

WFP's Purchase for Progress (P4)

Comments for discussion on design and M&E

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WFP's record to date

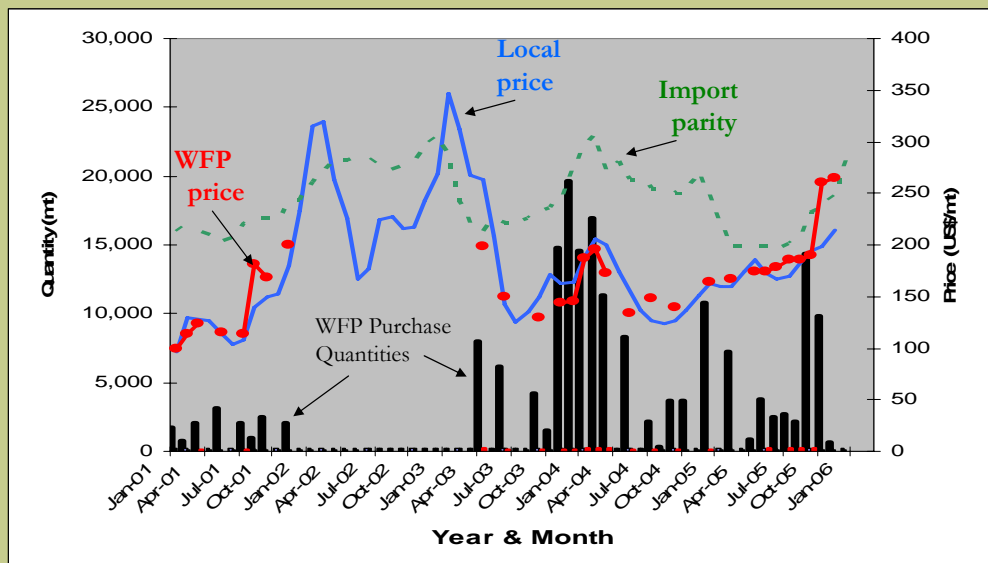
- High level of procurement
- Highly cost effective compared to in-kind food aid
- Improved timeliness
- Generally good performance not distorting the market
- Agency deserves great credit for its performance
 - Despite some problems and some (heavy) criticism

The basis for this success

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

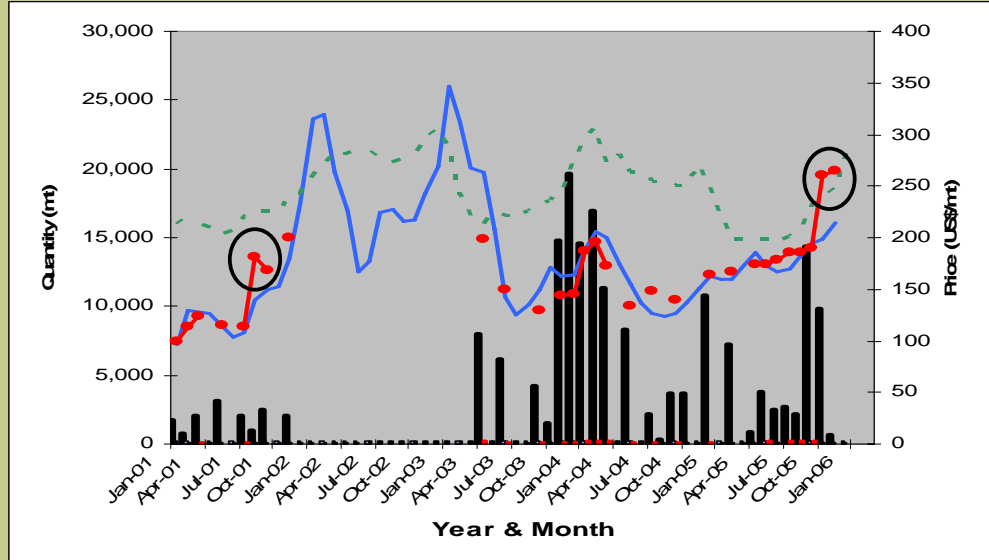
LRP's Track Record- Zambia

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



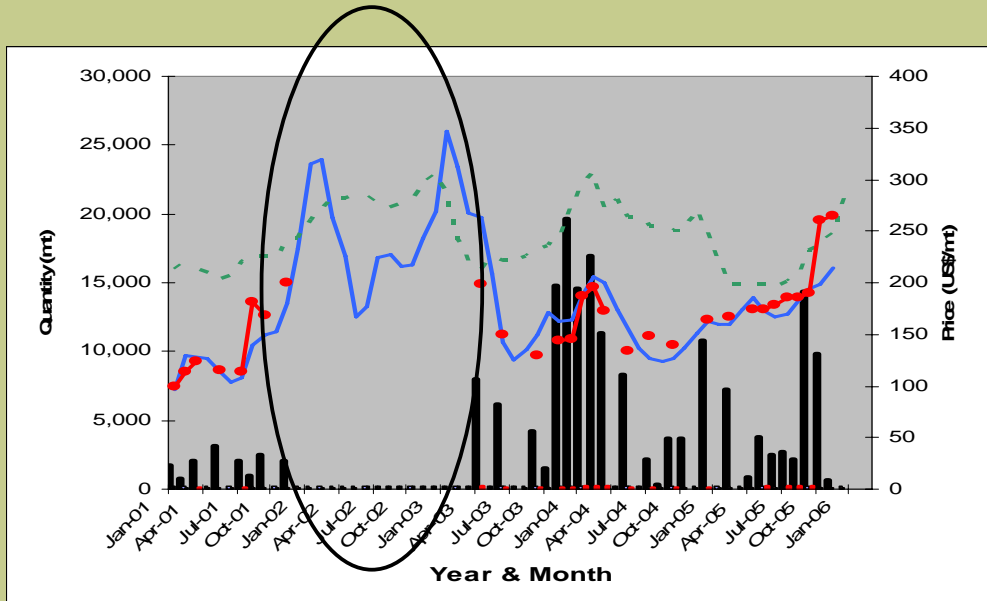
LRP's Track Record- Zambia

Prices Paid – good performance



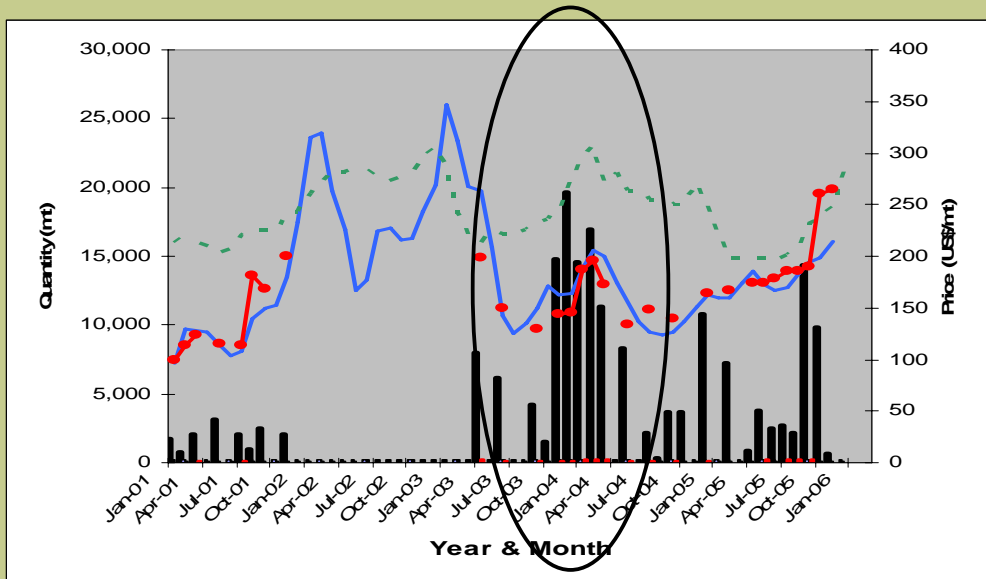
LRP's Track Record - Zambia

Decision to procure or not – good performance



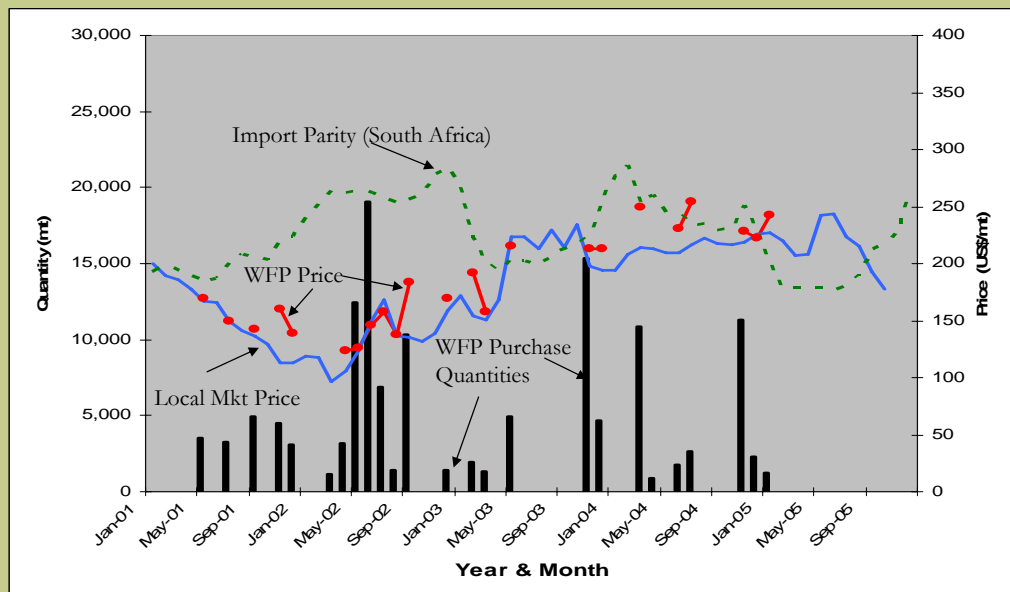
LRP's Track Record - Zambia

Decision to procure or not – good performance



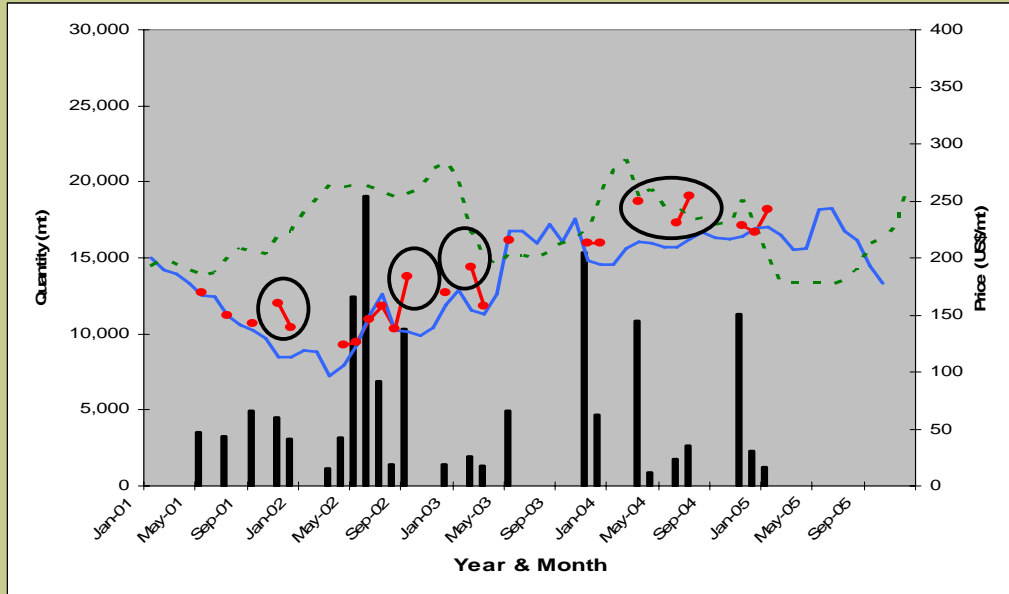
LRP's Track Record – Kenya

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



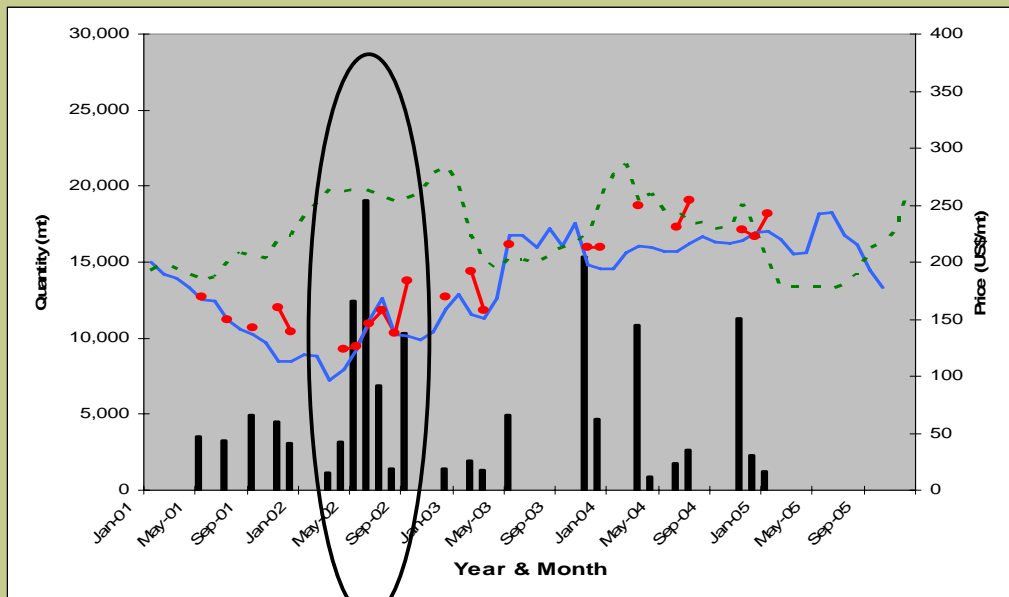
LRP's Track Record – Kenya

Prices Paid – some problems



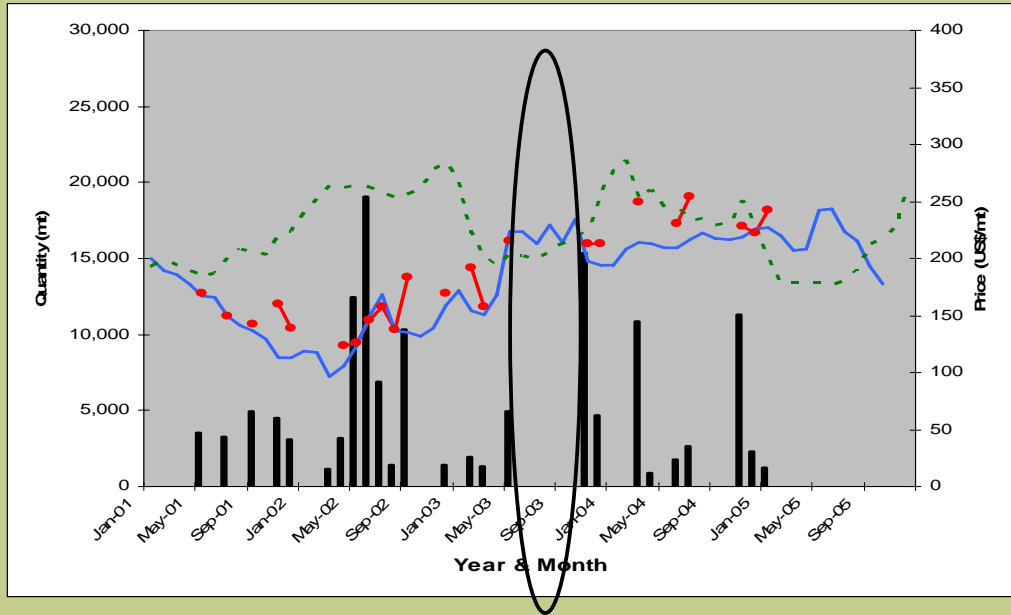
LRP's Track Record – Kenya

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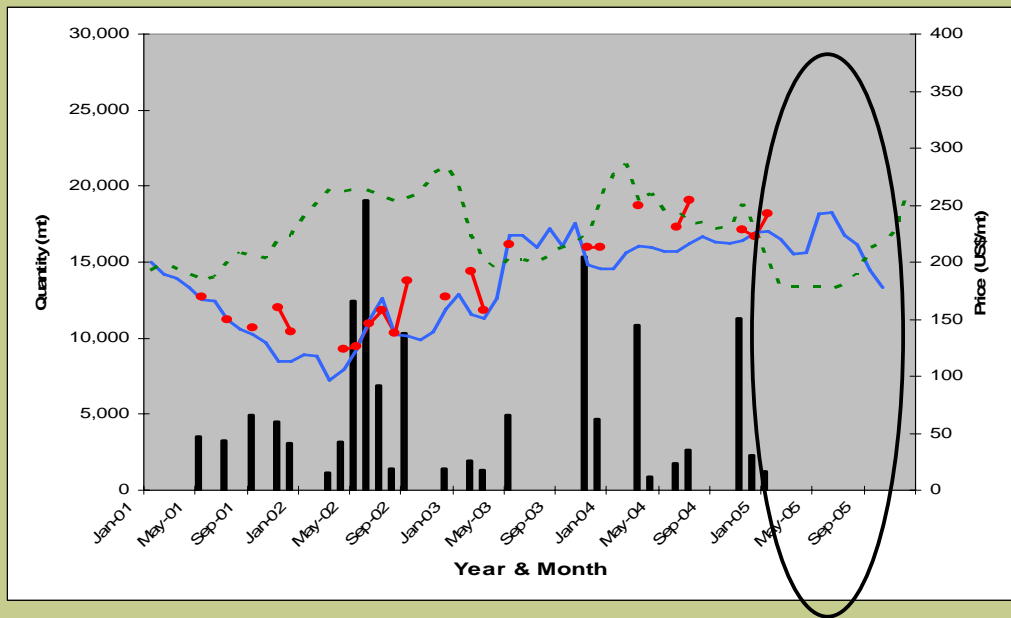
LRP's Track Record – Kenya

Decision to procure or not – good performance



LRP's Track Record – Kenya

Decision to procure or not – good performance



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

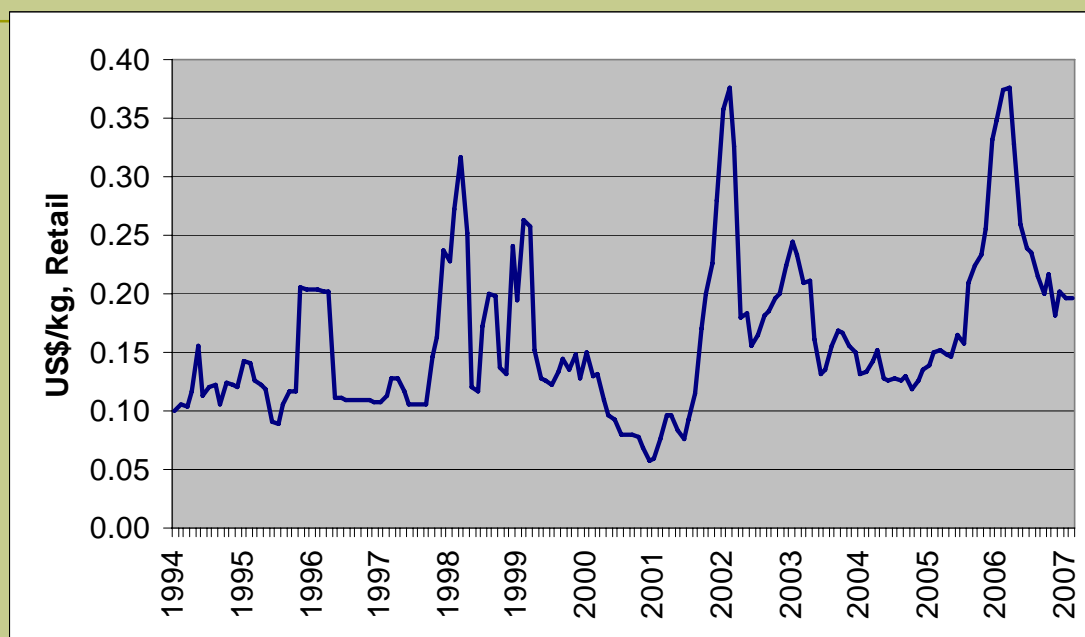
Issues (5)

- ...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

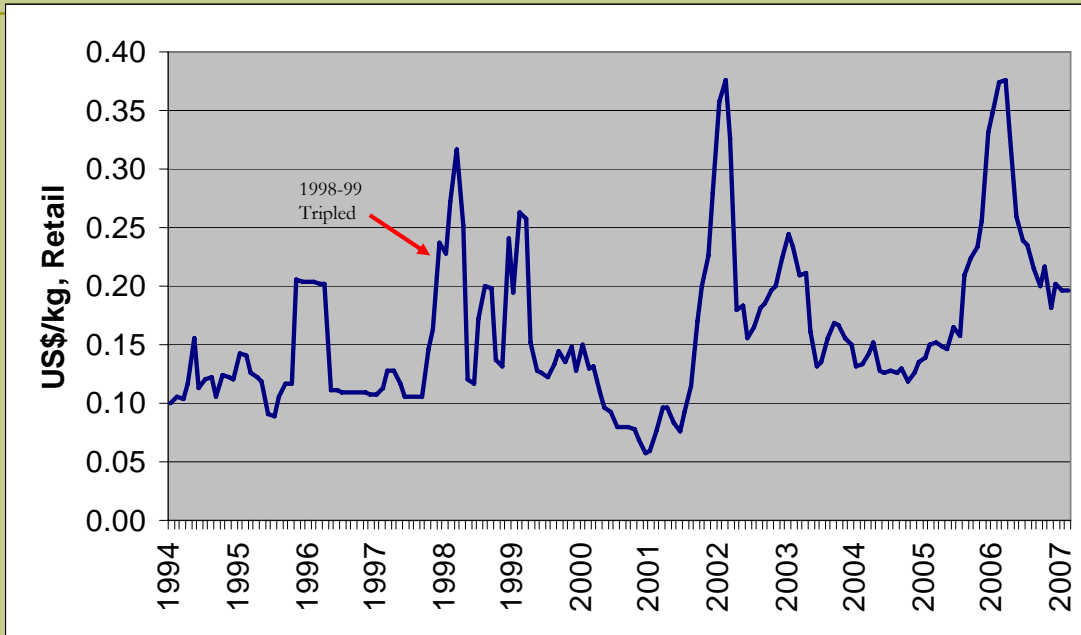
Issues (5)

- How to establish prices for future delivery?

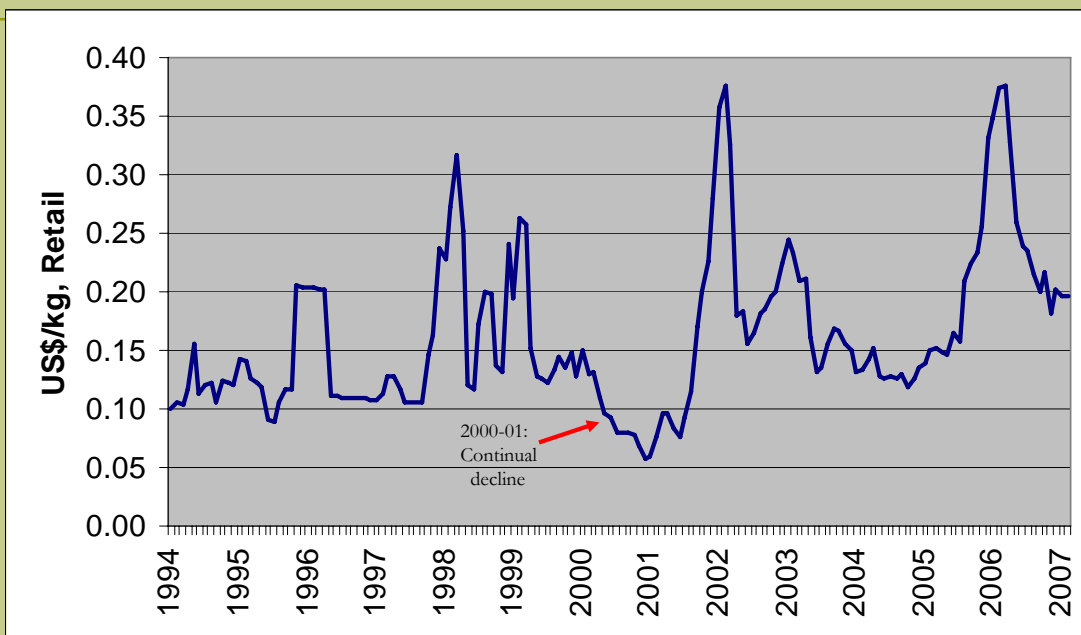
Maize grain prices in Eastern Province, Zambia



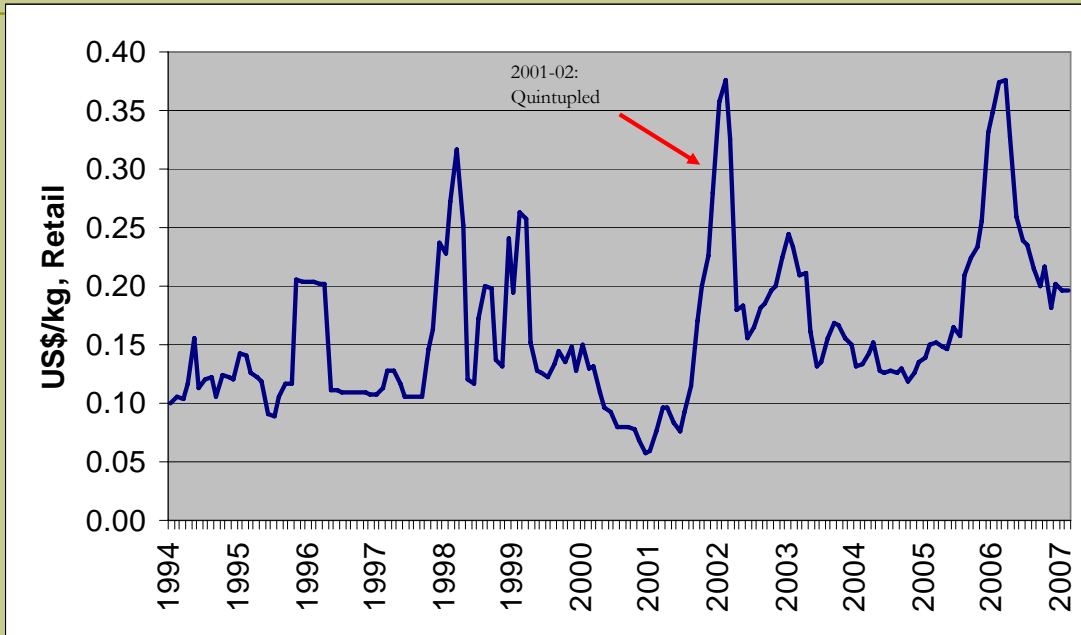
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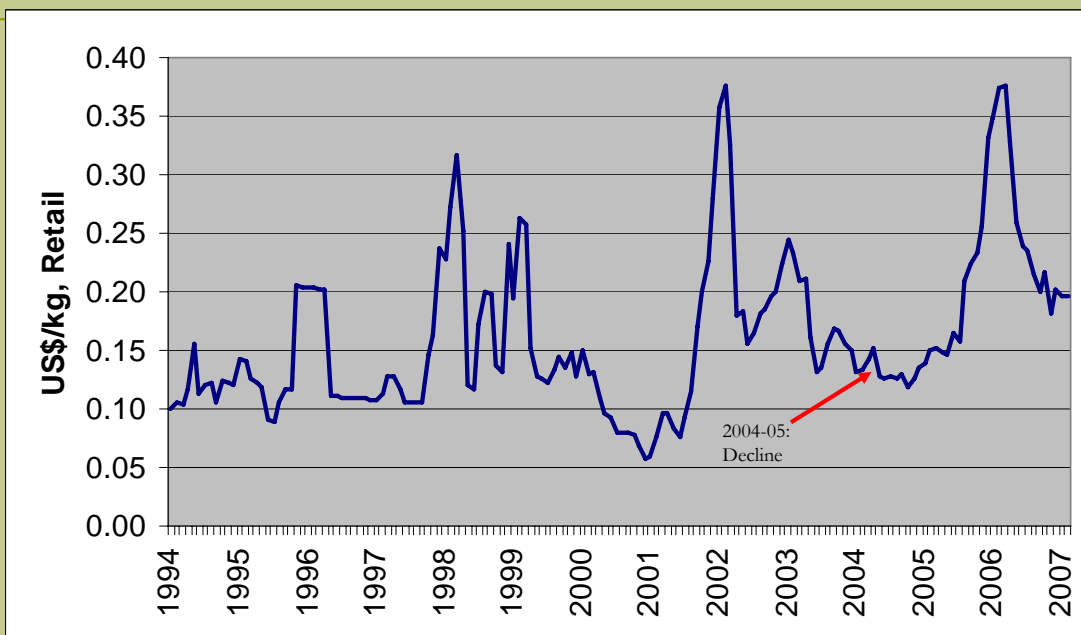
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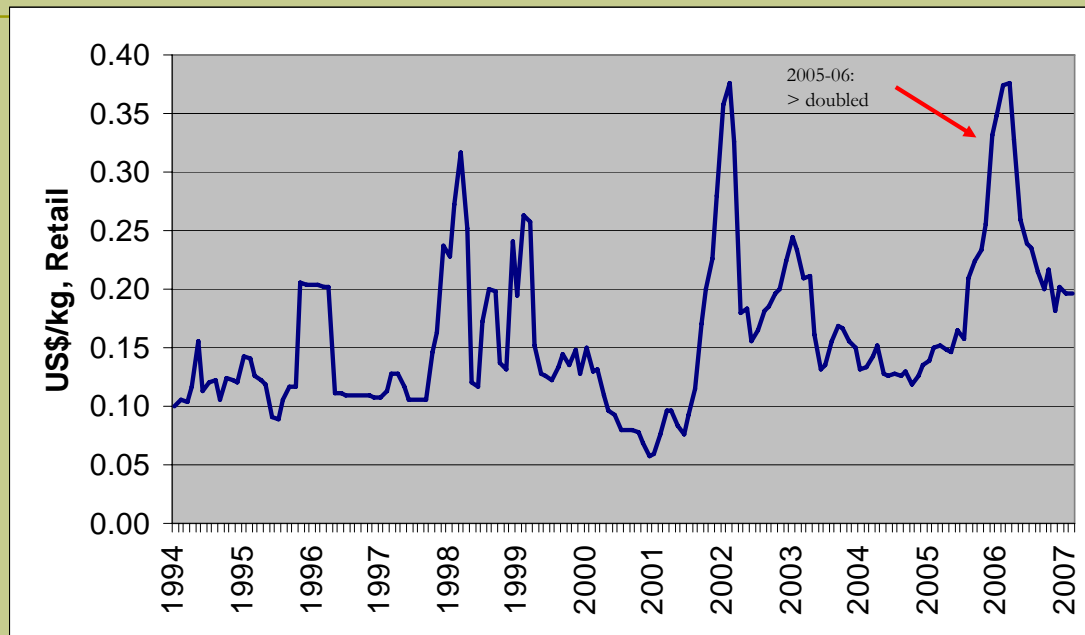
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Market Development

- 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