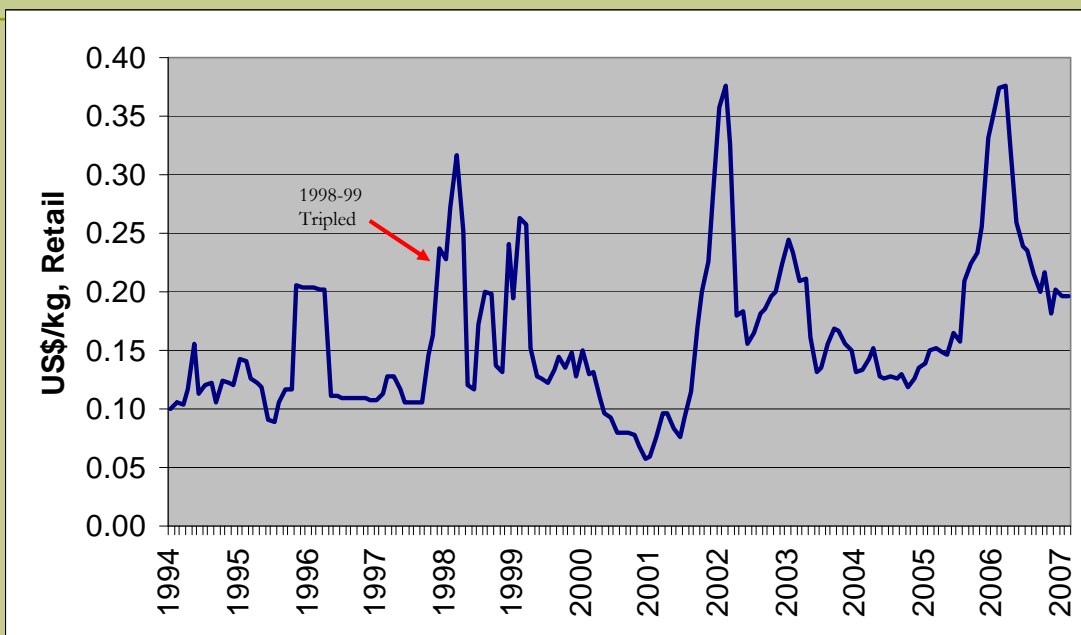
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- Benefit:Cost ratio
  - Not clear it will be high
  - M&E critical
  - ***Need for learning***
- Pricing
  - Need for a consistent approach across actors
  - WFP's plans for forward contracting

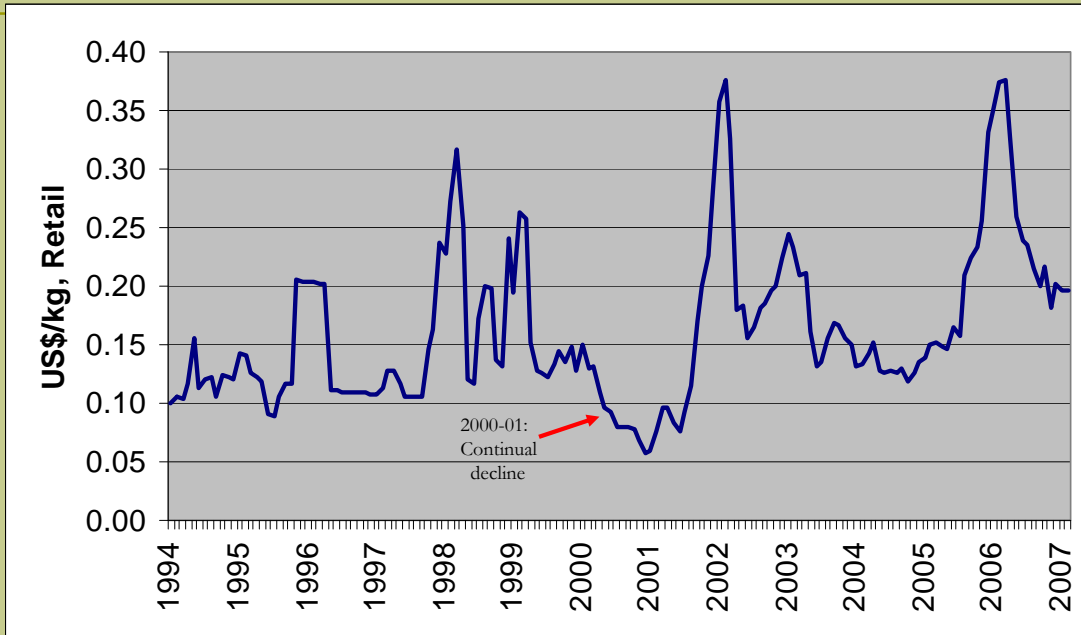
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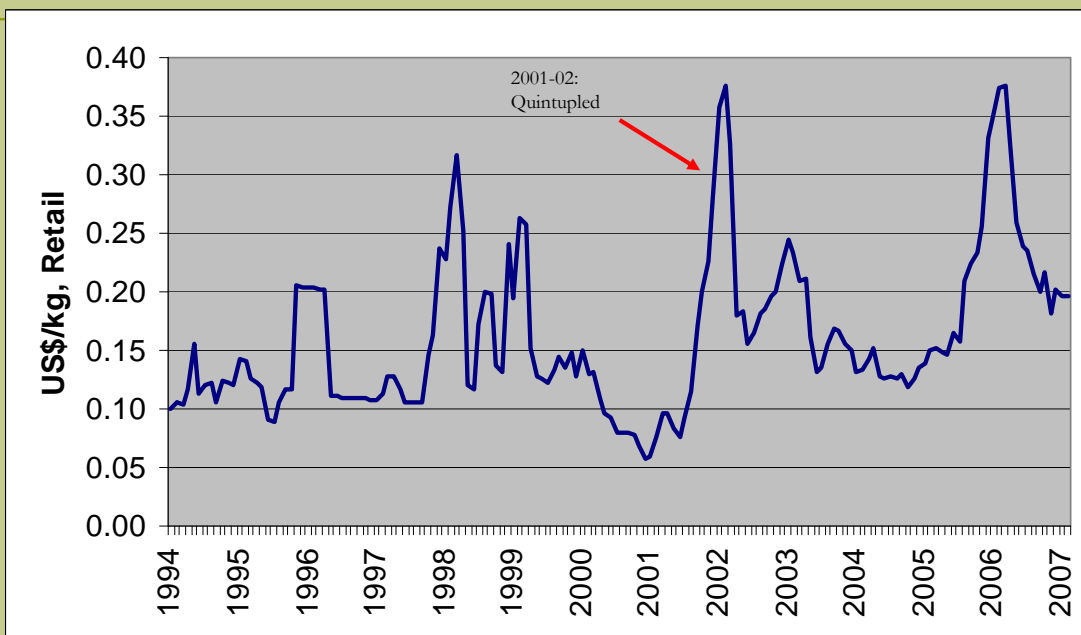
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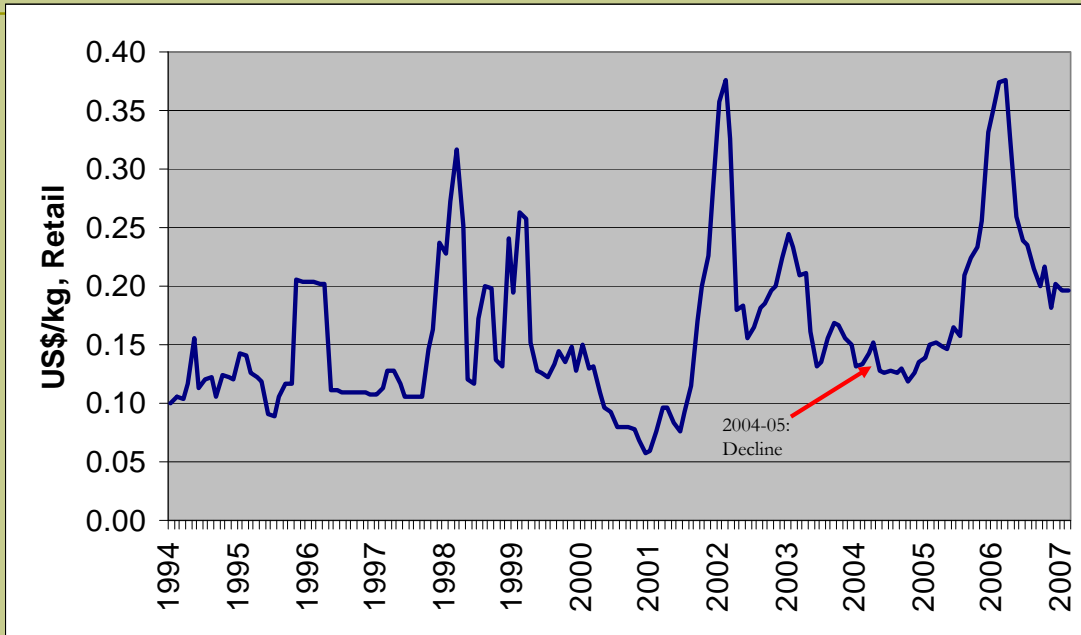
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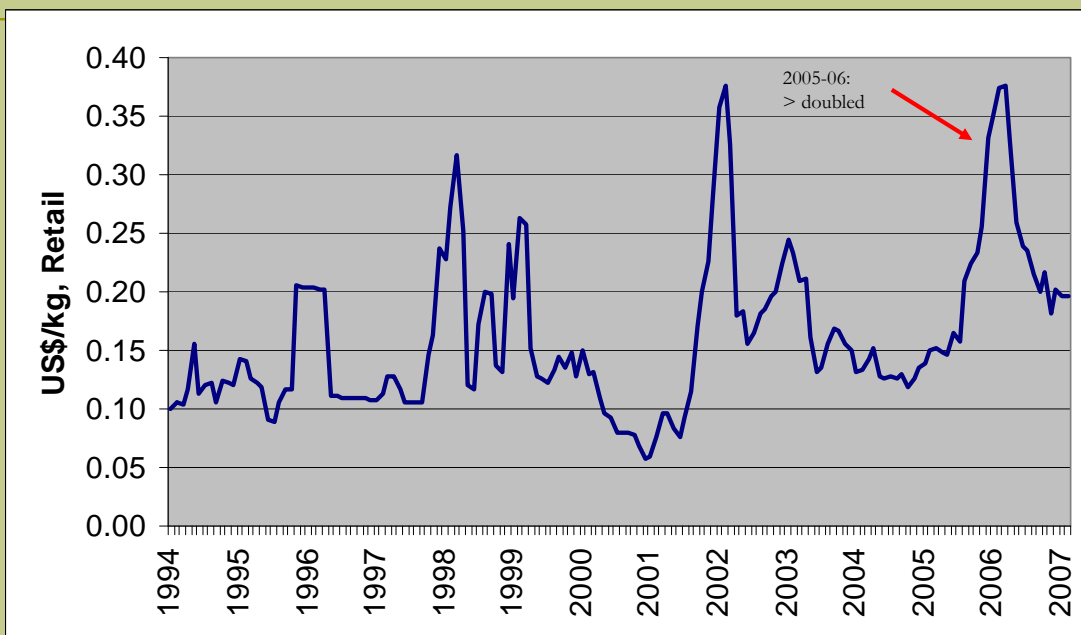
## *Maize grain prices in Eastern Province, Zambia*



## Maize grain prices in Eastern Province, Zambia



## Maize grain prices in Eastern Province, Zambia



## Key issues in 2<sup>nd</sup> generation LRP (2)

### □ Coordination

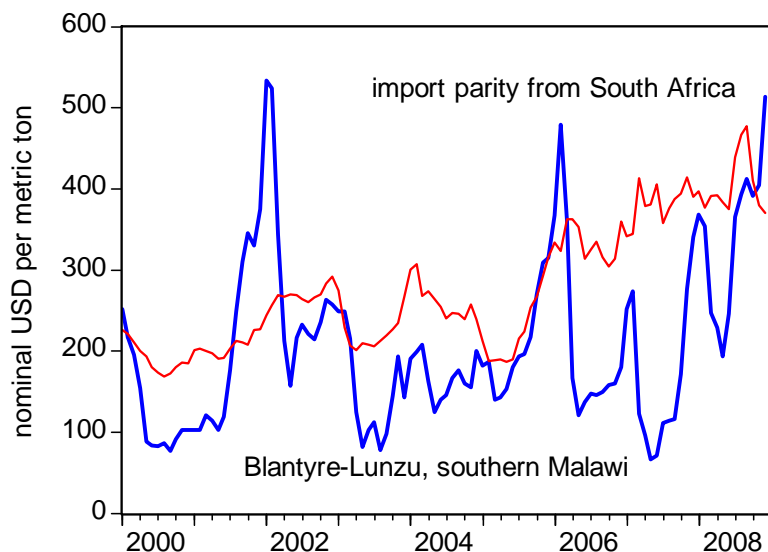
- Taking advantage of strengths of different organizations
  - To keep objectives well defined
- Avoiding uncoordinated purchases

### □ 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 approaches will not reach other 80%-90%

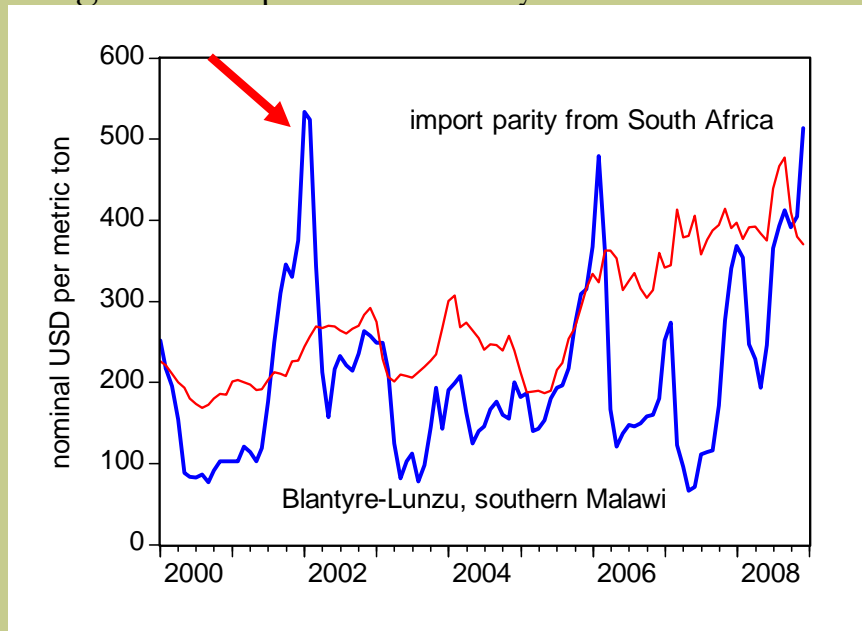
## Key issues in 2<sup>nd</sup> generation LRP (3)

### □ Having the discipline *not* to buy



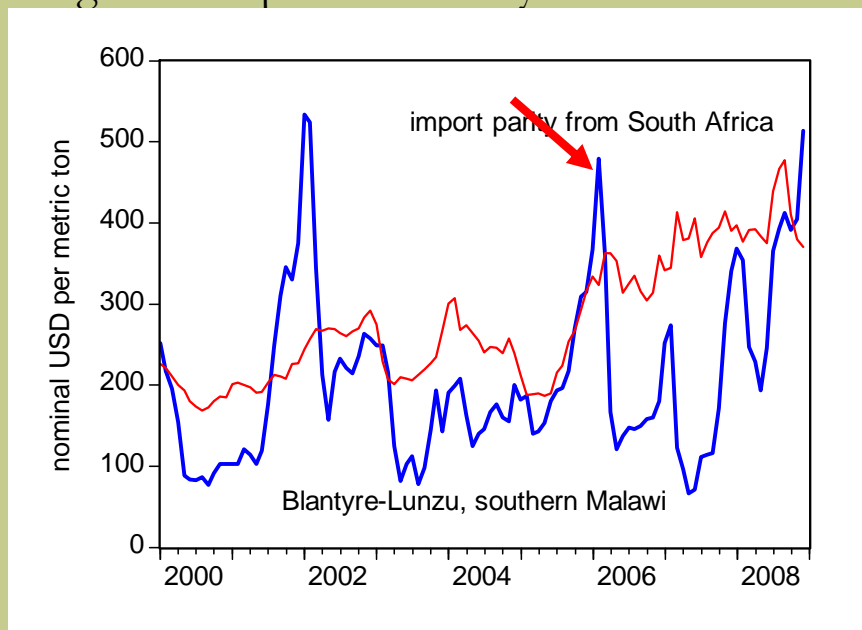
## Key issues in 2<sup>nd</sup> generation LRP (3)

- Having the discipline *not* to buy



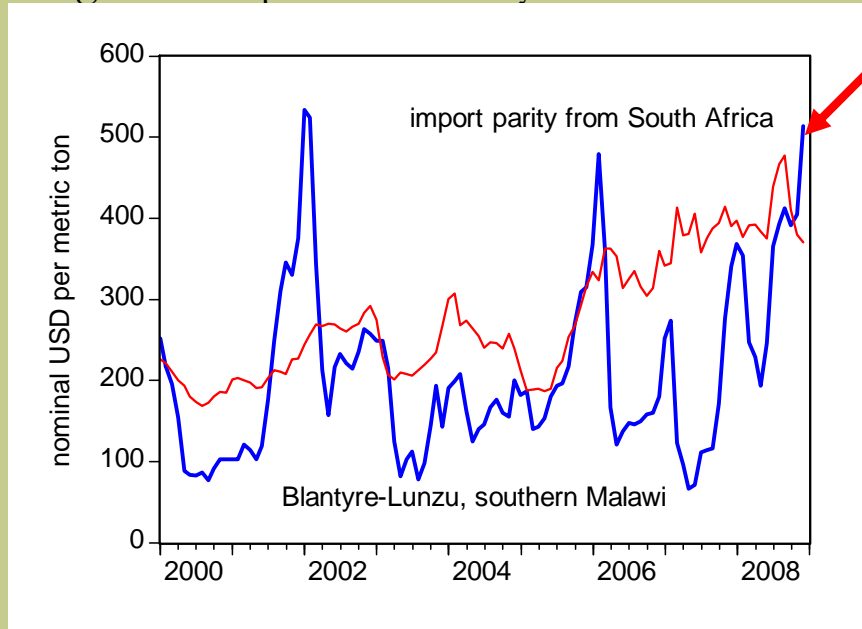
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*Thank you*