

Local and Regional Food Aid Procurement

Successes and Challenges as LRP Moves into its Second Generation

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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 2nd generation LRP

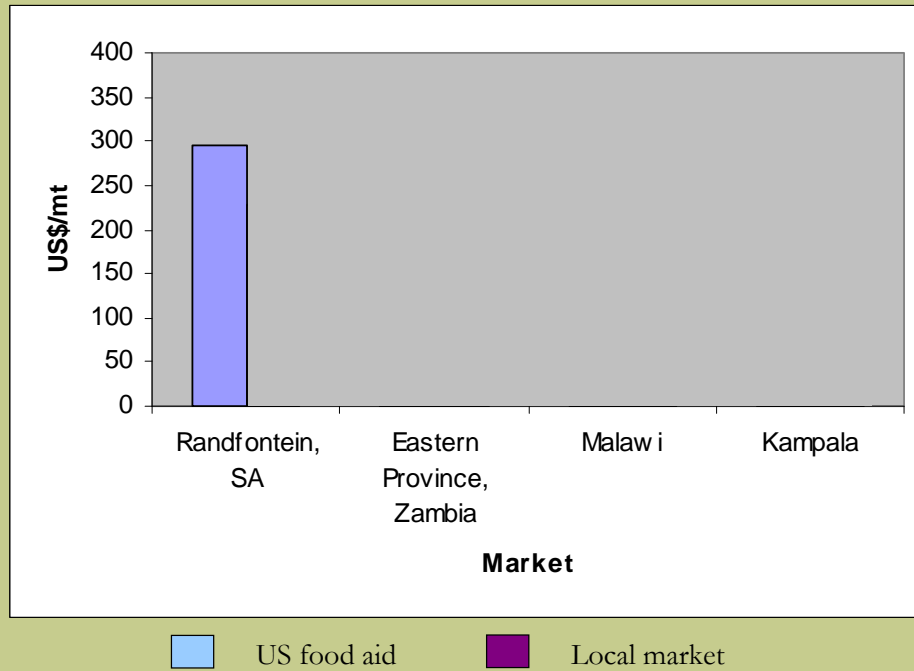
WFP's record in 1st generation LRP

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

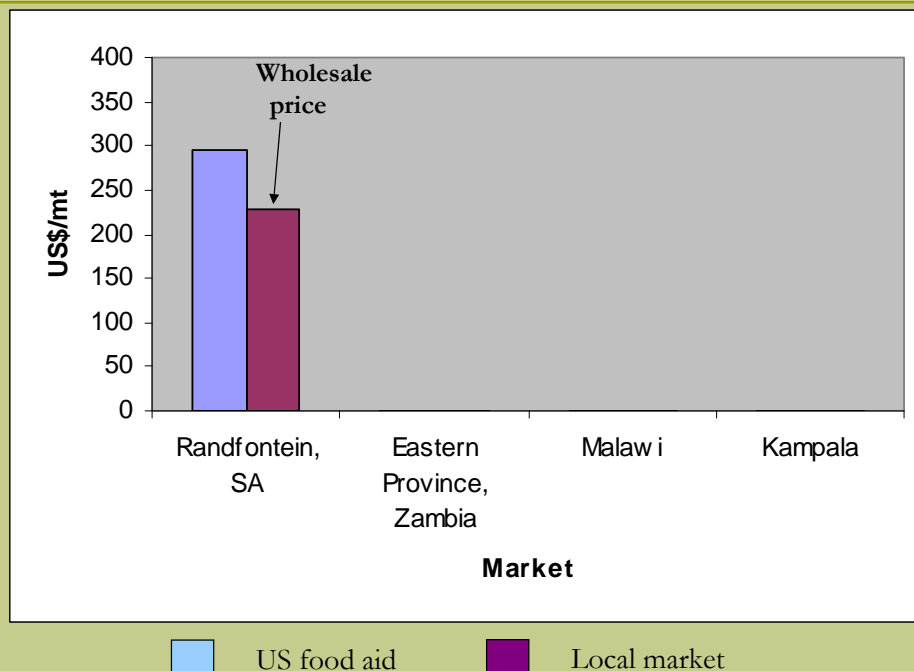
Cost savings = feeding more people

- 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

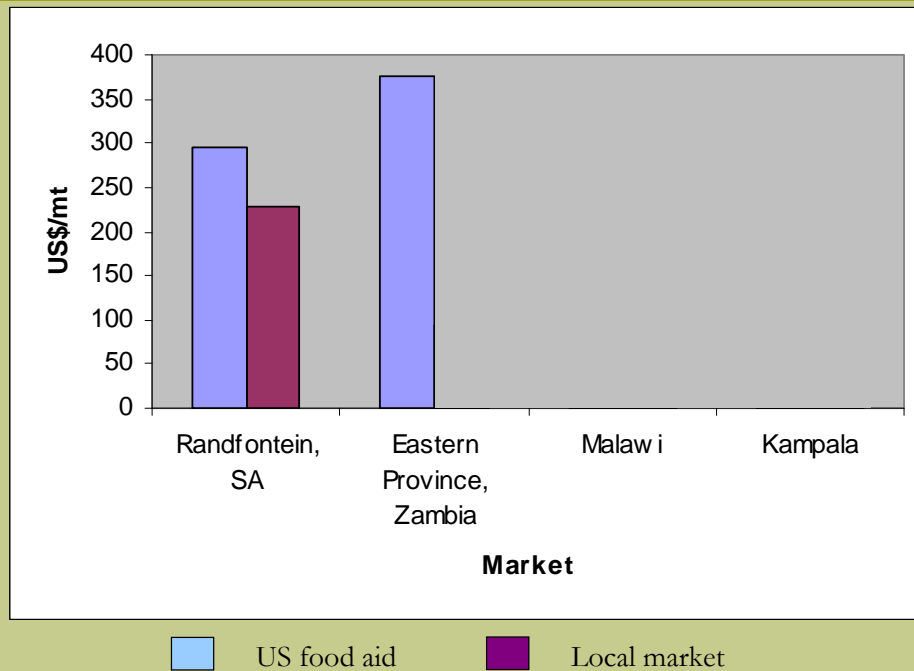
Maize prices in various SSA markets vs. imported U.S. food aid – April 2007



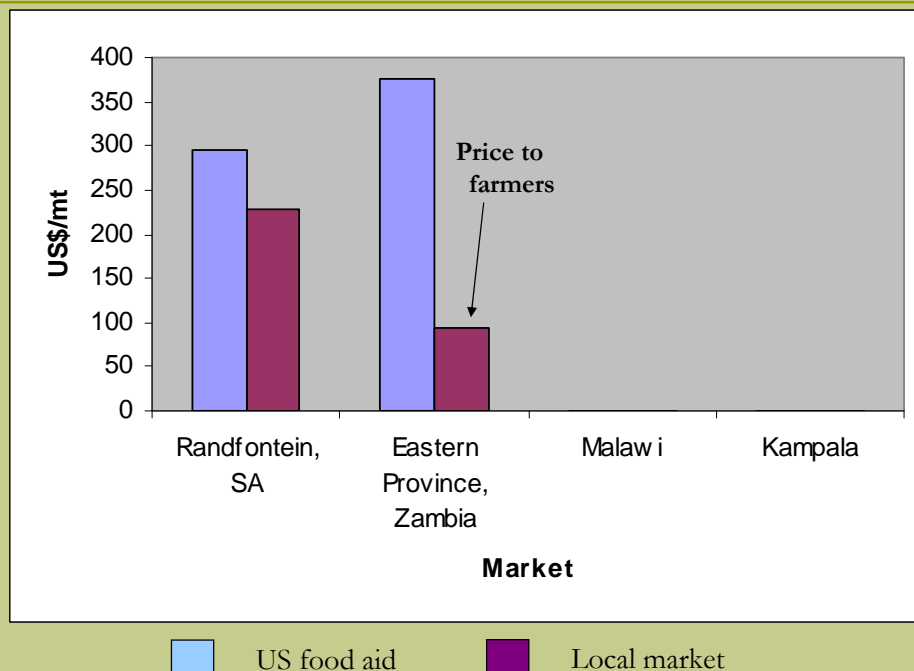
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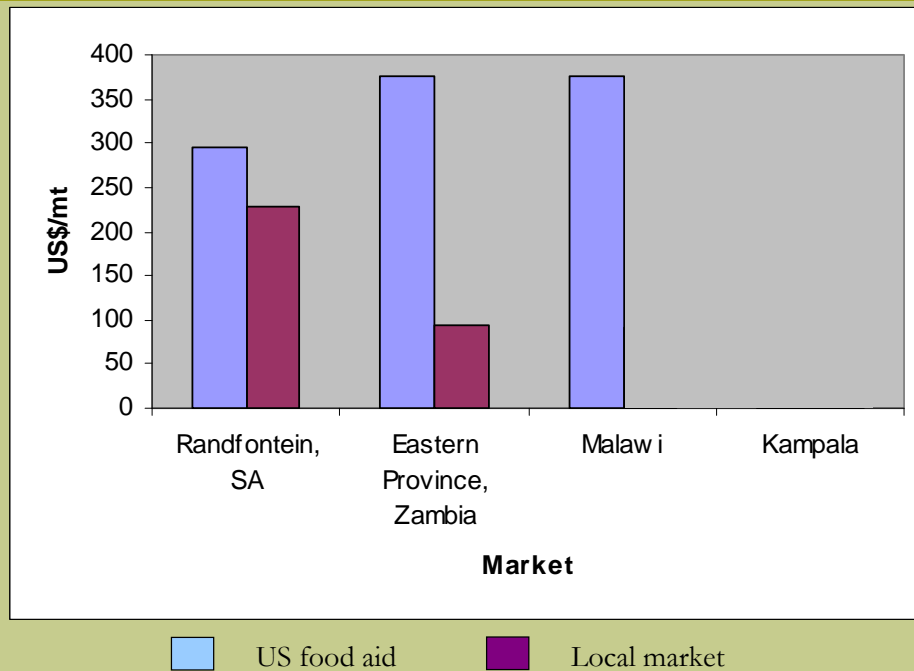
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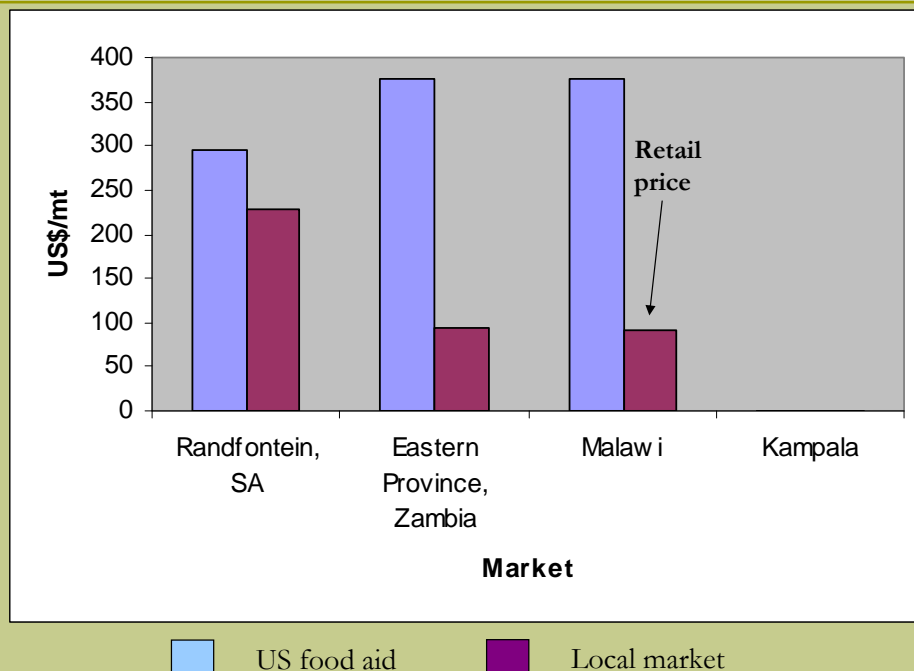
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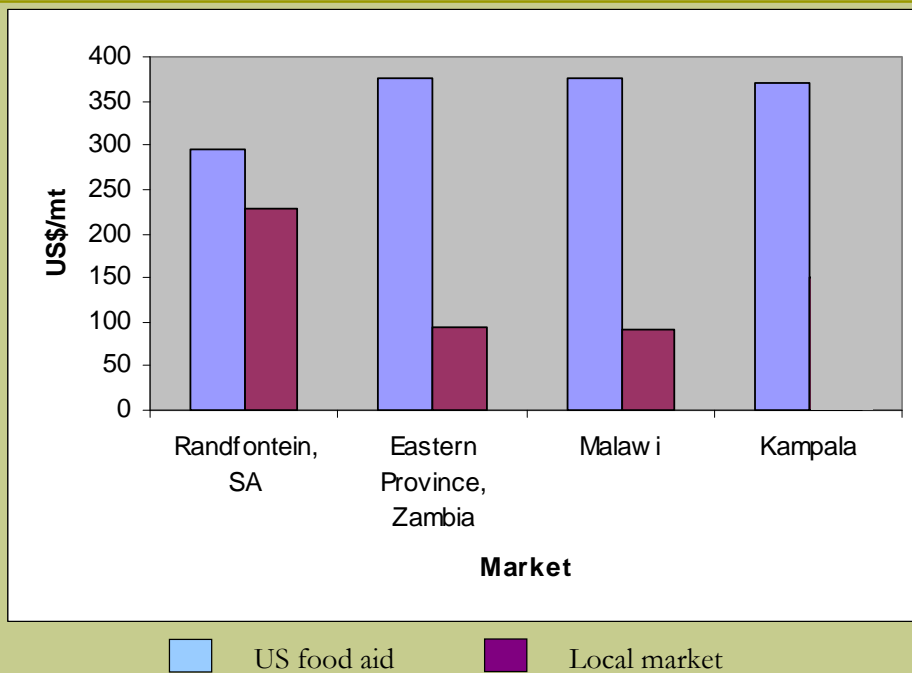
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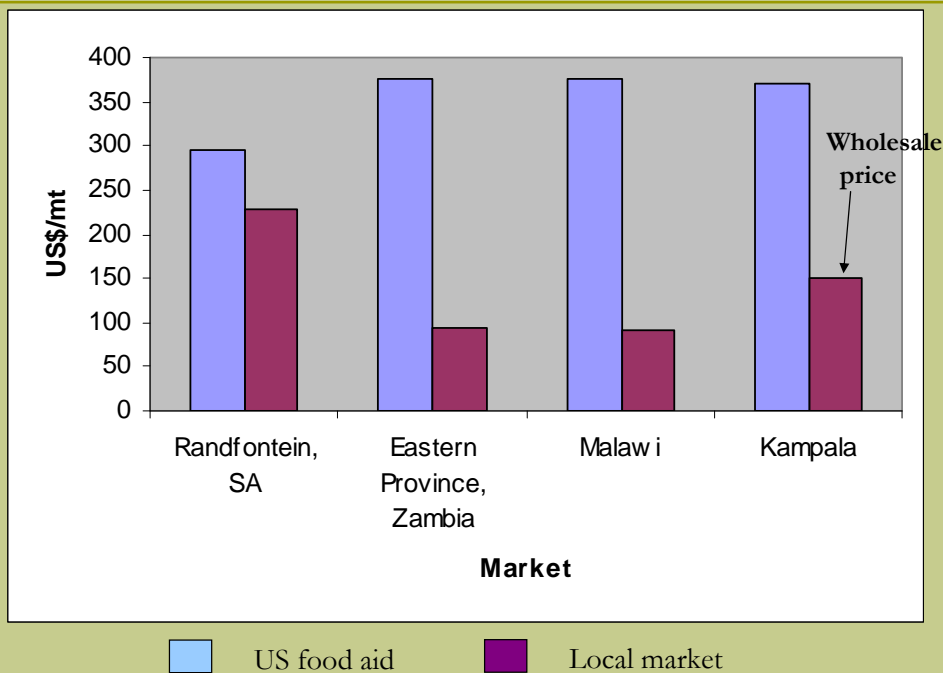
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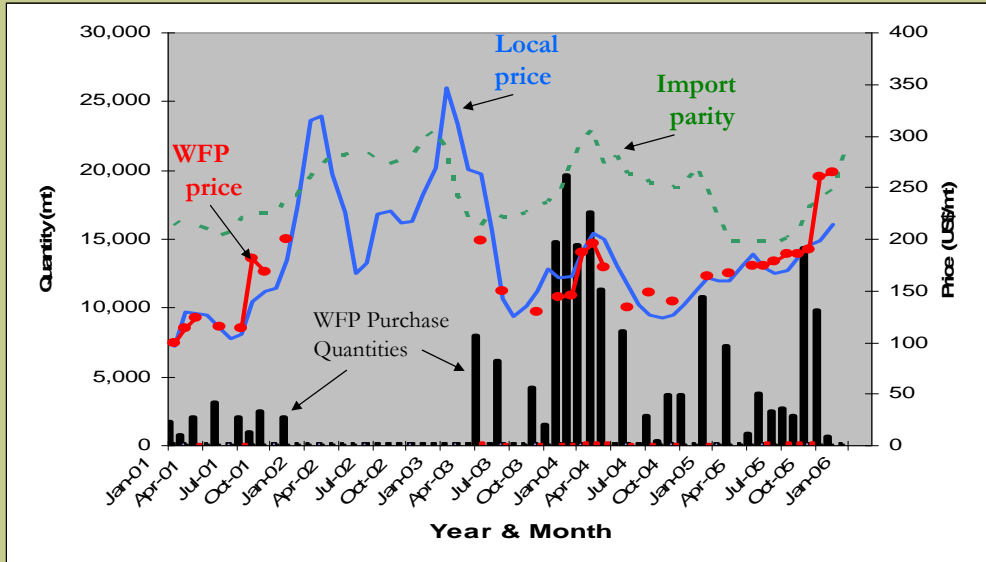


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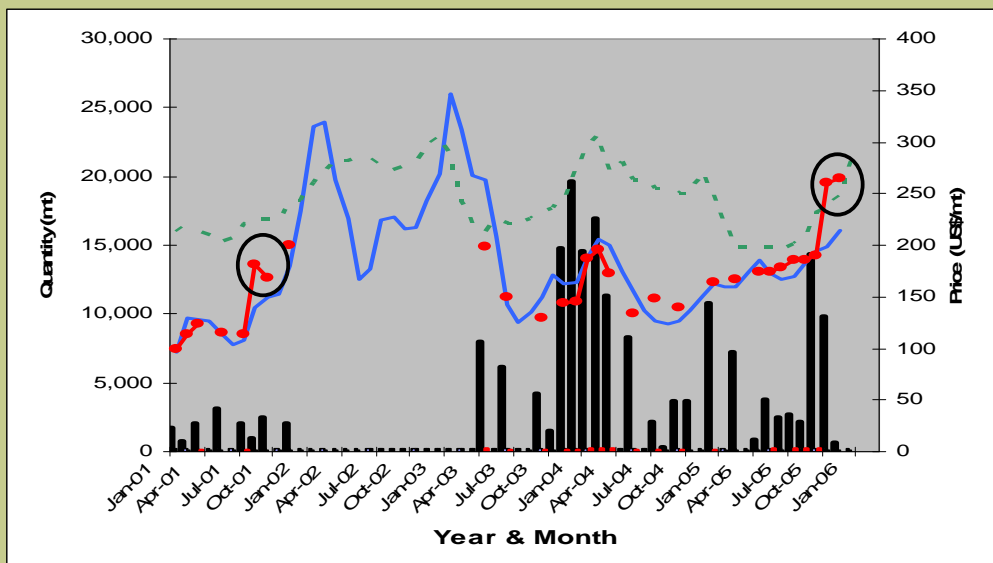
LRP's Track Record- Zambia

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



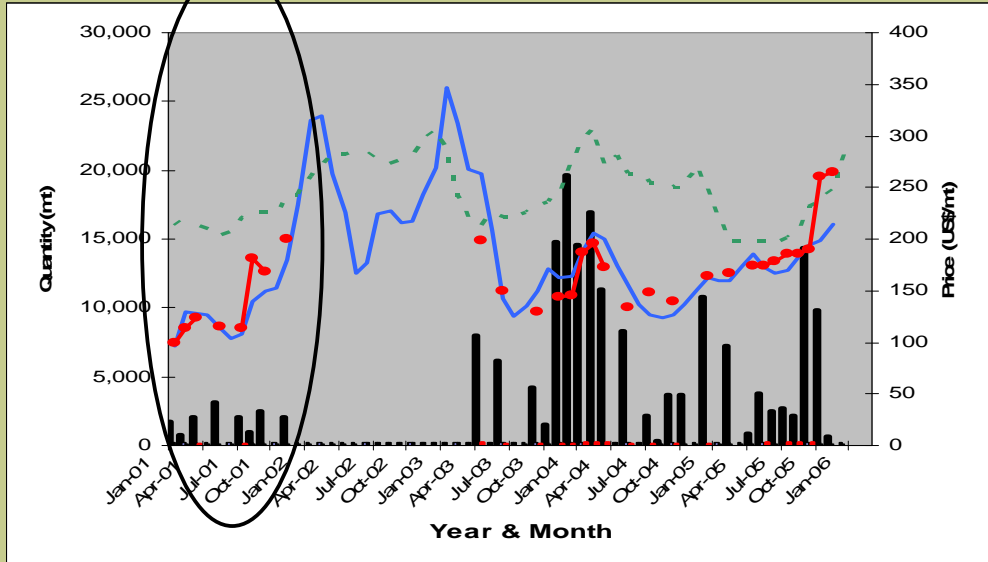
LRP's Track Record- Zambia

Prices Paid – generally good performance



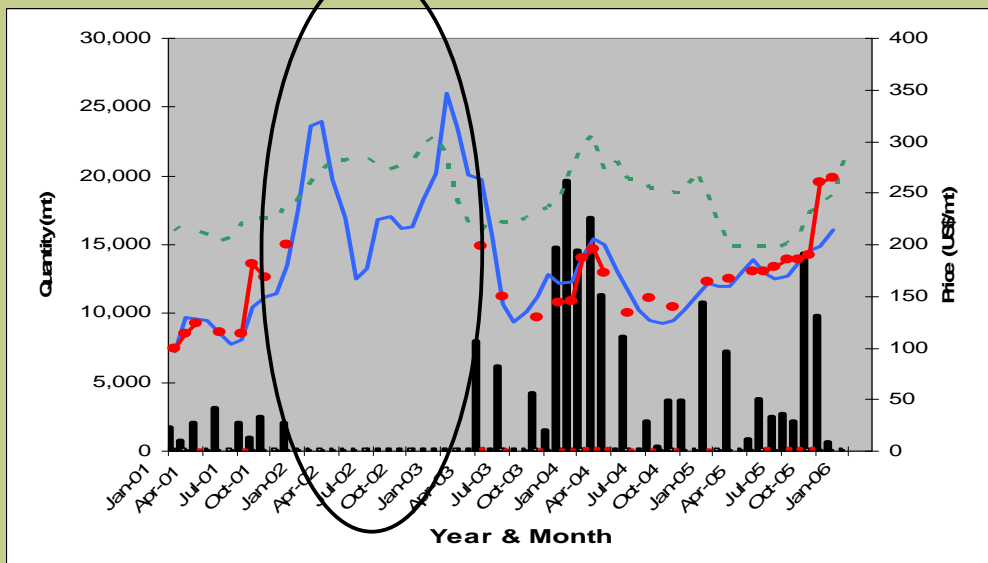
LRP's Track Record- Zambia

Decision to procure or not – good performance



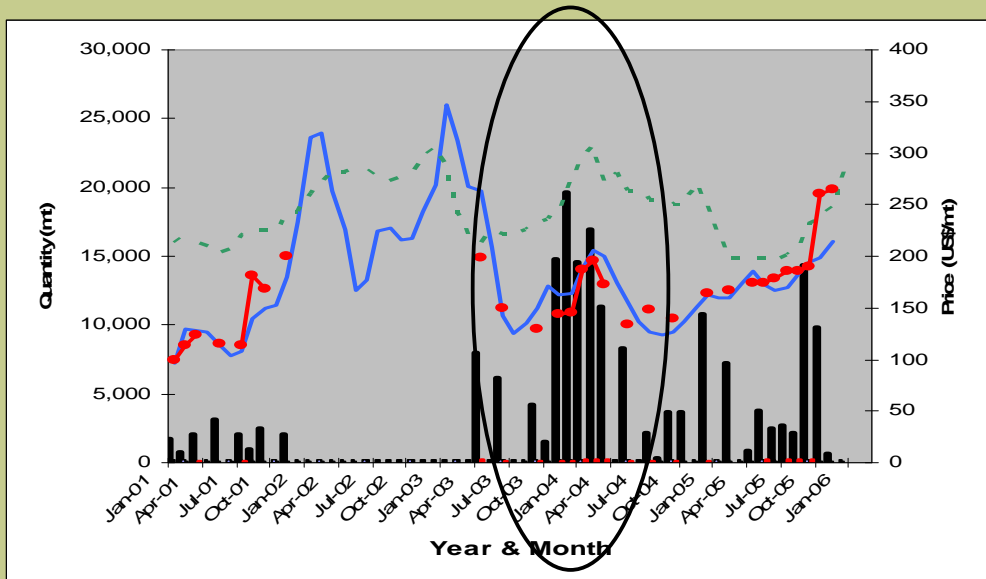
LRP's Track Record - Zambia

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

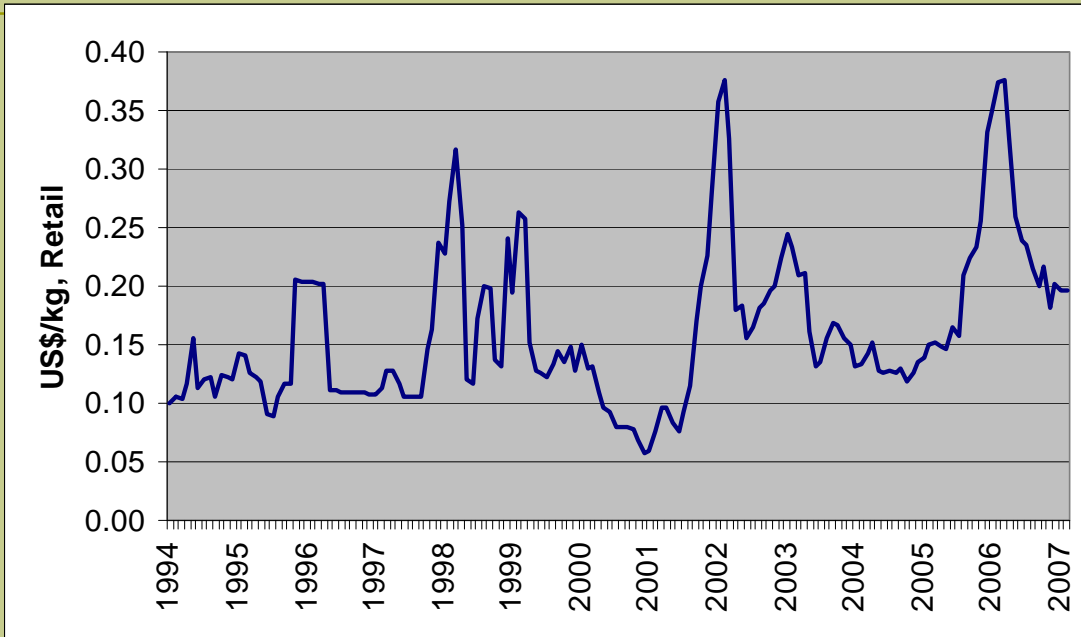
- P4P (including USAID support to it)
- USDA
- USAID working with NGOs

- More actors
- More complex objectives
 - Explicitly developmental
- More gain (maybe)
- More risk (definitely)

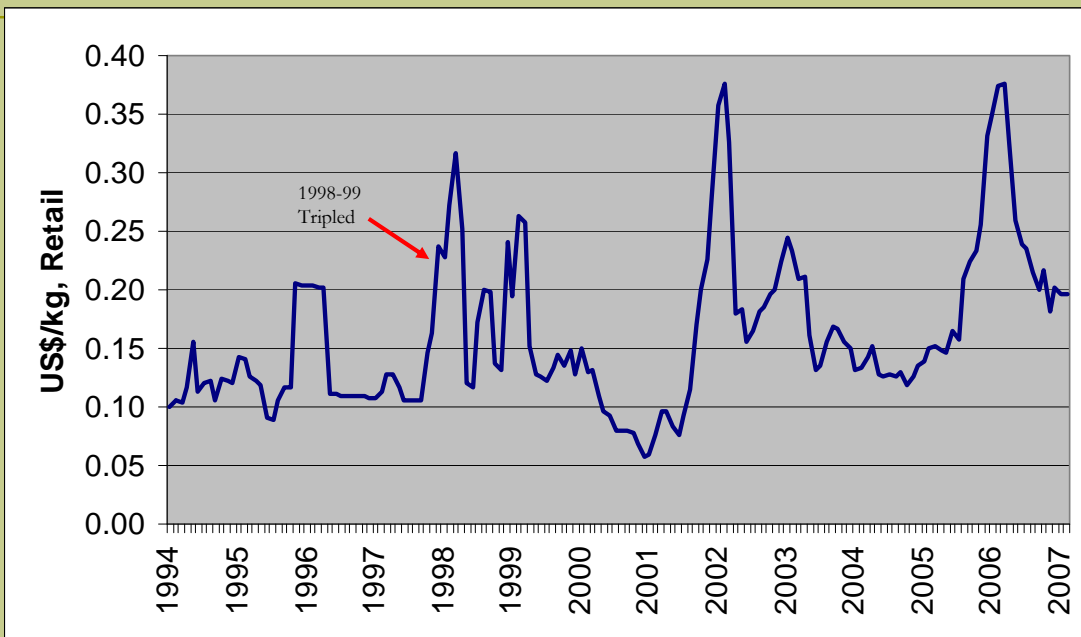
Key issues in 2nd generation LRP

- 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

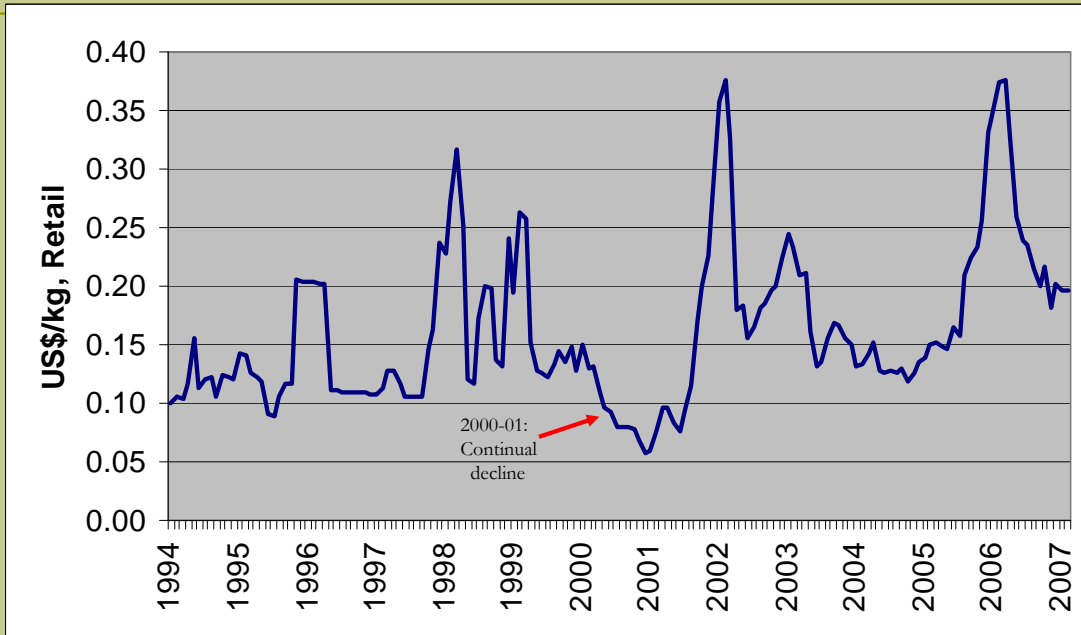
Maize grain prices in Eastern Province, Zambia



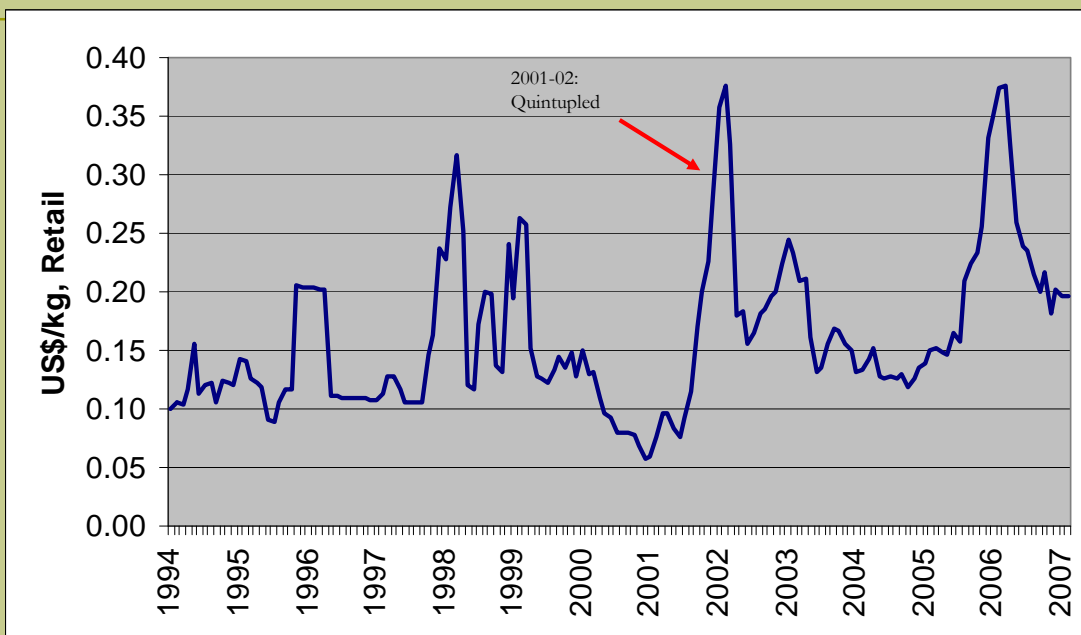
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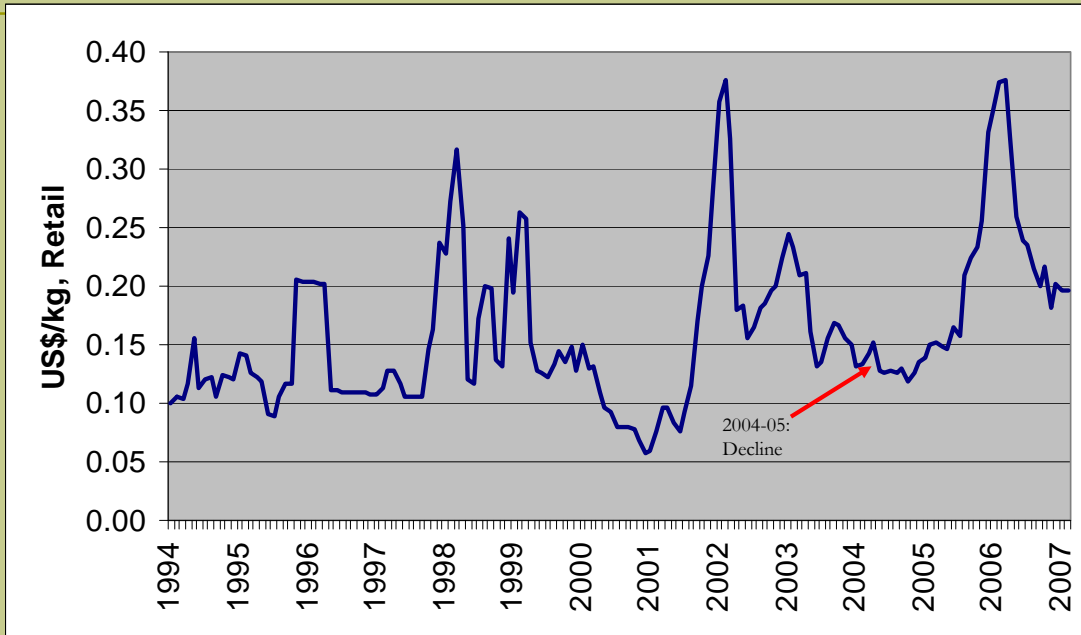
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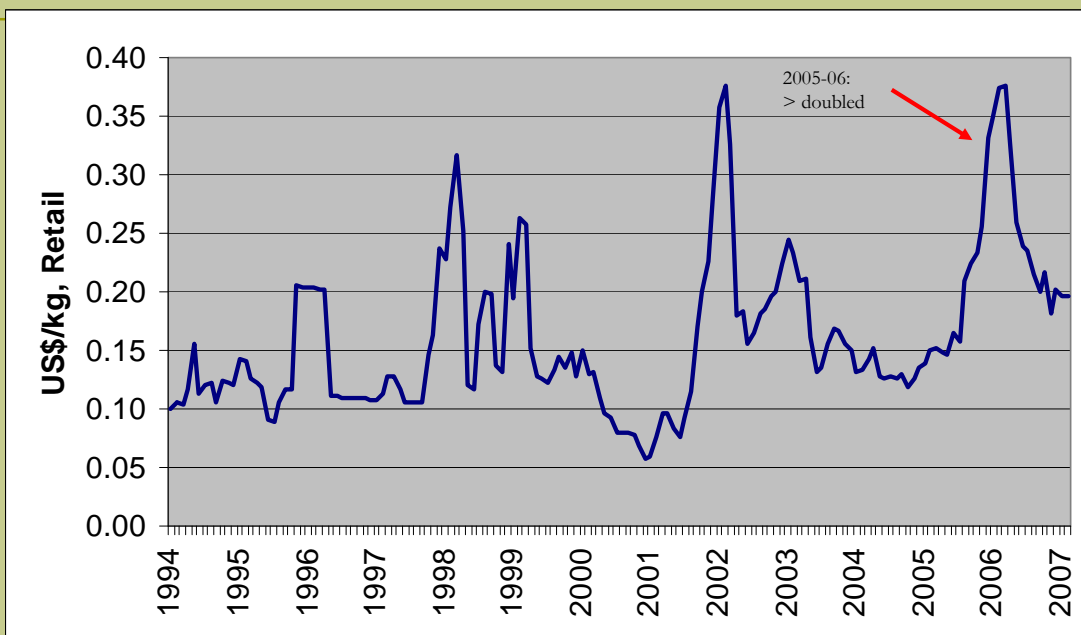
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Key issues in 2nd generation LRP (2)

□ Coordination

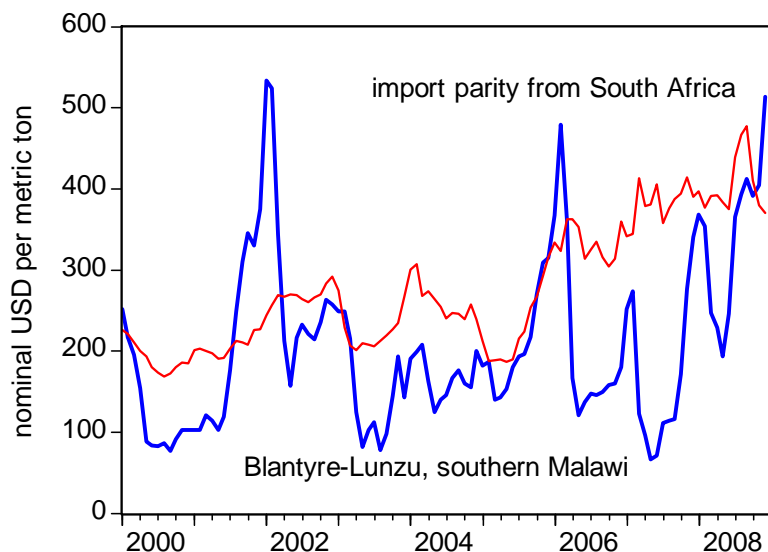
- Taking advantage of strengths of different organizations
 - To keep objectives well defined
- Avoiding uncoordinated purchases

□ 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%

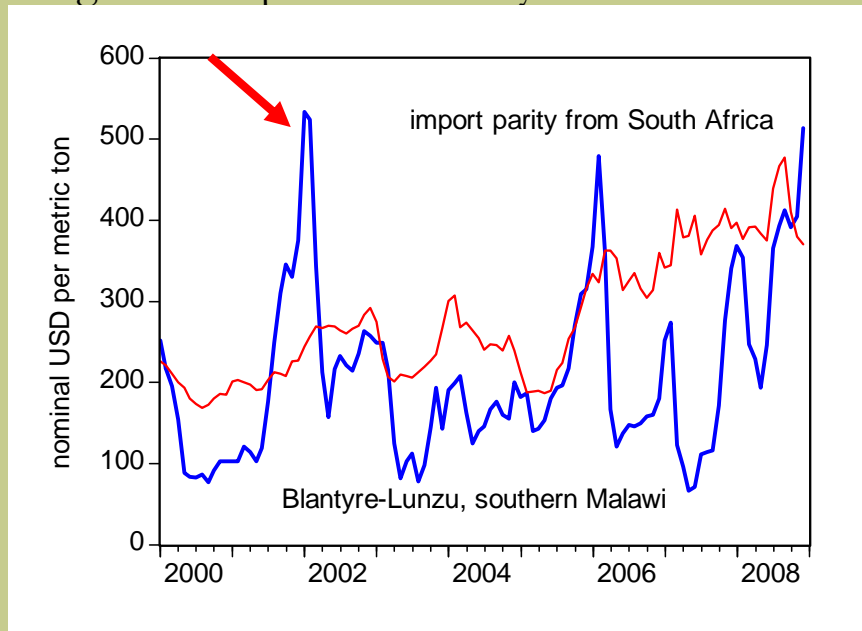
Key issues in 2nd generation LRP (3)

□ Having the discipline *not* to buy



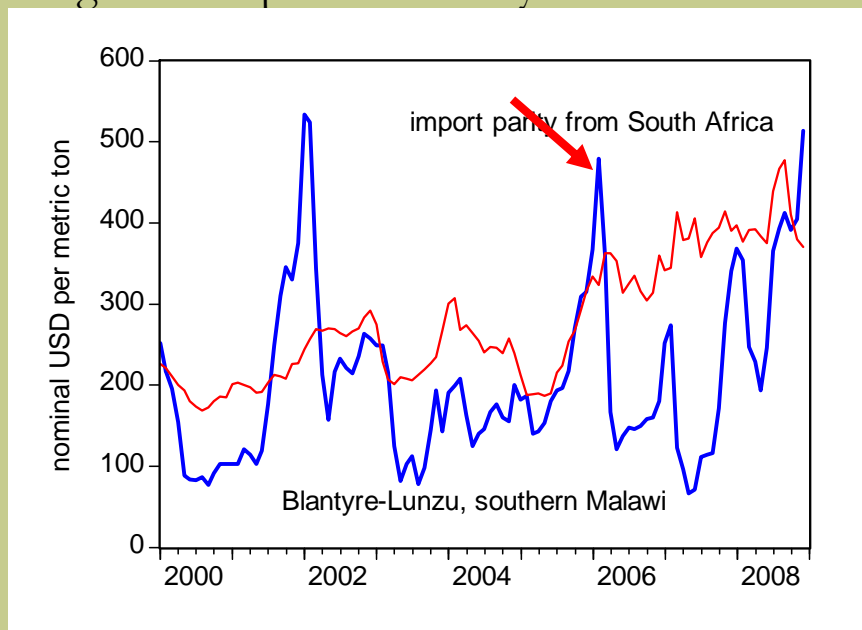
Key issues in 2nd generation LRP (3)

- Having the discipline *not* to buy



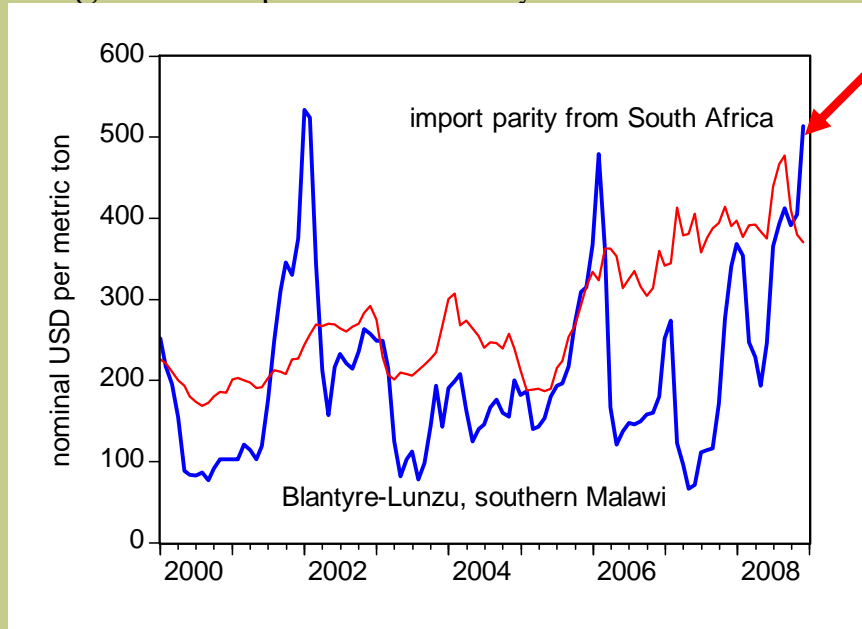
Key issues in 2nd generation LRP (3)

- Having the discipline *not* to buy



Key issues in 2nd generation LRP (3)

- Having the discipline *not* to buy



Thank you