

# Local and Regional Food Aid Procurement

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## *The state of knowledge as LRP Moves into its Second Generation*

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“Uniting on Food Assistance: Promoting an Evidence-Based  
Transatlantic Dialogue and Convergence”*

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## Outline

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- Background
- What do we know?
- Choosing between modalities
- What do we not know?
- Key issues

## Background

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- LRP = **L**ocal/**R**egional **P**rocurement of food aid
- Rapid growth since 2000
  - Movement of EU to cash based programming
  - Then Canada
  - U.S. ...
- 1<sup>st</sup> generation LRP (“Traditional LRP”)
  - WFP buying through large competitive tenders
  - Other actors were few and not growing
  - *Assure cheapest possible supply of appropriate food subject to timeliness needs*

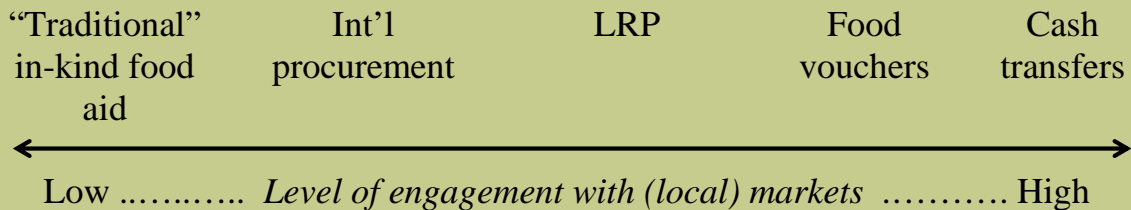
## Background (2)

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- 2<sup>nd</sup> generation LRP (from late 2000s)
  - More actors, more modalities, more objectives
    - WFP Purchase for Progress (P4P)
    - USDA food aid pilot procurement project (PPP)
      - U.S. NGOs
    - USAID ...
    - *Use purchasing power for development objectives*
  - Traditional LRP still dominates quantitatively
  - But new modalities getting lots of attention and some focused study

## Background (3)

- LRP should be seen as one of a variety of options



*Local market conditions key to determining which to use*

## Background (4)

- And many options within LRP

<b>Purchase modality</b>	<b>Who procures?</b>
<ul style="list-style-type: none"><li>- Routine, large-scale competitive tenders</li><li>- Soft-tendering</li><li>- Contracting</li><li>- Direct purchases</li><li>- Through exchanges</li><li>- Warehouse receipts (in or out of exchanges)</li></ul>	<ul style="list-style-type: none"><li>- WFP</li><li>- Individual NGOs</li><li>- NGOs through umbrella organization</li></ul>

## What do we know?

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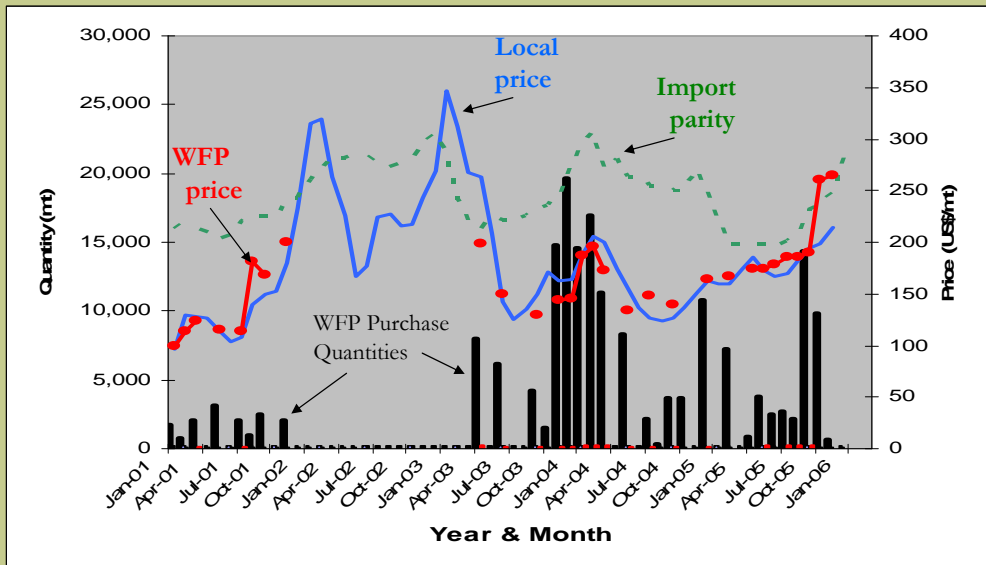
- WFP and NGOs are not traders
  - Implications for rules, procedures, disciplines
- 1<sup>st</sup> generation LRP generally successful
  - Cost and timeliness relative to in-kind food aid
    - Cost ~60%-65% of in-kind (Clay et al, Tschirley & Del Castillo, GAO)
    - Timeliness: 147 days for in-kind, ~35-40 for LRP (GAO)
  - This means
    - More people fed, fewer lives lost
    - Fewer long-term cognitive deficiencies

## What do we know?

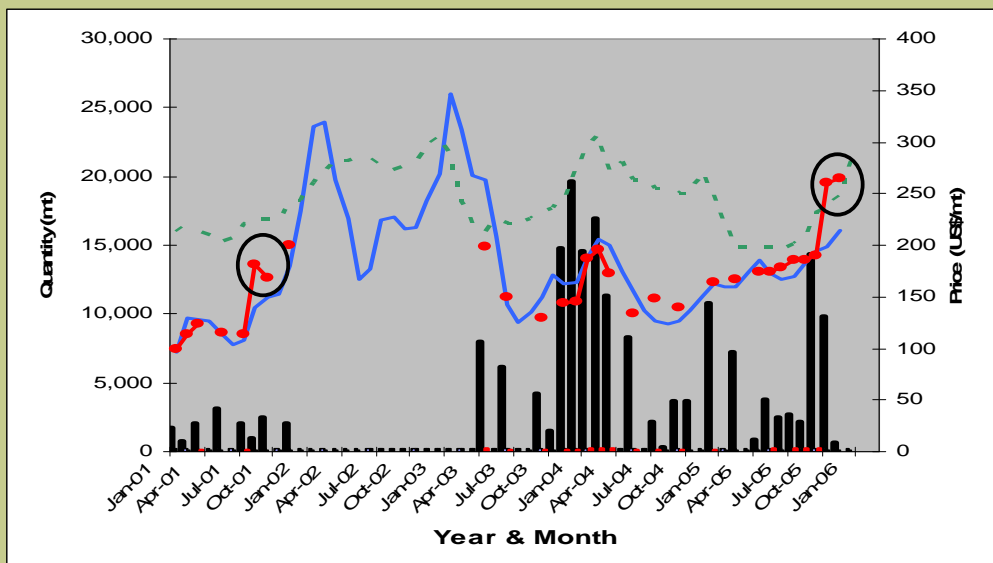
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- 1<sup>st</sup> generation pricing performance generally good
  - Buying at or near local market price
  - Not buying when local price > IPP

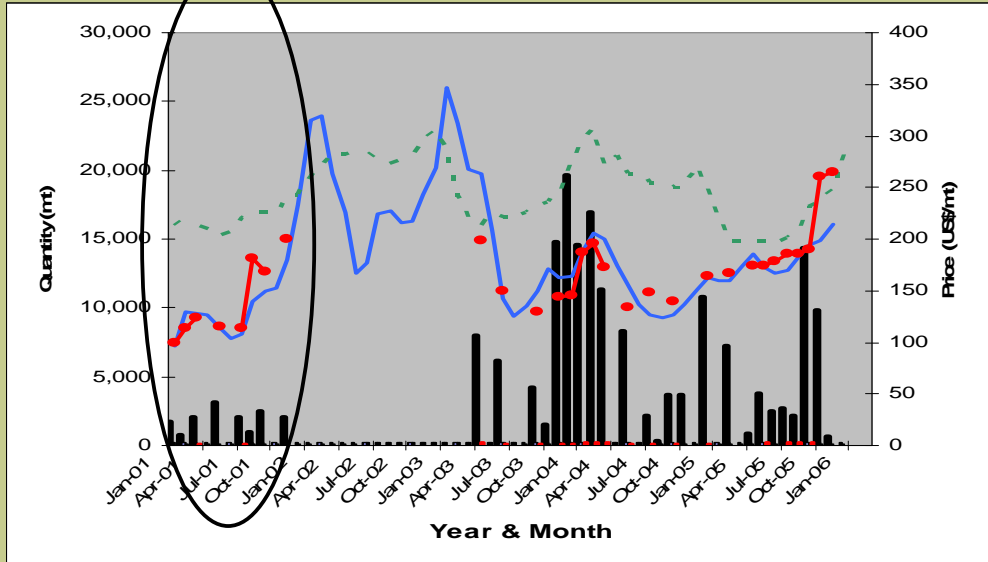
### WFP Purchases, local wholesale prices, and IPP from SA in Lusaka



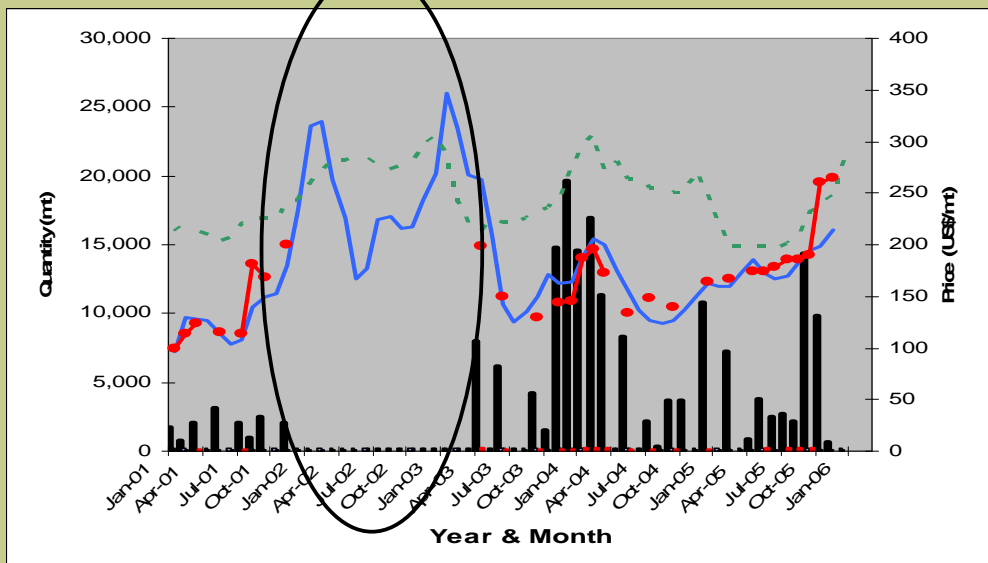
### *Prices Paid – generally good performance*



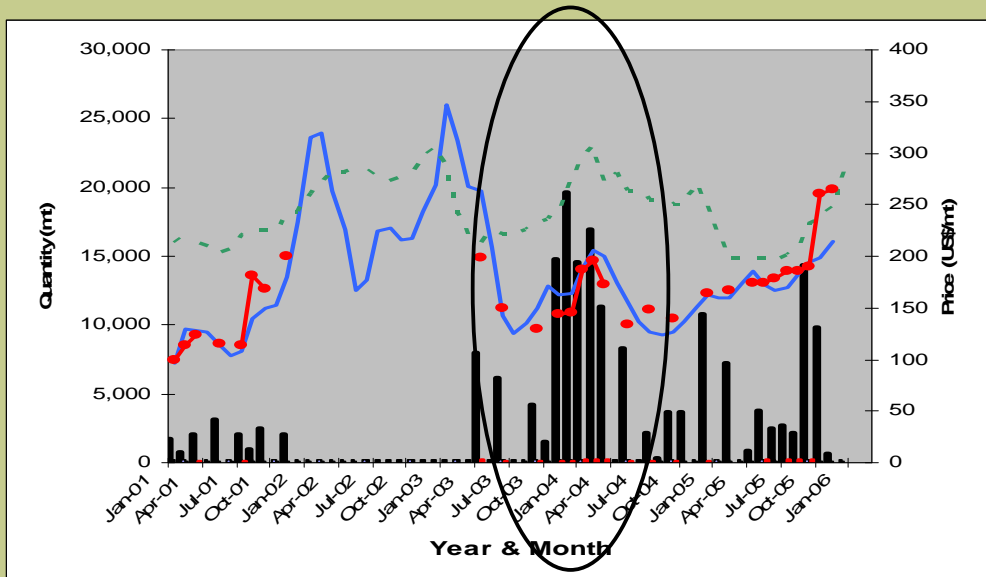
## Decision to procure or not – good performance



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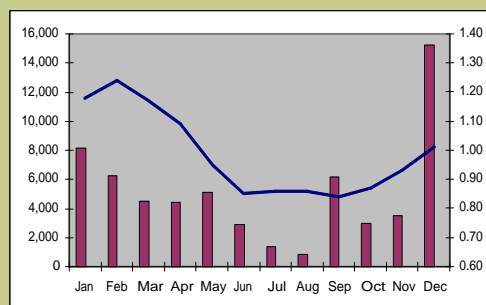


## *Decision to procure or not – good performance*



## What do we know? (2)

- Some problems in 1<sup>st</sup> generation LRP
  - Some evidence of price spikes on specific occasions
  - General sense and some quantitative evidence of WFP paying better than the market
  - Seasonality of purchases (Zambia example)



## How to Choose?

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- Between in-kind and cash or vouchers
- Between traditional (tied) in-kind and LRP
- Between types of LRP
  
- Though typically the choice should be on the *mix* of approaches

## Choosing between cash and in-kind: two questions

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- Do markets typically function well in affected areas?
  - Do they function well during normal production years?
  - Do the food insecure typically rely on food purchases for some share of their staple food needs?
  - Empirical regularities:
    - Poor and food insecure are most reliant on food markets
    - Drought prone areas are most reliant on food markets
    - 2002/03 example from southern Africa



## Choosing between cash and in-kind: two questions (2)

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- Is there reason to believe markets may not function well in this particular instance?
  - Is there sufficient food nearby to satisfy the new demand?
  - At what price? (transport costs; competitiveness of trade)
  - Is there any physical or policy barrier to the movement of food into the area?

## Choosing between tied food aid and LRP

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- Each case context specific
- But presumption must be heavily in favor of LRP
  - Efficiency as a moral imperative

## Choosing between types of LRP

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- Cost, timeliness
- Flexibility
- Complexity (demand on analytical resources)
- Risk of market distortion
- Potential for developmental impact

*Balancing uncertain development impacts against  
(a) cost and (b) uncertain probabilities of  
market distortions*

## Many unknowns about 2<sup>nd</sup> generation LRP

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- Effects on
  - Farmer incomes
  - Sustainability of any effects that are found
  - Market development
    - Size and reliability for farmers
    - Unit cost reductions
  - Price levels
  - Price instability
    - Size of purchases relative to size of market

## Establishing 2<sup>nd</sup> generation effects is difficult

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### □ Farmer incomes

- Panel surveys with Impact Assessment designs
- Technical issues
- Institutional issues
  - Training and orientation of staff in WFP, NGOs

### □ Prices

- Many more actors buying in many more locations?
- Issue of data availability

## Establishing 2<sup>nd</sup> generation effects is difficult (2)

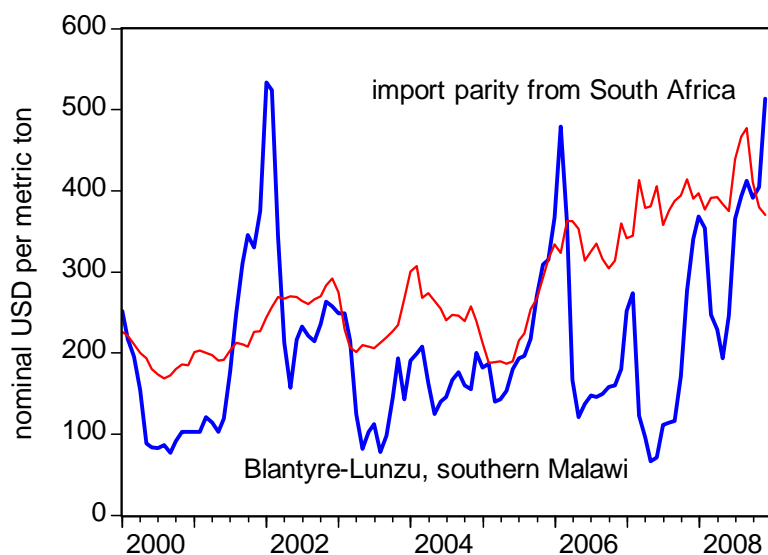
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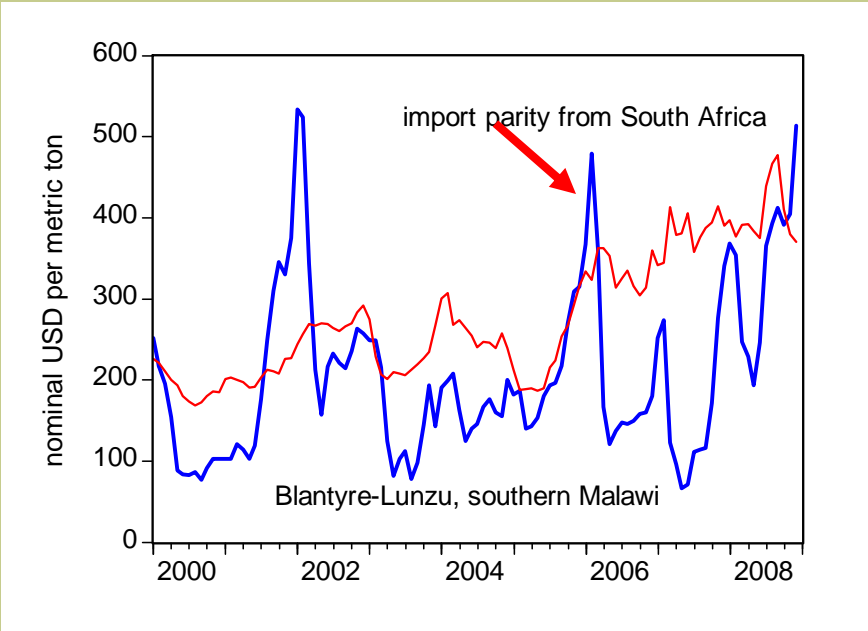
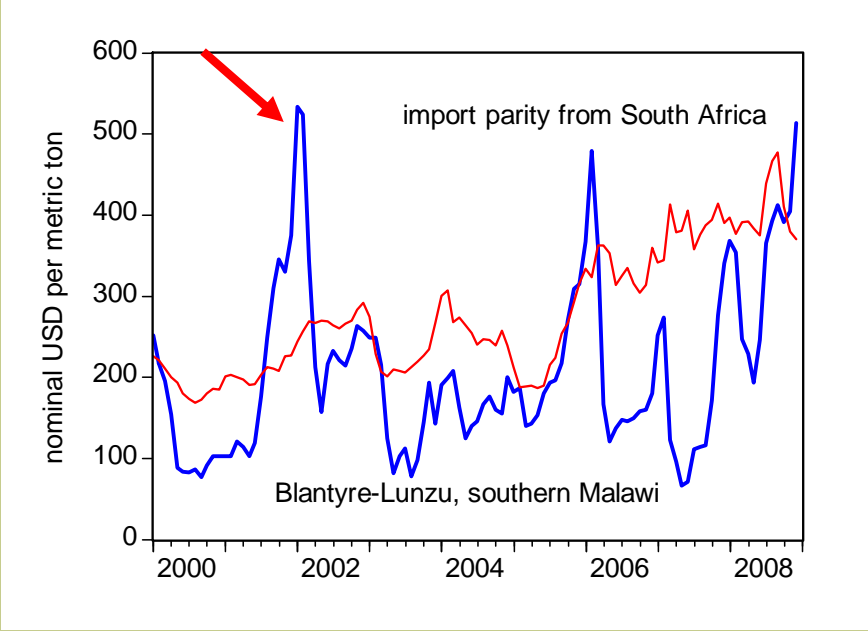
### □ Market development

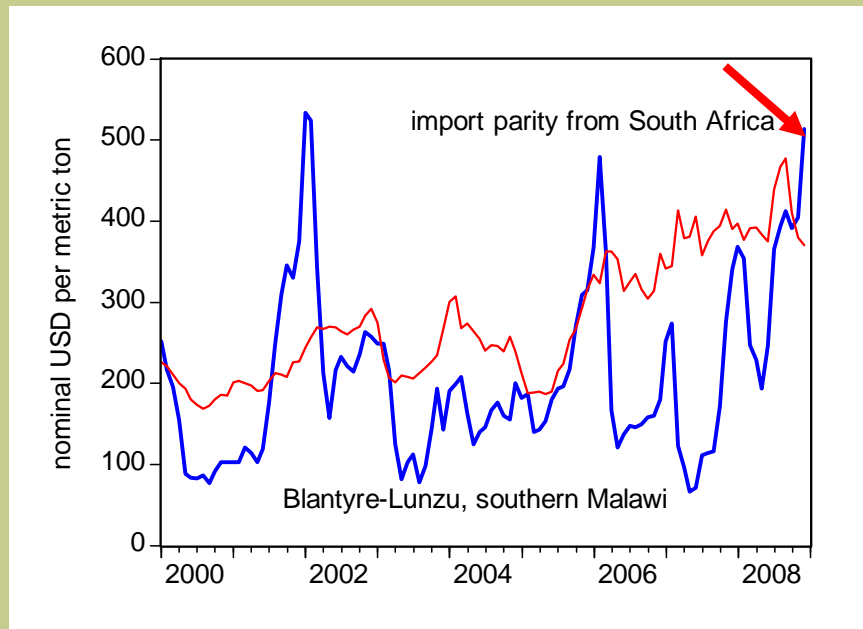
- Unit cost reductions take time

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

- Benefit:Cost ratio
  - Programmatic implications of needed research
- Pricing
  - Need for a clear and consistent approach across actors
    - WFP and NGOs are not traders
  - The discipline to not buy
    - How to impose this when partners have time-limited awards?







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

- Can LRP drive systemic improvements in market performance?
  - ZAMACE in Zambia
  - Warehouse receipts (and UCE?) in Uganda

*This is where the real gains will come*

## And not to forget about traditional LRP ...

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- Has it driven increases in production?
  - The converse of the food aid disincentive debate
- Has the Advance Financing Facility allowed more counter-seasonal purchasing?

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*Thank you*