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*

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
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

**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
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

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