Chapter 1
The Impacts of Local and Regional Procurement of US Food Aid: Learning Alliance Synthesis Report

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I. Introduction

Local and regional procurement (LRP), the purchase of food within the country where it is to be distributed or in a nearby country, has been practiced for decades. The World Food Programme (WFP) began procuring food locally in Asia in the 1970s and in Africa in the 1980s (WFP 1999; 2006). But until the past decade or so, most agencies procured small volumes or made procurements to cover transoceanic food aid pipeline shortfalls or delays.

More recently, however, LRP has become a mainstream approach. This is especially true for international food assistance supported by the European Union and its member states—collectively, the world’s second largest food aid donor—which in 1996 issued a regulation favoring LRP over traditional, transoceanic food aid shipments (EC 1996). Likewise Canada—traditionally one of the top four food aid donors globally—now provides virtually all of its food assistance in the form of cash for local procurement, vouchers, or cash distributions following a 2005 increase from 10 to 50 percent in the maximum allowable LRP share of its food aid programs and then the removal of that ceiling entirely in 2008 (Upton and Lentz 2011). These policy changes pushed LRP’s share of global food aid from just 11 percent of global food aid flows in 1999 to 39 percent by 2008, according to World Food Programme (WFP) INTERFAIS data, in spite of the fact that the United States (US), which accounted for more than half of global food aid flows each of those years, did not permit LRP (Barrett, Binder and Steets 2011).

Two policy changes in the US in 2008 have substantially accelerated the diffusion of LRP as the delivery mode of choice in international food assistance by creating two new sources of government funding for LRP. These funds have created an opportunity for US private voluntary organizations (PVOs) to pursue LRP options they could previously only undertake at limited scale using private donations. First, the Food, Conservation, and Energy Act of 2008 (i.e., the 2008 Farm Bill) authorized funding of $60 million between fiscal years (FY) 2009-2012 for the US Department of Agriculture (USDA) to undertake the Local and Regional Procurement Pilot Project (LRPPP). Second, a 2008 supplemental appropriations act authorized the US Agency for International Development (USAID) to use LRP in support of emergency food security projects, a policy now enshrined in USAID’s Emergency Food Security Program (EFSP), established in 2010 (Hanrahan 2010). In the wake of these changes, LRP’s share of global food aid flows jumped to 50 percent in 2009 and further to 67 percent in 2010 (WFP INTERFAIS 2011).

Why the dramatic global expansion of LRP? Donors increasingly prefer LRP over traditional, transoceanic (or “in-kind”) food aid for a variety of reasons. Different proponents champion LRP as being able to outperform in-kind food aid on any of several multiple metrics. Some evidence has shown LRP to be generally faster and/or less expensive than transoceanic deliveries (Clay and Benson 1990; OECD 2005; WFP 2006, 2010; Coulter et al. 2007; Haggblade and Tschirley 2007; USGAO 2009; USDA 2009; Hanrahan 2010). Further, some agencies argue that procuring food locally can bolster local marketing channels,

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support farmers, and improve food quality and safety (WFP 2011a). Also, recipients may prefer locally procured foods, which may be more nutritious (Harvey 2005).

To be sure, cautions have been raised about LRP. Procuring food where local markets cannot respond to increased demand could drive up prices or increase price volatility, harming non-recipients (Barrett and Maxwell 2005). Food safety and quality standards are highly variable across countries and there are concerns that local procurement could result in delivery of unsafe or low quality food (USGAO 2009). And concerns exist about operational agencies’ ability to depend on contracting in developing country food markets where default and quality rejection rates on commercial contracts are routinely high (Barrett et al. in press; WFP 2011a). But the rapid expansion in LRP’s share of global food assistance underscores the widespread belief that it is routinely “better” than in-kind food aid, a belief that seems to have become almost dogma in some circles.

There is irony in the increasingly uncritical enthusiasm for LRP as a panacea for the many ills long blamed on in-kind food aid. Just as transoceanic food aid was long viewed as a one-size-fits-all approach to international food assistance that could advance domestic agricultural, geopolitical, humanitarian and international trade objectives simultaneously (Barrett and Maxwell 2005), LRP runs a real, similar risk of unreasonable expectations that it can meet multiple, sometimes competing, objectives. It may prove difficult to improve timeliness, cost-effectiveness, recipient satisfaction, and smallholder suppliers’ incomes or livelihoods, while avoiding prospective adverse impacts on market price and price volatility or food quality and safety when choosing the appropriate food assistance tool(s) for a given context. Tradeoffs are often necessary, although they have gone underappreciated in the international development and humanitarian response community. The Nobel-prize winning economist Jan Tinbergen famously showed that each policy objective (or “target”, to use Tinbergen’s term) requires its own policy instrument. While LRP may often outperform transoceanic food aid on some counts—maybe even always by one or two measures—by the Tinbergen principle it is unlikely to advance all objectives effectively and in all contexts. Therefore, donors and operational agencies (i.e., NGOs and WFP) need to identify their primary objective(s) and then assess whether LRP is likely the best tool to advance that (those) objective(s). Prioritizing food assistance objectives can help analysts identify whether LRP is the most suitable tool (Barrett et al. 2009).

In this synthesis report, we summarize the findings of a set of studies completed for a consortium of four NGOs—the “LRP Learning Alliance” (Catholic Relief Services, Land O’Lakes, Mercy Corps and World Vision)—to evaluate the impacts of LRP activities undertaken in fiscal year (FY) 2011 under LRPPP or EFSP. After describing the Learning Alliance and the data in the next section, we highlight the varied impacts of LRP along multiple dimensions: timeliness, cost-effectiveness, local market price and price volatility, recipient satisfaction, quality and safety, and impact on smallholder suppliers. The evidence strongly supports policymakers’ wisdom in including LRP within the international food assistance toolkit. On balance and across most indicators, LRP under these new US programs has been extremely effective. But its impacts vary in intuitive ways and tradeoffs commonly arise among potentially competing objectives. LRP is an important new weapon in the fight against global food insecurity; but it is no magic bullet. As US PVOs grow more comfortable with LRP and the Congress considers making it a permanent, expanded part of the US international food assistance toolkit, it is important to take a clear-eyed, evidence-based look at LRP’s performance in multiple, sometimes competing dimensions.

II. The LRP Learning Alliance and Data
The 2008 Farm Bill mandated that USDA carefully evaluate the cost effectiveness and timeliness of LRPPP projects and ensure that “do no harm” conditions related to prospective market disruptions were met (USDA 2009). In order to meet this requirement, USDA developed reporting requirements for all operational agencies running LRPPP-supported projects. USAID’s EFSP required similar data collection and reporting in order to evaluate several different prospective impact areas. This prompted a group of four US-based private PVOs partnered with Cornell University to form the Local and Regional Procurement Learning Alliance. The Learning Alliance sought to establish a common, rigorous framework with universal indicators for the monitoring and evaluation of the LRP projects its members undertook with USDA LRPPP or USAID EFSP resources.

The objectives of the Learning Alliance’s common analytical framework were twofold. First, by gathering data needed to generate a rigorous evaluation of LRP performance along multiple dimensions, it sought to enable comparisons both across LRP projects and with other forms of food assistance, in particular transoceanic food aid that remains the dominant mode of US international food assistance. The analytical framework was designed to assess LRP’s performance on the following six objectives: improving timeliness, cost effectiveness, recipient satisfaction, and smallholder incomes or livelihoods, while avoiding adverse impacts on price levels and price volatility (so-called “do no harm” provisions). Second, by developing a common toolkit, the Learning Alliance aimed to help build capacity within the PVO community in market analysis, response analysis and impact evaluation.

In order to collect and analyze data systematically, Cornell University and the Learning Alliance members constructed eight different data collection forms that captured the reporting requirements of USDA and USAID, as well as additional indicators necessary to facilitate the Learning Alliance objectives of cross-comparability and learning. Alliance members also received training on price data collection methods and on basic price analysis techniques, including workshops on price data collection methods that took place in Burkina Faso, Turkey, and Uganda.²

Ultimately, the four PVOs in the Learning Alliance included nine different projects in the analysis summarized here. The projects reflect a broad spectrum of LRP activities and were highly geographically dispersed. Projects occurred in Kenya and Uganda in East Africa, Burkina Faso, Niger, and Mali in West Africa, Zambia in Southern Africa, Guatemala in Latin America, Kyrgyzstan in Central Asia, and Bangladesh in South Asia. The nine projects also varied in their approaches to local and regional procurement. Some commodities were procured using a “hard tendering” (i.e., competitive bidding) approach, which involved publicly releasing an invitation for bids and selecting the lowest cost offer that met the other procurement specifications. Other commodities were procured using a “soft tendering” (i.e., semi-competitive, restricted bidding) approach, which limited competition to a targeted group of smallholders or traders. Soft tendering aims to harness the demand stimulus associated with LRP to support smallholders, small processors, or farmer-based organizations (FBOs); hence it is sometimes referred to as “developmental LRP.” In fair-based procurements, PVOs organized a group of traders, smallholders and/or FBOs to gather together in a central location to display their products and to accept vouchers for a specified list of products from targeted recipients. The PVO would then pay the sellers the value of their vouchers. PVOs also distributed ration-denominated vouchers to recipients who could redeem them for pre-specified products. Finally, some projects distributed cash or cash-denominated vouchers. We treat voucher and cash transfer programs as ultra-decentralized LRP because consumers directly procure local food in lieu of PVOs procuring and then directly distributing rations to recipients.

² Price data collection and price analysis methods training materials, and data collection forms are available on the Learning Alliance website: https://sites.google.com/site/lrplearningalliance/home.
Prior to these activities, each agency conducted a response analysis outlining for each commodity what sorts of procurement approaches were best suited to the project’s specific market context and targeted population. Procurements were highly differentiated across, and sometimes within, projects. For example, the emergency-funded Kyrgyzstan project distributed cash while the development-oriented Bangladesh project worked closely with two food processors to develop a nutrient-rich cereal bar for school feeding; at least one processor then chose to market this product commercially. Other projects, such in Burkina Faso, utilized a mix of procurement approaches. The Burkina Faso project procured vegetable oil for school feeding programs through hard tendering because the commodity wasn’t readily available within its target communities, while procuring through soft tendering for locally available cowpeas as a means of possibly supporting smallholders and FBOs. The Appendix reports the country projects, the commodities procured, and the procurement approach for each project included in this study.

III. Impacts

Sufficient data were collected from nine different projects to analyze at least some of the six dimensions for each project. The exact details on data and methods for each analysis are included in the five chapters that follow this introductory overview.

All nine projects had sufficient data to allow Lentz et al. (2012, chapter 2) to estimate the cost effectiveness and timeliness of LRP relative to transoceanic food aid. By comparing LRP and transoceanic (USAID or USDA) deliveries to the same country up to six months before or after an LRP purchase, the authors find, on average, that LRP saves 13.8 weeks compared to matched transoceanic deliveries, a gain of more than 60 percent. Although LRP was quicker than transoceanic food aid delivery is each of the 144 LRP actions we matched with directly comparable in-kind shipments, the amount of time saved varies considerably by country. Not surprisingly, landlocked countries receive transoceanic shipments slower than coastal countries do, so the timeliness benefits of LRP vary spatially in intuitive ways.

Comparing delivered LRP and transoceanic commodity costs, including internal transportation shipping and handling (ITSH) and ocean freight (applicable for transoceanic deliveries only), Lentz et al. (2012, chapter 2) find that the cost savings associated with LRP depends on the type of products purchased. Local cereal purchases were much cheaper compared to transoceanic deliveries, saving, on average, 53 percent compared to transoceanic cereal deliveries to the same country during the six months before or after the LRP purchase. Buying pulses locally also resulted in significant savings of 25 percent on average. But local purchases of processed products, including vegetable oil and corn-soy blend were, on average, less cost efficient than transoceanic purchases. However, the cost differential on processed products varied markedly by country. The take-home message is that for low value-to-weight commodities such as bulk grains or pulses, the high costs of ocean freight—multiplied by the premium required under cargo preference laws (Bageant et al. 2010)—make LRP a far more economical, as well as quicker, way to source food aid for distribution, while there may be a tradeoff between time and cost savings for higher-value, processed products.

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3 Ex-ante response analysis assists analysts in identifying which food assistance transfers are most appropriate given current market conditions and context (Barrett et al. 2009).
In chapter three, Garg et al. (2012) present estimates of the market price level and price volatility effects of LRP for seven countries.\(^4\) They explore econometrically whether local procurement (distribution) drove food prices up (down) and whether PVO market activity affected price volatility. The USDA LRPPP required that Alliance members determine whether projects met “do no harm” conditions for local traders, local producers, and local consumers. Commodity price data were collected from several different market locations throughout the duration of the pilots. Garg et al. estimated the effect of LRP on food prices in local markets, controlling for a range of prospective confounding factors that influence prices, including inflation, climate shocks, transport costs, seasonality, parallel (and typically much larger scale) LRP activities by WFP, and world market prices. Although these controls help improve the precision and reduce prospective bias in the estimates, the potential for omitted relevant variables nonetheless means that the price and price volatility effect estimates are not strictly causal.

The authors find that, in most cases, LRP did not affect market price levels or their volatility, with a few exceptions. The key finding is that LRP was associated with statistically significant price effects or price volatility effects no more frequently than one would expect to find randomly. Moreover, the estimated price effects were greater in magnitude for distribution markets than for procurement markets, an intuitive finding given that procurements typically occur in better integrated markets while many distributions take place in more remote, isolated locations. Together, these results suggest that when and where agencies establish that LRP is an appropriate tool, procurements can be made without disrupting local markets. But they also reinforce the need for both ex ante response analysis to ensure that demand-side market interventions associated with local procurements—akin the Bellmon analyses required of supply-side market interventions associated with food aid monetization—and ongoing market monitoring to ensure that “do no harm” provisions are satisfied.

In chapter four, Violette et al. (2012) use detailed survey data to explore the previously untested hypothesis that food assistance recipients prefer locally sourced commodities to those shipped from the US. In Burkina Faso, Guatemala and Zambia, LRP projects took place within the same country concurrently with nearby multi-year assistance projects (MYAP) that delivered transoceanic food aid, including similar products. The authors surveyed recipient households in both the MYAP regions and the LRP regions to assess recipients’ satisfaction with the food aid commodities received along various dimensions as well as to gauge whether different sourcing for foods had implications for recipients’ meal preparation costs. Exploiting the natural experiment of these side-by-side projects with different food sourcing and controlling for respondent and community attributes that might affect stated preferences, the authors generate novel insights into the preferences and perceptions of LRP recipients relative to equivalent households that receive US-sourced commodities. While finding that almost all food aid recipients were satisfied with the products regardless of the origin, LRP recipients were unconditionally more satisfied, in all three countries and across most criteria. The differences were strongest for individual household recipients, as contrasted with institutional cooks at school feeding programs. Multivariate regression analysis to control for non-random differences in household and community attributes between LRP and MYAP participants reinforces these findings. Examining

\(^4\) The two excluded countries were Bangladesh and Mali. Bangladesh’s LRP project distributed cereal bars that had never been sold in Bangladesh, and thus did not have a benchmark market series to compare against. The scale of procurement of ingredient commodities was so small relative to the commercial market, that there is negligible prospect for there to have been any significant price impact of the local purchases. Procurements in Mali were clustered within one month, resulting in inadequate variation in the price series to identify any price effects statistically. As with Bangladesh, the scale of the local procurement was tiny, so there is virtually no chance that the activity had any significant market price effects.
preferences by recipient type, the authors find that poorer individual recipients were significantly more likely to report maximal overall satisfaction with locally procured food aid than with transoceanic food aid, and that this preference for local foods was considerably more pronounced than among average or better-off individual recipients. Institutional recipients expressed no systematic preference for or against locally-sourced food aid rations, a result that did not vary among better- or worse-off schools. These findings highlight potential tradeoffs when aiming to satisfy preferences of different recipients but also this previously-unrecognized, potentially pro-poor aspect of LRP.

Most currently available evaluations, including those in chapters two through four, focus on LRP’s ability to meet a single objective, often against the benchmark of transoceanic food aid. Few take a holistic approach to assessing the ability of LRP to meet multiple objectives simultaneously. In chapters five and six, Harou et al. (2012) and Upton et al. (2012) present detailed country case studies of procurement activity in Guatemala and Burkina Faso, respectively. In each case study, the authors examine how well LRP satisfies a range of different objectives and find that some tradeoffs inevitably arise. Harou et al. (2012) report that under the emergency project in Guatemala, locally procured food arrived faster than transoceanic food aid, meeting a critical objective in an emergency context. However, some locally procured products cost more than US-sourced products. More timely delivery came at a higher price. In this emergency situation such a tradeoff could be considered worthwhile, while in many non-emergency contexts where delivery lags can be anticipated and well-managed, such tradeoffs might be unattractive to food assistance program managers. Furthermore, efforts to try to harness the purchasing power of the LRP activity to help stimulate smallholder development failed as the challenges of contract monitoring and enforcement, especially in a market hit by rapidly rising prices and adverse weather during the cropping cycle, ultimately compelled the agency to move from soft tendering targeted to smallholder FBOs to open, competitive bidding by prospective agribusiness suppliers.

In Burkina Faso, Upton et al. (2012) examine the impact of LRP in support of non-emergency school feeding programs and find that while tradeoffs may exist among the multiple objectives pursued under some LRP projects, synergies may happen as well. By buying locally from smallholders within the distribution communities, agencies saved considerably on commodity costs and delivery times. But they also find that smallholder cowpea suppliers had a better understanding of cowpea quality standards, faced decreased travel time and distances, and received higher prices for their cowpeas than did similar smallholder producers who lived just over the boundary of the LRP district and therefore did not have access to LRP purchases. However, the agency did have to spend additional administrative time and resources working with sellers to explain quality standards and to ensuring the quality and safety of the procured foods, echoing WFP’s findings in its Procurement for Progress (P4P) projects (WFP 2011b). Thus, while the commodity costs of cowpeas were lower for the agency than the cost of similar pulses delivered as transoceanic food aid, and local smallholder suppliers benefited from participating, administrative costs of the Burkina Faso LRP may have been slightly higher.

IV. Policy Implications and Ways Forward

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5 The mid-term evaluation of WFP’s P4P program found that LRP that aims to stimulate smallholder development is more expensive than competitively tendered local purchases, especially if one considers the full costs of complementary investments in capacity building for farmer-based organizations, smallholder suppliers and traders (WFP 2011b).
The evidence from this set of careful studies of LRP’s various impacts clearly demonstrate that local and regional procurement can be an effective alternative to transoceanic food aid and offers a valuable addition to the international food assistance toolbox. The gains in timely commodity delivery are especially consistent and strong, suggesting that LRP—along with more expensive, pre-positioned food aid—may be particularly important in responding to rapid onset disasters (e.g., cyclones, earthquakes, floods, tsunamis) so as to establish a food pipeline quickly that can be supplemented later with shipments from the US. The cost efficiency of local procurement of bulk cereals and pulses also appear considerable across multiple countries and, as the Burkina Faso experience indicates, can be used effectively to help support local smallholder producer groups in the context of non-emergency school feeding programs.

In both emergency and non-emergency contexts, therefore, there seems to be real value in maintaining, even expanding the broader toolkit afforded by an LRP option and giving operational agencies the flexibility to employ any of several delivery modes (in-kind, LRP, cash or vouchers) according to what rigorous response analysis suggests is the best practice for the particular context being served. Of course, this also implies that operational agencies need to develop and maintain—individually and/or collectively—the ex ante analytical and ex post monitoring and evaluation capacities necessary to exercise responsibly such expanded choice.

It is equally important, however, to emphasize the importance of clearly identifying donors’ and operational agencies’ objectives in employing LRP. While there are cases where synergies exist among distinct objectives, as illustrated by Upton et al. (2012), there are also many times where LRP is appropriate for one objective but inappropriate for another, such as the case of the emergency food aid program in Guatemala examined by Harou et al. (2012). LRP is a tool to be used only where it is appropriate; it is not a magic bullet.

Finally, we close with several qualifying remarks. First, these projects were pilots, and the volumes delivered tended to be quite small compared to total transoceanic deliveries or even compared to WFP procurements. As LRP scales up, ex ante response analysis will become increasingly important as a safeguard against inadvertently doing harm through demand-side market interventions by food assistance providers (Barrett et al. 2009). Second, scale-up also implies a need for greater ongoing and ex post market monitoring. While Garg et al.’s (2012) findings suggest that price changes are not likely due to LRP activities, price changes nonetheless provide important signals to agencies and donors that the relative costs and benefits associated with LRP are changing, and that re-assessment of whether LRP activities remain suitable ought to be considered. Third, coordination among food assistance actors is a critical, emergent issue. As more and more agencies seek to procure from the same marketshed, agencies will need to be aware of the volumes and timing of (planned) purchases by other agencies. Further, monetizing food aid shipments in the same marketshed where local procurement activities take place runs the real risk of donors funding the shipment of food aid to a local market for sale, which in turn is purchased with more donor funds by another agency, wasting scarce resources on shipping costs and possibly causing market volatility (Lentz and Barrett 2007). Fourth, while many agencies have had experience with LRP before, even those with a great deal of experience, such as WFP, face operational challenges, including quality control and contract enforcement, particularly for developmental (or soft-tendered) LRP (WFP 2011a; 2011b). These challenges highlight that the appropriateness of LRP is highly context-dependent, and that agencies need to prioritize among objectives and to be aware of potential tradeoffs.
References


### Appendix Table 1: LRP Countries and commodities

<table>
<thead>
<tr>
<th>Country</th>
<th>Commodity</th>
<th>LRP Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Cereal bars (from chickpeas, peanuts, puffed rice, sesame seeds)</td>
<td>Soft tender (source ingredients were hard tendered)</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Cowpeas</td>
<td>Soft tender/ voucher</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Millet</td>
<td>Soft tender</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Vegetable Oil</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Guatemala</td>
<td>Beans</td>
<td>Soft tender</td>
</tr>
<tr>
<td>Guatemala</td>
<td>CSB</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Guatemala</td>
<td>White maize</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Kenya</td>
<td>Maize</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Kenya</td>
<td>Red beans</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Kenya</td>
<td>Vegetable oil</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Kenya</td>
<td>CSB</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Kenya</td>
<td>Salt</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Multiple goods</td>
<td>Cash transfer</td>
</tr>
<tr>
<td>Mali</td>
<td>Cowpeas</td>
<td>Fairs and one hard tender</td>
</tr>
<tr>
<td>Mali</td>
<td>Millet</td>
<td>Fairs</td>
</tr>
<tr>
<td>Mali</td>
<td>Rice</td>
<td>Fairs and one hard tender</td>
</tr>
<tr>
<td>Niger</td>
<td>Cowpeas</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Niger</td>
<td>Maize</td>
<td>Hard tender</td>
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<tr>
<td>Niger</td>
<td>Millet</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Niger</td>
<td>Salt</td>
<td>Vouchers</td>
</tr>
<tr>
<td>Niger</td>
<td>Vegetable Oil</td>
<td>Vouchers</td>
</tr>
<tr>
<td>Uganda</td>
<td>Maize, beans, sorghum, vegetable oil, etc.</td>
<td>Vouchers</td>
</tr>
<tr>
<td>Zambia</td>
<td>Roller Meal / Posho / Maize grain (for last distribution)</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Zambia</td>
<td>Beans</td>
<td>Hard tender</td>
</tr>
<tr>
<td>Zambia</td>
<td>HEPS</td>
<td>Mixture of hard and soft tenders</td>
</tr>
<tr>
<td>Zambia</td>
<td>Vegetable Oil</td>
<td>Hard tender</td>
</tr>
</tbody>
</table>