

A ZAMBIAN CASE STUDY



Public Procurement and Private Sector

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Procurement Modalities

Closed Tender:

- *WFP's historic method of tendering*
- *No price discovery to the market*
- *Limited shortlist of suppliers*
- *No direct medium or smallholder engagement*
- *Potential for large volumes*

ZAMACE:

- *Transparent price discovery and competition among suppliers*
- *Potentially better value for limited donor contributions*
- *Security of transaction for buyer and seller*
- *Local fast arbitration mechanism (complies with UNCITRAL)*
- *Part of the wider market, not a subset*
- *Additional benefits of developing confidence in ZAMACE*



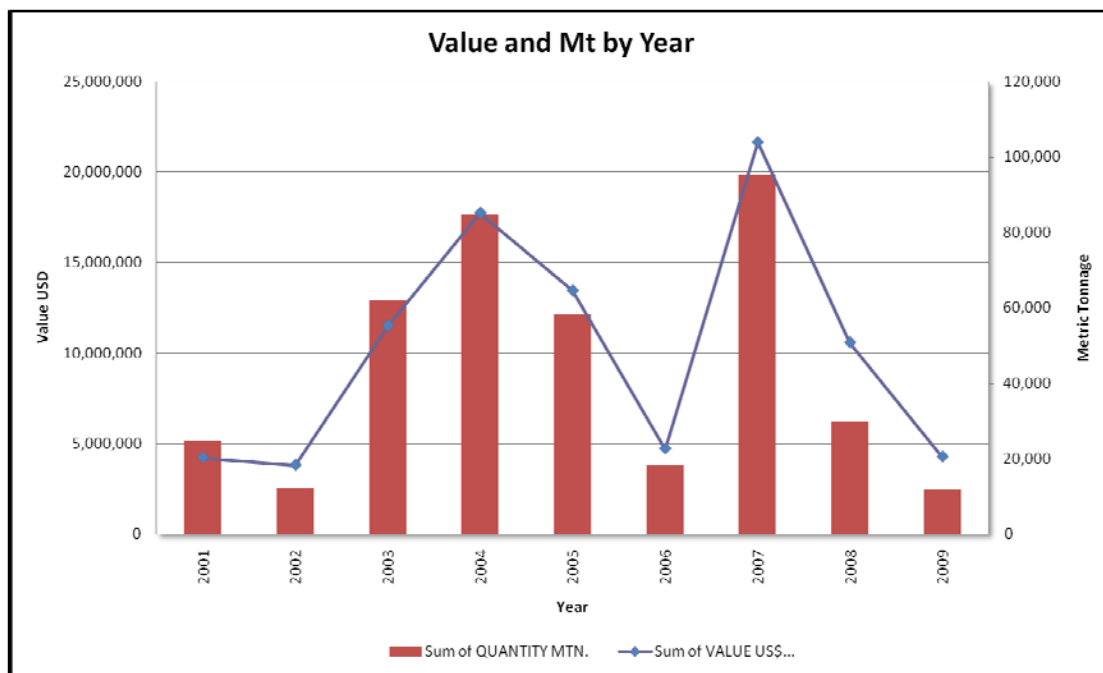
Procurement Modalities

WFP and ZAMACE:

- *WFP the hardest client on the Exchange, accommodation of procedures*
- *Drove the development of Exchange procedures e.g. settlement process*
- *Introduced “reverse auction” or “open outcry”*
- *Decision to use the Exchange for WFP purchases in Zambia*
- *First to bid for beans and maize meal on the Exchange*
- *First to explore potential for regional trade and price discovery:*
 - *Beans for Zambia simultaneous with ACE (Malawi)*
 - *Maize for Zimbabwe in conjunction with WFP RSA 25,000 Mt, only 300 Mt awarded*

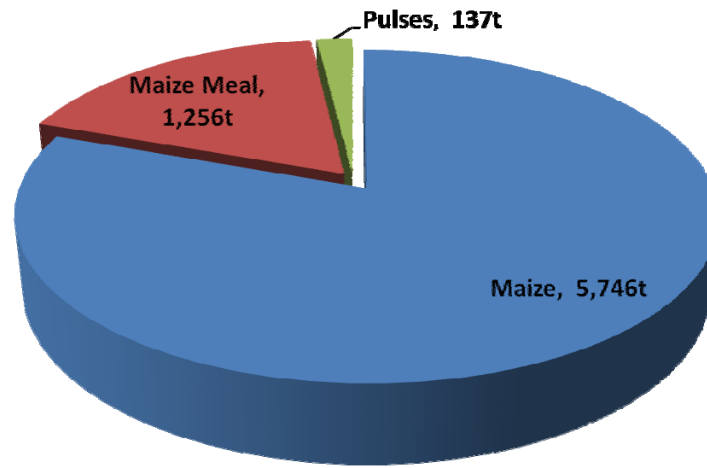


Purchases 2001 to 2009





Procurement on ZAMACE 2008-2009



Value: USD 2.25m
Volume: 7,139t



Purchase for Progress (P4P) in Zambia

P4P Goal in Zambia

Facilitating the access by smallholder farmers to the commercial market, therefore increasing their production, income and improving livelihoods

P4P opens scope for experimenting with new procurement modalities and market development concepts.

P4P activities in Zambia must:

- *use existing market systems*
- *pay no subsidies*
- *not distort the market*
- *encourage competition in the market*



Purchase for Progress (P4P)

Two Approaches:

- *Work directly with farmer organisations - **Take farmer to market***
- *Use existing market based systems - **Take market to farmer***



Purchase for Progress (P4P)

Approach 1: *Work directly with farmer organisations - **Take farmer to market***

Benefits:

- Easier to show figures and benefits to Donors and Government
- Direct results shown
- Target specific groups with straight forward implementation plan
- Quick win strategy

Challenges:

- WFP is the market – not sustainable
- Timing of Donor contributions – can destroy farmer confidence
- Does not support development of the wider Ag markets
- Difficult to take to scale – impact for few, what about the rest?
- Difficulty in setting price – can distort local market
- Difficult to purchase large volumes without elaborate and expensive structures



Purchase for Progress (P4P)

Approach 2: Use existing market based systems - *Take market to farmer*

Benefits:

- Buy at supply and demand determined price
- Does not distort the market
- Utilisation of private sector infrastructure and operational expertise – low staffing
- Wider supplier base of both commercial and smallholder farmers
- No exit strategy required – sustainable
- Encourages competition
- Supports market development
- District based decentralisation of purchasing – competitive advantage to farmers in that district – significant logistics savings
- Encourages aggregation and grading to commercial standards
- Potential for regional trade and price discovery – regional competitiveness



Purchase for Progress (P4P)

Approach 2: Use existing market based systems - *Take market to farmer*

Challenges:

- Difficult to show benefits to the wider market to Donors and Government
- Takes time to develop the market structures and build producer confidence
- Vested interest in status quo for players who do not want transparency in the market
- Does not work in commercially un-viable areas – role for social responsibility of Government in far flung areas – no market distortion & does not crowd out private sector in commercial areas



Purchase for Progress (P4P)

Smallholder Engagement:

- *Utilisation of the ZAMACE certified warehouse network*
- *Buying in a District for WFP programmes in a District (D4D)*
 - *WFP reinvestment in the District*
 - *Significant logistics cost savings*
 - *Smallholder engagement in the wider market*



Purchase for Progress (P4P)

Conclusion:

- *Whole market benefits from the approach.*
All the farmers benefit all the time, not a few farmers some of the time
- *Competitive advantage for district purchases but in a purely market environment.*
no subsidy



Purchase for Progress (P4P)

The Future:

- Increased Regional Exports
- Call options



Purchase for Progress (P4P)

