

Economics of HGSF Procurement

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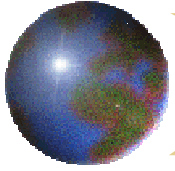
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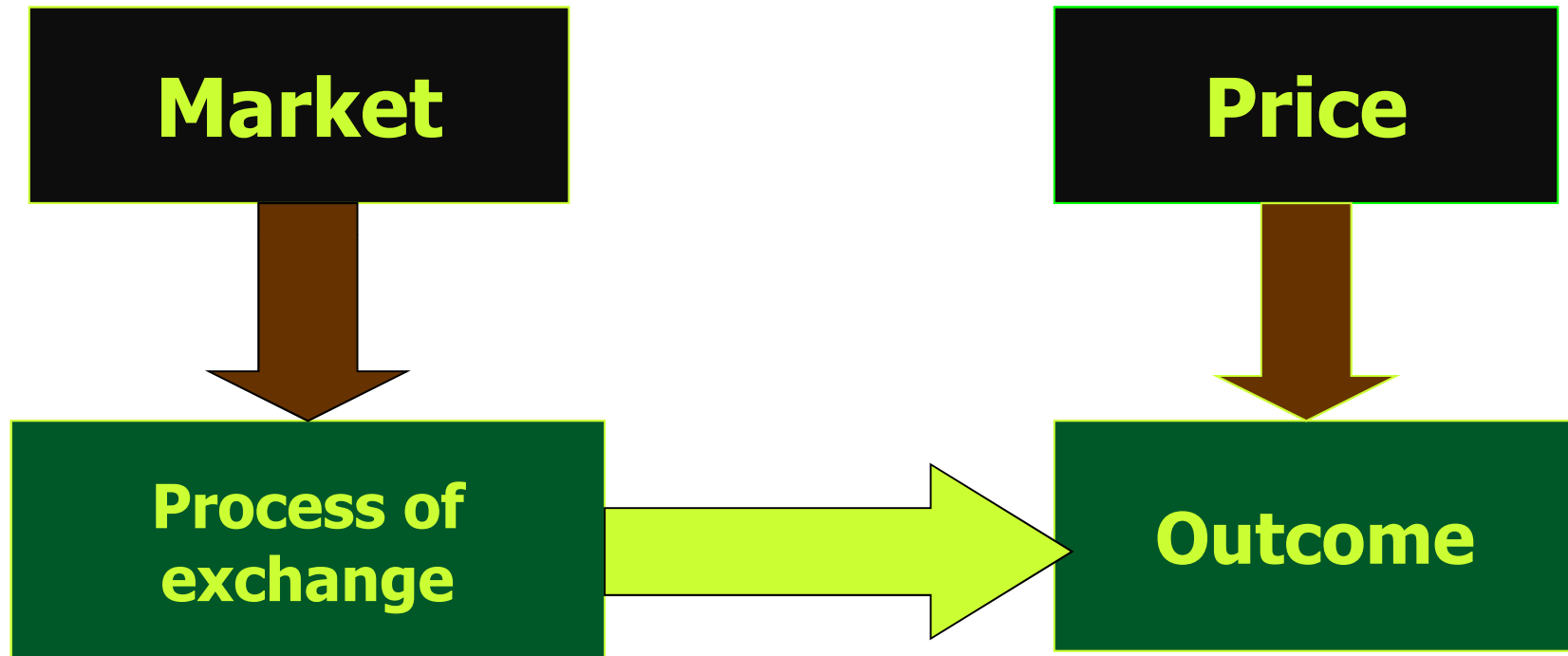
Presented at the HGSF Regional Technical Meeting

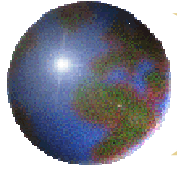
Kenya Medical Research Center

Nairobi, 2-4 March 2010



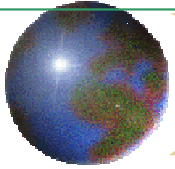
Understanding market



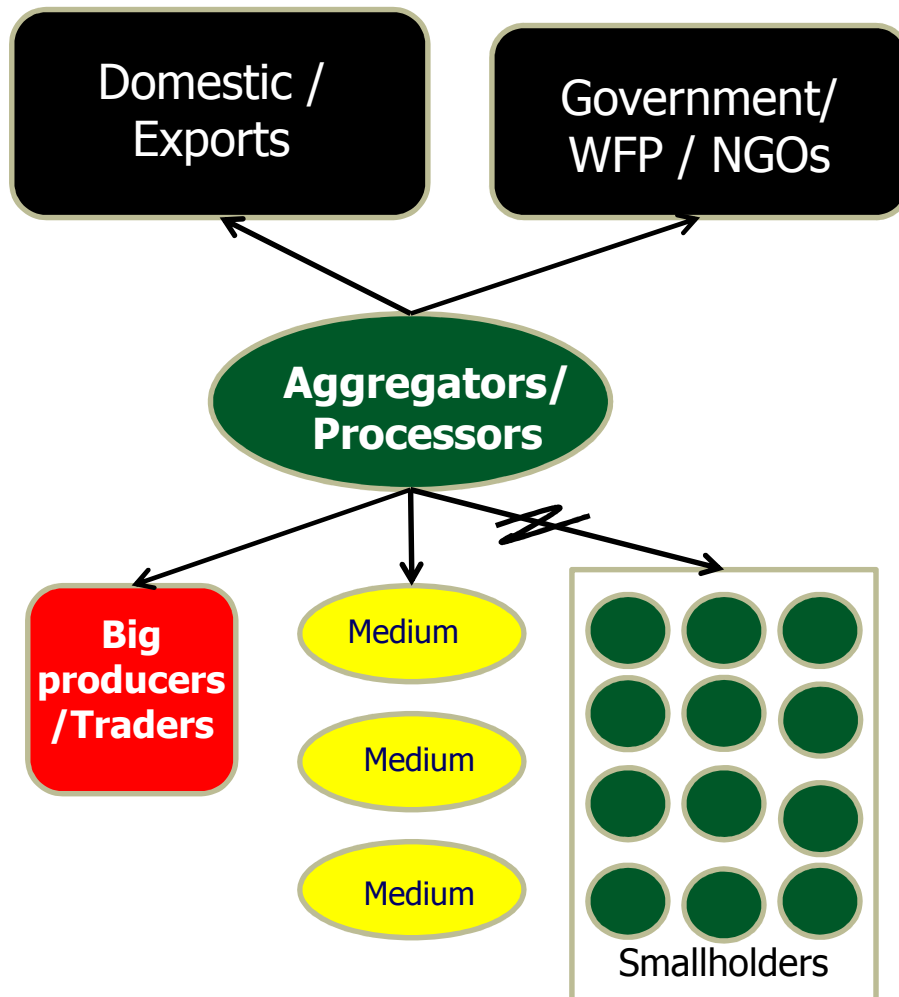


The objectives

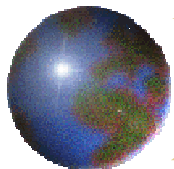
- ✦ Un-interrupted Supply of Quality Food (USQP)
- ✦ Link smallholders to market



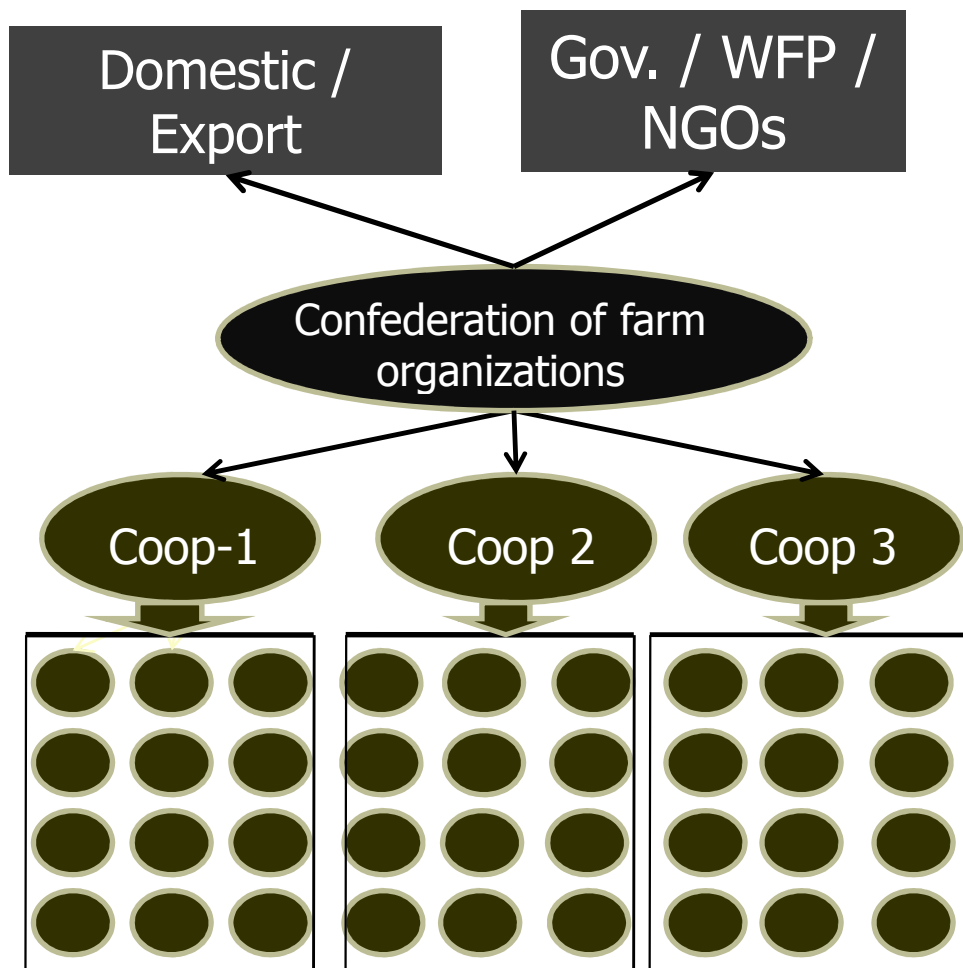
Procurement Model – 1



- A. Ingredients of success:
- I. Legal and regulatory environment
 - Contract enforcement
 - Dispute settlement
 - II. Risk management institutions and polices
 - Weather risks
 - Macro policy induced risks
- C. Advantages
- Higher likelihood of success because of the linkages with large and medium producers
 - Higher social capital and policy advocacy
- D. Disadvantages
- Smallholders gets excluded; and hence limited impacts in terms of poverty reduction



Procurement Model - 2



A. Ingredients of success:

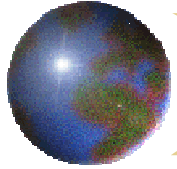
- I. Legal and regulatory environment
 - Contract enforcement
 - Dispute settlement
- II. Risk management institutions and policies
 - Weather risks
 - Macro policy induced risks

C. Advantages

- Better linkages with smallholders
- Higher poverty alleviation impacts

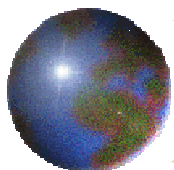
D. Disadvantages

- Management difficulties and inadequacy of necessary skills in most poor economies
- Higher transactions costs of doing business



Challenges

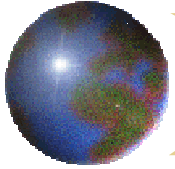
- ✦ Effective farmers organizations (or good cooks to buy from markets)
- ✦ Geographic locations
 - ▣ Food insecure locations may not have comparative advantages to supply USQF
- ✦ Scale of HGSF operation (Long run view)
 - ▣ Size and design of the program matter



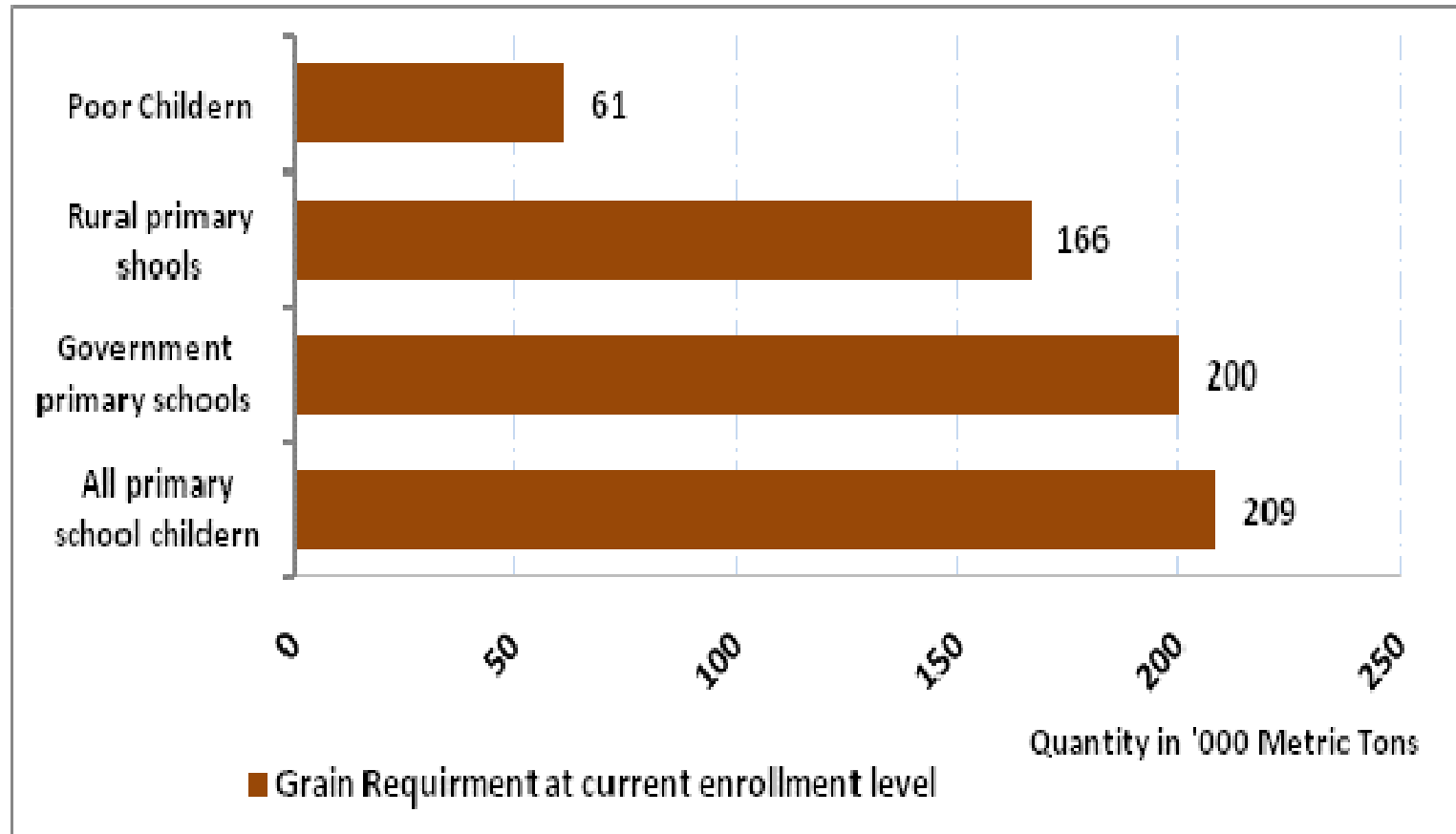
Market potentials from HGSF: Ethiopia Example

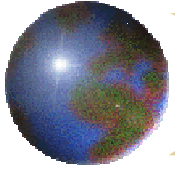
Region	Total Food Distributed		
	2008	2009	Total
	<i>Metric Tons</i>		
Tigray	1,403	1,924	1,663
Afar	521	951	736
Amhara	1,353	2,536	1,945
Oromiya	485	1,006	745
Somali	644	769	707
SNNPR	580	1,008	794
National	4,986.0	8,194.2	6,590.1

Source: WFP

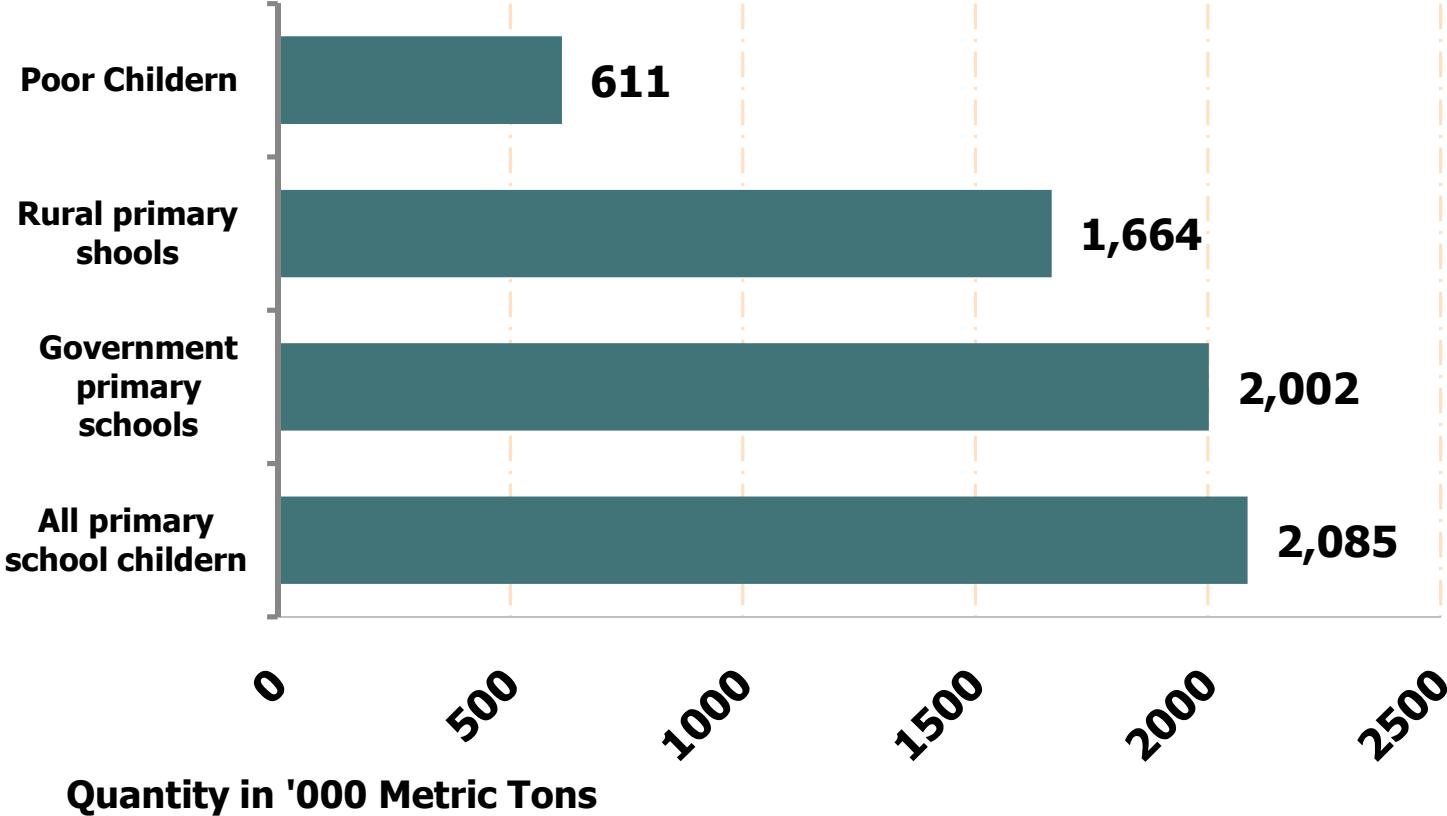


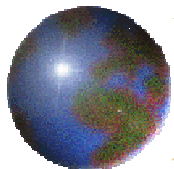
Potential of Scaling up: Ethiopia example





Potential demand: Ethiopia case





✚ **Why is scaling up important (long run)**

- ✚ At current level of coverage, playing field will not be level (most children will go to school hungry!).
- ✚ At current level of coverage, an efficient smallholder-led market is not likely to emerge and sustain.

✚ **What proc model will ensure USQF?**

- ✚ Through local coops / farm organization?
- ✚ How about association of small traders (if food is not available locally)?
- ✚ Procurement through cooks?
- ✚ Is it okay to have large market actors supply USQF, if food safety is the concerned?