WFP’s Purchase for Progress (P4)

Comments for discussion on design and M&E

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Presented at
World Food Program, Rome

Monday, 30 June, 2008

WFP’s record to date

- High level of procurement
- Highly cost effective compared to in-kind food aid
- Improved timeliness
- Generally good performance not distorting the market
- Agency deserves great credit for its performance
  - Despite some problems and some (heavy) criticism
The basis for this success

- Simple decision rule consistent with a market environment
  - Buy locally if $P<IPP$
  - Subject to timeliness
- Rigorously applied

LRP’s Track Record - Zambia

WFP Purchases, local wholesale prices, and IPP from SA in Lusaka
LRP’s Track Record - Zambia

**Prices Paid – good performance**

![Graph showing quantities and prices over time]

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

![Graph showing quantities and prices over time]
LRP’s Track Record - Zambia

Decision to procure or not – good performance

LRP’s Track Record – Kenya

WFP Purchases, local wholesale prices, and IPP from SA in Nairobi
LRP’s Track Record – Kenya

Prices Paid – some problems

Decision to procure or not – good performance
LRP’s Track Record – Kenya

*Decision to procure or not – good performance*

![Graph showing LRP's track record and decision to procure or not based on performance.](image)
LRP – 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: 1,200,000 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 even greater

P4P: Climbing a steep hill

- Zambia
  - 2% of farmers provide 50% of marketed surplus coming out of smallholder sector
  - 10%-20% provide the rest
- Comparable patterns elsewhere
- P4P will not reach the other 80%-90%
P4P is more ambitious and complex

- Activities 2 and 3 are especially innovative … and risky
- Two requirements:
  - For success: adapt and rigorously apply the previous decision rule to the new program
  - For accountability: Maintain a nearly real time data base
    - Comparable to what is put together (although not in real time) for the existing LRP program
    - Nothing like this is found in the logframe

Issues (1)

- Will these activities (1-4) amount to 10%, or 30%, of total LP?
  - Logframe: 30%; M&E document: 10%
  - In either case: max per country, or average over all?
- Cost:benefit is currently very low
  - Spend $66m to generate $18m in benefits
  - Where will the needed additional benefits come from?
- And the basis for $50 benefit calculation per hh appears to be flawed
Issues (2)

- The cost of decentralized procurement:
  - WFP says it will be lower than centralized,
  - But total cost (price + overhead) will likely be higher

Issues (3)

- Possibility of major effects on price levels, price variability, and level of uncertainty
  - Due to activities 2 and 3
  - How to establish local purchase prices in Activity 2?
    - Adapt existing decision rule to the new system:
      - Central wholesale price in place of world market price,
      - Domestic cost buildups in place of international
      - Continue monitoring IPP relative to central wholesale
Issues (4)

- ... price effects ... (cont’d)
  - The details of how prices are determined matter a lot!
  - Negative effects much more likely in thinly traded commodities
    - e.g., beans, sorghum
    - Information is scarce, markets are fragile

Issues (5)

- ...effects on price levels ... (cont’d)
  - How to monitor effects?
  - Near real time data base on every transaction
    - Continuous time series of local market prices
    - For each WFP purchase:
      - Date, location, volume, quality, price paid, delivery terms
Issues (5)

- How to establish prices for future delivery?

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

1998-99 Tripled

2000-01: Continual decline
Maize grain prices in Eastern Province, Zambia

2001-02: Quintupled

2004-05: Decline
Maize grain prices in Eastern Province, Zambia

Market Development

- In the long-run, the only way to help farmers improve their incomes is to reduce costs in the marketing system.
- WFP might be able to help do this:
  - Join EAGC
  - Look for opportunities to use commodity exchanges and promoting warehouse receipts
  - But be hard-headed; expect these efforts to pay-off (eventually) in terms of lower procurement costs for WFP and others.
Thank you