

PN-ACC 883

◆ MACRO AND INTERNATIONAL ECONOMICS INDEFINITE QUANTITY CONTRACT ◆

97304

*Final Report*

Technical Assistance for the FY 1997 PL 480 Title III  
Program in Haiti

**SUBMITTED TO**  
USAID/Haiti

**SUBMITTED BY**  
Nathan Associates Inc

**UNDER**  
Contract No AEP 4212 I-00 6028-00  
Delivery Order No 802  
Project No 521 0000 78

November 7, 1997

A

# Contents

<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>1 INTRODUCTION</b>	<b>5</b>
<b>Purpose of Technical Assistance</b>	<b>5</b>
<b>Contents of Report and Background Reports</b>	<b>5</b>
<b>2 DESIGN OF FIRST AUCTION</b>	<b>7</b>
<b>General Perceptions and Concerns</b>	<b>7</b>
<b>Auction Parameters</b>	<b>7</b>
Tier Establishment	9
Bidder Screening	9
Lot Size	9
Lot Ceilings	9
Pricing	9
Floor Prices	10
Ceiling Prices	10
Bid Bonds	10
Explicit Rules for Cancellation of Auctions	10
<b>Implementation Plan</b>	<b>10</b>
<b>Observations and Conclusions</b>	<b>11</b>
<b>3 IMPLEMENTATION OF FIRST AUCTION</b>	<b>13</b>
<b>Auction Results</b>	<b>13</b>
<b>Immediate Reaction of Auction Participants</b>	<b>14</b>
Auction Implementors	14
The Public	16
Bidders	16

<b>Developments Subsequent to the Auction</b>	<b>16</b>
<b>Observations and Conclusions</b>	<b>16</b>
<b>4 ANALYSIS OF RESULTS OF FIRST AUCTION AND ALTERNATIVES FOR FUTURE AUCTIONS</b>	<b>19</b>
<b>First Auction</b>	<b>19</b>
Accomplishments	19
Difficulties	19
Observations and Conclusions	19
<b>Future Auctions</b>	<b>20</b>
Possible Approaches to Future Sales	20
Recommended Sales Approach for Future Auctions	21
<b>5 OTHER CONSIDERATIONS IN SELLING PL 480 FLOUR</b>	<b>23</b>
<b>Appendix A Justification for Uniform Pricing for the October 1997 Auction</b>	
<b>Appendix B Step-by-Step Procedures for Tranche II Auction Implementation by PL 480 Management Office</b>	
<b>Appendix C Tranche II Bid Documents</b>	
<b>Appendix D Tranche II Auction Calendar</b>	

## Tables

Table ES-1 Overview of Parameters and Results of PL 480 Flour Auction, October 1997	3
Table 2-1 Review of Parameters of PL 480 Flour Auction, October 1997	8
Table 3-1 Overview of Parameters and Results of PL 480 Flour Auction, October 1997	14
Table 3-2 Overview of Results of PL 480 Flour Auction, October 1997	15

## Executive Summary

This report examines the results of the first auction of PL 480 Title III flour in Haiti, and on the basis of lessons learned from this very successful sale, suggests refinements to ensure satisfactory auctions in the future. Table ES-1 provides an overview of the parameters and results of the auction.

The auction took place October 24, 1997, shortly before the flour arrived by sea. The shipment was the first in a series of PL 480 shipments timed to arrive in Port-au-Prince in intervals of initially 1 month, and subsequently 1 week, from the end of October 1997 to the middle of January 1998. The first shipment was 8,001 metric tons of hard red winter wheat flour (or 160,020 bags of 50 kilos). Subsequent shipments will amount to 21,785 metric tons, which will be sold in two separate auctions in November and January.

The October auction was planned and carried out by the PL 480 Management Office from late September and through October 1997, with input from USAID/Haiti and assistance from a U.S. technical adviser.

The auction consisted of a two-tier, sealed-bid sales system, with the first tier targeting small buyers, as mandated by USAID, and the second tier being open to buyers of all sizes. The standard lot size was 400 bags—equal to the average truckload—to minimize logistics and handling costs. A ceiling of 25 lots, or 10,000 bags, avoided the concentration of flour in the hands of any one buyer. Small buyers were limited to 10 lots, or 4,000 bags.

The auction employed uniform pricing to ensure orderly sale of a basic food commodity. The auction also used bid bonds to eliminate spurious bids. Floor prices reflecting local market conditions for flour were set for each tier and made public before bid submission, as requested by the Management Office, to render the auction process as transparent as possible. No ceiling prices were used because USAID did not perceive speculative bidding to be a problem.

Two bidders' conferences, scheduled 3 and 8 days before bid submission, systematically covered for prospective bidders all facets of the auction process. Bidders were required to register before bid submission and to attach bid bonds (in the form of banker's checks) to their bids. An interest-bearing bank account was opened to hold the bid bonds of successful bidders until sales were completed. Bid bonds were returned immediately to unsuccessful bidders.

Bid submission, opening, and ranking took place the morning of Friday, October 24. To avoid the possibility of one set of auction results affecting the other, the bids of first-tier and second-tier bidders were reviewed in a single, closed-door session, with all bidders and the auction panel present.

Thirty-seven bidders (out of 47 registered) participated in the auction. Two bidders were eliminated for failing to submit bid bonds. On the basis of prices bid, 27 bidders received flour, in amounts ranging from 400 to 4,000 bags for first-tier, or small, buyers and from 4,400 to 10,000 bags for second-tier or all other buyers. A total of 144,800 bags was thus sold (92 percent of the flour available for sale), with the shortfall in sales occurring among the small buyers (for whom 20 percent of the shipment had been reserved). A total of 11,600 bags remained unsold. To further test the market for small flour buyers, these bags were subsequently sold by Management Office to small

buyers at the auction-set price. Such sales were announced on the radio and occurred on a first come, first served basis.

The auction worked very well, especially in view of Haitians' tendency to auction off salvaged or tainted agricultural commodities (and, consequently, their inexperience with auctions for agricultural commodities in good condition). The procedures were scrupulously followed by all auction participants (bidders as well as those conducting the auction), without any unilateral interventions, and the auction resulted in a market-conscious sales price, reflecting local market conditions for at least 80 percent of the shipment (i.e., for large purchases exceeding 4,000 bags). Unfortunately, the sales price set for 20 percent of the shipment (i.e., for small purchases of 4,000 bags and under) was not as accurate, largely because of several factors (i.e., a fairly low response among small buyers, overly conservative floor prices for both tiers, and too narrow a gap between floor prices for each tier). The unfortunate—although technically valid—price set by the auction for small quantities of flour ultimately resulted in an inverted price structure, with small buyers obtaining an economic rent (or windfall).

On the basis of this outcome, the strengths and weaknesses of alternative sales approaches were weighed. New options to tier auctions consisted of (1) holding separate auctions for large and small buyers and (2) holding administered sales for small buyers on the basis of the results of an auction to large buyers. Ultimately, because of their administrative complexity, the new options were eliminated in favor of continued use of two-tier auctions. In addition, administered sales would have posed problems with allocating flour in a fair and transparent manner.

Recommended refinements to the two-tier auction system include (1) requiring a minimum of 15 bidders for each tier to improve competition and (2) using better benchmarks when establishing the floor price. Such benchmarks include the highest legal exchange rate (for analyzing import costs) and the wholesale and retail prices of better quality flour in Port-au-Prince (for analyzing local market conditions).

**Table ES-1 Overview of Parameters and Results of PL 480 Flour Auction,  
October 1997**

General Information		
Size of shipment	8 001 metric tons or 160 020 bags	
Expected loss rate	2 percent of total shipment	
Total amount put up for auction sale	156 400 bags	
Date of shipment's arrival	October 27 (in the evening berthed the following day)	
Commencement of off loading	7 00 a m , October 30	
Date of auction (bid opening and ranking)	October 24	
Purchases completed	October 30 (as first truckloads arrived at warehouse)	
Auction Specific Information		
	First Tier (Category I)	Second Tier (Category II)
Parameters		
Amount earmarked for buyers	31 200 bags	125 200 bags
Lot size	400 bags	400 bags
Minimum and maximum quantities for sale	400 and 4 000 bags	4 400 and 10 000 bags
Floor price	G345 per bag	G330 per bag
Results		
Bidders registered	14	33
Bidders participating	11	26
Successful bidders	10	17
Total purchased	19 600 bags	125 200 bags
Amount left over for sale (first come, first served)	11 600 bags	none
Auction set stop out price (or sales price)	G345 per bag	G346 per bag

# 1. Introduction

## PURPOSE OF TECHNICAL ASSISTANCE

Since 1990, the PL 480 Title III Program in Haiti has sold wheat flour through administered sales, and although revenue generation has been adequate, concerns about administered price setting required a shift to auction sales in 1997

To support the planning and execution of the first auction, technical assistance was provided in two phases

- A short design phase of 3 days for delineating suitable auction rules and procedures for USAID/Haiti and the PL 480 Management Office<sup>1</sup> to consider (and then initiate accordingly), and
- After an interval of a few weeks, a longer phase of 3 weeks for assisting with the final stage of the auction itself and suggesting refinements as needed

The first phase resulted in the drafting of sample bid documents (including a tender notice for publication in the newspaper and a "cahier de charges" for distribution to potential bidders), as well as the development of an implementation plan (step-by-step procedures for preparing for and holding an auction, complete with calendar) These items were then reviewed and discussed by the PL 480 Management Office and USAID/Haiti and modified as appropriate Ultimately, the auction was designed in a collaborative manner and benefited from the input of a variety of people

The second phase of the technical assistance resulted in an orderly auction (with a curiously inverted pricing structure) and this report

## CONTENTS OF REPORT AND BACKGROUND REPORTS

This report explains the design and implementation of the October 1997 auction, and from this firsthand experience, recommends how to structure subsequent auctions under the PL 480 Program Following this introduction, the report is organized in four chapters and four appendixes Chapters 2 and 3 discuss the design and implementation, respectively, of the first auction Chapter 4 analyzes the first auction and discusses alternatives for future auctions, and Chapter 5 addresses other considerations in selling PL 480 flour The appendixes present sample documents that pertain to

---

<sup>1</sup> The PL 480 Management Office is the sales agent of the Government of Haiti for PL 480 Title III commodities It is autonomous, but is linked to Ministry of Planning and External Cooperation The Management Office reports to an Executive Council of the PL 480 Title III Program, chaired by the Ministry of Planning other members of the council include the Ministers of Economy and Finance Trade and Industry, Public Works, Agriculture, Health and Population

holding auctions Appendix A provides justification for uniform pricing for the October 1997 auction Appendix B presents step-by-step procedures for Tranche II auction implementation Appendix C presents Tranche II bid documents, and an auction calendar is presented in Appendix D

Information on Haiti's market structure and conditions for flour is provided in a study of PL 480 sales procedures prepared by Nathan Associates for USAID/Haiti,<sup>2</sup> the study's subsequent update<sup>3</sup> and the markets surveys routinely conducted by the PL 480 Management Office

---

<sup>2</sup> *Study on P L 480 Sales Procedures*, Nathan Associates Inc , Arlington, Va , July 1991

<sup>3</sup> *Study of PL 480 Sales Procedures An Update*, Nathan Associates Inc , Arlington, Va , July 1996

## 2. Design of First Auction

Although auctions for flour were mandated by the bilateral FY 97 PL 480 Title III Program Agreement, their use had been considered at least twice before 1997 in July 1991 (just before the embargo and the 2-year suspension of the program) and in July 1996 (in the middle of a 2-year program when wheat was expected to substitute for flour) On both occasions, auctions were considered feasible, but not immediately practical Either the institutional structure or staffing for holding an auction was not readily available (as was the case in 1991), or the next cycle of commodities would not be suitable for auction (as was anticipated in 1996)

The period of time set aside for designing and carrying out the auction in 1997 was short (5 weeks in all), but the participants in the process (USAID, the PL 480 Management Office, and the technical adviser) benefited from the work done in 1991 and 1996

### GENERAL PERCEPTIONS AND CONCERNS

Auctions in Haiti tend to be used for selling damaged or used commodities This sales convention, combined with the inexperience of most of the traditional buyers of PL 480 flour, raised concerns among Haitians about the willingness of buyers to engage in a PL 480 auction The Management Office, in particular, wondered whether low participation in the auction would result in its cancellation and a reversion to administered sales A canceled auction not only would have resulted in delayed sales and higher storage costs for the program, but also could have shaken the buyers' confidence in the program—a confidence that had been carefully built up over the years, especially among small buyers

### AUCTION PARAMETERS

The parameters proposed for the October 1997 auction responded to the objectives set by USAID and the Government of Haiti, as well as to the need to ensure positive results so that Haitian buyers would continue to participate in the auction process

The goals of USAID consisted of maximizing sales revenue, increasing the participation of small buyers in the sales program increasing the transparency and accountability of the sales process, and stabilizing food prices in general and flour prices in particular The Government of Haiti remained interested in spreading the award of flour among as many buyers as possible<sup>4</sup> Fortunately these wide-ranging goals could be accommodated in the auction's design without adversely affecting its outcome

A brief discussion of how the auction's parameters were set follows Table 2-1 highlights the purpose and the specifications for each parameter

---

<sup>4</sup> This was also an express goal of USAID in the early 1990s, subsequent to the shift from wheat sales to the then state-owned flour mill to wheat flour sales to private traders

**Table 2-1 Review of Parameters of PL 480 Flour Auction, October 1997**

Parameter	Purpose	Specifications
Type of auction		Written, sealed bid
Tiers	To encourage bids from small buyers	Two tiers one for small buyers and the other for all other buyers
Bidders eligibility criteria	To screen out nonperforming bidders	Previous experience with agricultural commodities, fixed place of business
Lot size (minimum amounts)	To ensure orderly sale and pickup of flour	400 bags (or the size of an average truckload)
Lot ceilings (maximum amounts)	To avoid concentration of flour in a few hands	10 lots for the first tier, 25 lots for second
Pricing	To encourage prompt payment from winning bidders	Uniform with a single stop out price paid by all bidders
Floor price (or reserve price)	To meet U.S. regulations on monetization	Set at slightly below prevailing wholesale prices for high quality imports
Ceiling price	To minimize speculative bidding	None <sup>b</sup>
Bid bonds	To eliminate spurious bidding	G1 400 per lot for first tier 20 percent of total bid price for second tier
Conditions for canceling the auction	To stop the auction if it goes off track	Evidence of collusion all bids below floor price or insufficient number of bidders (i.e. less than 10 for each tier)

<sup>a</sup> The PL 480 Management Office requested that the floor price be announced to ensure as much transparency about the auction as possible. Announcing the floor price can also reduce strategic low bidding and encourage greater competition especially among experienced bidders. Inexperienced bidders conversely, tend to concentrate bids just above the announced price in the belief they are bidding against it (not each other)

<sup>b</sup> The ceiling price was eliminated at the request of USAID. Normally ceiling prices are set slightly above the prevailing retail price and are not usually announced in advance. A range of acceptable prices (i.e. between the ceiling and floor prices) is sometimes used to guide inexperienced bidders toward a realistic price range.

Concern in the Management Office about the number of people willing to participate in auctions reduced the proposed floor from 15 bidders to 10 bidders per tier.

8

## Tier Establishment

Earmarking a portion of the shipment for small buyers is perhaps the best way to guarantee their participation.<sup>5</sup> On the basis of the amounts historically purchased by small buyers from the PL 480 Program, approximately 20 percent of the shipment (31,200 bags) was set aside for small bidders, leaving some 125,200 bags for all other bidders.<sup>6</sup>

## Bidder Screening

Failure to screen out nonperforming bidders can result in the disintegration of the auction process. Performing bidders should register for the auction in advance and demonstrate adequate capacity for handling food commodities, completing the purchase, and ensuring the subsequent resale and distribution through legitimate marketing channels. The screening process used by the Management Office for ascertaining the credentials of would-be buyers under administered sales was appropriate for auctions and accordingly was adopted for the auction. The screening criteria consisted of a fixed place of business (with adequate warehousing), experience in the trade of agricultural commodities, and a valid license.

## Lot Size

The establishment of lots (the standard quantity for sale) is an administrative decision, tied to easing logistics, minimizing handling costs, and ensuring orderliness during commodity pickup. A lot size of 400 bags has been used by the Management Office for years, largely because it is equal to the average truckload and is small enough for small buyers to handle. Consequently, a lot size of 400 bags was used for the auction.

## Lot Ceilings

Lot ceilings are a totally separate issue from lot size, and they are dictated by policy considerations, not administrative concerns. The setting of a maximum amount is not technically necessary nor always desirable because it can result in slightly lower total revenues. However, ceilings do permit the dispersion of awards among many buyers, and they can be used as long as they are announced in advance and not changed once the bids are received. Two ceilings were selected—4,000 bags for small buyers and 10,000 bags for large buyers—in keeping with the ceilings used by the Management Office in the early 1990s.

## Pricing

Only two pricing mechanisms can be used in auctions: pay-as-bid (which is self-explanatory) and uniform pricing (in which the bids themselves determine the price). Contrary to popular belief, uniform pricing can generate as much—and sometimes more—revenue than pay-as-bid, especially when a common value is placed on the commodity for sale. Uniform pricing has additional advantages: it provides a fair price that can be used for sales taking place between auctions and it

---

<sup>5</sup> Establishing a different eligibility threshold for small buyers is an alternative approach that may or may not result in their participation.

<sup>6</sup> The assumed loss rate is 2 percent of the shipment.

creates fewer problems at the point of purchase. In pay-as-bid, certain winners may be unwilling to pay the price bid when they see others completing their purchases for a lower price. For these reasons, uniform pricing was selected for the auction. (Refer to Appendix A for a more detailed discussion of the selection of uniform pricing.)

### **Floor Prices**

A floor price, or reserve price, is the minimum acceptable price for bids. Because U.S. regulations require a minimum deposit in the local currency account for any PL 480 sales, floor prices are an integral part of PL 480 auctions. Early PL 480 auctions tended to use the free alongside ship value of the commodity (at the highest legal exchange rate) as the floor price. Recent PL 480 auctions base the price on local market conditions (after a quick calculation that it is above the mandated minimum). The floor price should be slightly below the local prevailing wholesale price, corrected for differences in quality, amount, and so on. As such, two floor prices were set for this auction, one for small buyers (at G345 per bag) and one for all other buyers (at G330 per bag).

### **Ceiling Prices**

Ceiling prices are used in both pay-as-bid and uniform pricing auctions to prevent speculative bidding (and guarantee awards to serious bidders). These prices tend to be set slightly above retail prices for high-quality flour imports. USAID believed that no upward limit should be placed on individual valuations of the flour and consequently rejected ceiling prices for this auction.

### **Bid Bonds**

Bid bonds are probably the best way to screen bidders for financial capacity and seriousness of intent to purchase. Bid bonds should be set in the range of 5 to 20 percent of the expected value of the commodity to be purchased. Unsuccessful bidders should always be able to get back their bonds as soon as the awards list is announced. The bonds of successful bidders should be placed in an interest-bearing commercial bank account, and their amount can be deducted from the final payment. For this auction, bid bonds were set at 20 percent for large buyers, in part to ascertain their commitment to completing the purchase and in part to help minimize potential collusion or the financial backing of several bids by one firm or person. The threshold for small buyers was lower, with bid bonds representing earnest money, equal to approximately 1 percent of the expected value of the flour to be purchased. To simplify the process for small bidders, moreover, their bid bonds were set at a flat amount of G1,400 per lot rather than a percentage. Bid bonds (in the form of bankers' checks) were to be attached to bid submissions.

### **Explicit Rules for Cancellation of Auctions**

Auctions are not fail-safe operations and can fall apart as a result of various factors, including collusion among bidders or inadequate participation by bidders. Written rules were established for this auction to permit its cancellation if something went wrong.

## **IMPLEMENTATION PLAN**

Auction implementation entails a series of steps, in this case 15

- 1 Finalize auction parameters
- 2 Finalize bid documents

- 3 Announce auction to the public
- 4 Make available bid documents
- 5 Register potential bidders
- 6 Open bank account for bid bond
- 7 Establish account for auction proceeds
- 8 Establish and announce floor price
- 9 Hold first bidders' conference
- 10 Hold second bidders' conference
- 11 Open and rank bids from small bidders
- 12 Open and rank bids from large bidders
- 13 Post auction results
- 14 Sign sales contracts
- 15 Complete auction report

These steps are as straightforward as they sound. Appendix B presents a copy of the instructions provided to the Management Office for their execution.

The most critical element in these steps is the timely and public sharing of information about the auction process. This information is conveyed through radio and newspaper announcements, through the distribution of bid documents,<sup>7</sup> and through focused training sessions called bidders' conferences. As planned, the auction was to be announced 3 weeks in advance to give potential buyers sufficient time to learn more about the process and assemble necessary documentation.

The series of steps also requires potential bidders to register (in essence prequalify) with the Management Office before the auction. Unqualified parties are screened out if their paperwork is not in order or if they fail to demonstrate experience with handling agricultural commodities. This two-stage procedure encourages many potential bidders to participate and makes it possible to resolve any disputes about eligibility before the auction.

### OBSERVATIONS AND CONCLUSIONS

The design of the auction benefited from input from a variety of sources (including international technical assistance and Haitian professional expertise) and reflects Haitian business conventions, auction literature, and documented experience of auctions of food aid commodities worldwide. The auction's guidelines were written clearly and precisely and were circulated before the auction.

In addition, the auction's parameters balanced the three seemingly inconsistent requirements of USAID and the Government of Haiti. They provided sufficient limits to discourage nonserious bidders, sufficient openness to permit the participation of serious but smaller bidders, and sufficient scope to encourage participation from larger and more financially capable bidders.

---

<sup>7</sup> The bid documents consists of a "cahier de charges," which provides written guidelines on all terms and conditions governing the auction and presents a complete timetable of events.

### 3. Implementation of First Auction

Refining the bid documents took longer than planned, and auction implementation was virtually squeezed into a period of 2 weeks instead of 5. To its credit, the Management Office adhered to all of the steps outlined in the previous chapter, even within the shortened time frame. The auction was publicly announced starting the week of October 12. Bidders' conferences were held October 15 and 21. The floor price was set October 16 and made known shortly thereafter. All bids were opened and ranked October 24 in a single closed-door session attended by all bidders. A total of 47 companies registered for the auction (as compared with approximately 150 entities for PL 480 sales during 1995 and 1996).

#### AUCTION RESULTS

Thirty-seven bidders participated in the auction, 11 for the first tier and 26 for the second. Two bidders (one from each tier) were eliminated for failing to submit bid bonds with their bids. A total of 27 bidders (10 from the first tier and 17 from the second tier) obtained flour, 25 of them in the amounts requested. All of the flour in the second tier (125,200 bags) was sold, and two bidders bid the stop-out price, thereby sharing proportionately the remaining flour. Two-thirds of the flour in the first tier was sold, leaving 11,200 bags unsold (or approximately 8 percent of the total shipment) (See Tables 3-1 and 3-2).

The sales price set for the second tier of larger buyers was G346 per bag, 16 gourdes above the tier's floor price. This price appeared to capture market conditions, being approximately 4 percent less than importers' selling prices for high-quality flour<sup>8</sup> and close to the margin expected at that level of the marketing chain.

Conversely, the price set for the first tier of small buyers was G345 per bag, which also happened to be the floor price for the tier. This lower-than-expected sales price resulted in a margin for small buyers approximately 2 to 3 times larger than normal (i.e., between 6 and 9 percent, as opposed to the prevailing 3 percent). This low price resulted in a windfall profit for small buyers and a loss in revenue for the PL 480 program of roughly US\$25,500.

There are several explanations for the low sales price. The most important reason is insufficient competition (or number of bidders for the amount of flour available for the first tier). Another reason is that the floor price was too conservative. Floor prices that are too low can have a downward effect on bids because they leave bidders with the impression that the seller undervalues the commodity for sale and is willing to part with it for less than its optimum value. An ancillary explanation is that the smaller bidders were less sophisticated than the larger ones and they became caught up in bidding against the floor price.<sup>9</sup> Lastly, small bidders might have simply been less interested in buying

<sup>8</sup> An upsurge of commercial imports of flour right after completion of the auction makes precise comparisons difficult.

<sup>9</sup> The majority of small bidders bid within 5 gourdes or 1 Haitian dollar of the floor price for their tier.

**Table 3-1 Overview of Parameters and Results of PL 480 Flour Auction,  
October 1997**

General Information		
Size of shipment	8 001 metric tons or 160,020 bags	
Expected loss rate	2 percent of total shipment	
Total amount put up for auction sale	156 400 bags	
Date of shipment's arrival	October 27 (in the evening berthed the following day)	
Commencement of off loading	7 00 a m October 30	
Date of auction (bid opening and ranking)	October 24	
Purchases completed	October 30 (as first truckloads arrived at warehouse)	
Auction Specific Information		
	First Tier (Category I)	Second Tier (Category II)
<b>Parameters</b>		
Amount earmarked for buyers	31 200 bags	125 200 bags
Lot size	400 bags	400 bags
Minimum and maximum quantities for sale	400 and 4 000 bags	4 400 and 10 000 bags
Floor price	G345 per bag	G330 per bag
<b>Results</b>		
Bidders registered	14	33
Bidders participating	11	26
Successful bidders	10	17
Total purchased	19,600 bags	125 200 bags
Amount left over for sale (first come first served)	11,600 bags	none
Auction set stop-out price (or sales price)	G345 per bag	G346 per bag

PL 480 flour directly from the Management Office, whose sales terms (absent credit) were less attractive than those offered by the private sector

In neither tier did collusion overtly appear. The repeated submission of bid prices divisible by 5 is most likely due to the tendency to quote flour prices in Haitian dollars.

The total revenue resulting from this auction—and the subsequent sales of the flour left over by the auction at the auction-set price—should result in G54,083,200 (or US\$3,038,382 at the highest legal exchange rate, as of late October 1997). This equals \$379.75/metric ton, which is some 18 percent higher than the cost and freight charges of the flour.

### IMMEDIATE REACTION OF AUCTION PARTICIPANTS

The immediate reaction of all involved in the auction process was positive, as discussed in this section.

#### Auction Implementors

The PL 480 Management Office was particularly pleased with the transparent allocation process built into the auction (as demonstrated by the absence of protests about the awards of flour). The Management Office also appreciated the administrative simplicity of the auction and that sales were orderly and completed within a short period of 3 days.

15

**Table 3-2 Overview of Results of PL 480 Flour Auction, October 1997**

Bidders Registration No	Price Bid (gourdes/bag)	Number of Bags Requested	Bags Available for Sale
<b>First Tier (Category I) Bidders (i.e. 1 to 10 lots)</b>			
			31 200
6	365	4 000	27 200
46	360	4 000	23 200
45	357.5	400	22,800
27	355	4,000	18 800
23	350	1 200	17 600
16	350	400	17 200
25	348	800	16 400
43	347.5	1 600	14,800
5	347.5	1,200	13 600
44	<b>345*</b>	<b>2,000</b>	<b>11,600</b>
7	0	0	11 600
<b>Second Tier (Category II) Bidders (i.e. 11 to 25 lots)</b>			
			125 200
36	360.5	4 400	120,800
17	360	10,000	110,800
1	355	10,000	100 800
12	353	4,400	96 400
11	352.5	10,000	86 400
28	351	10 000	76 400
4	350	10 000	66 400
9	350	10,000	56,400
2	350	10 000	46 400
15	350	10 000	36 400
31	350	6 000	30 400
18	350	6 000	24 400
10	350	6 000	18 400
22	348.5	10 000	8 400
30	347	4 800	3 600
42	<b>346*</b>	<b>6,000</b>	<b>(2,400)</b>
33	<b>346*</b>	<b>10,000</b>	<b>(12,400)</b>
40	345	10 000	(22 400)
3	345	10 000	(32 400)
29	345	10 000	(42 400)
20	345	5 000	(47 400)
41	345	4 800	(52 200)
34	340.5	10 000	(62 200)
21	335	5 000	(67 200)
38	335	4 400	(71 600)
47	0	0	(71 600)

\* Price per bag

### **The Public**

The public reacted well to the launching of the auction process. A few individuals called the Management Office directly with questions and dropped by for question-and-answer sessions. Approximately 60 people attended the bidders' conferences. Many raised thoughtful questions. Several indicated that the explanations provided at the bidders' conferences were clear and precise and alleviated concerns about the new process, especially about the treatment of small bidders versus large.

### **Bidders**

Eighty percent of those registered for the auction became bidders. Those present at the auction indicated satisfaction with the price set and the awards of flour made as they left the session. Their comments revealed an awareness of how their bidding strategy (with respect to price) affected their ranking. It was clear that several would have bid slightly higher prices to ensure themselves an award, but they clearly understood the trade-off between shading their bid prices upward (and risking a price that cuts into their profit) and shading their bid prices downward. Winners showed satisfaction by completing their purchases with cash or irrevocable letters of credit within the time frame specified (i.e., within the first 3 days of the week following the auction).

### **DEVELOPMENTS SUBSEQUENT TO THE AUCTION**

Right after completion of the auction and contract signing, 3,000 metric tons (or 60,000 bags) of flour—with the same quality and packaging as PL 480 Title III flour—arrived unexpectedly in Port-au-Prince. This flour was part of a shipment of flour, pinto beans, and vegetable oil sold by auction in August to a Haitian importer by the Salesian Mission. To the consternation of the buyers of PL 480 flour (and to other participants in the local flour market), this flour was immediately resold by the Haitian importer, reportedly at below-market prices. It was said the lots of 5,000 bags, for instance, were being offered at G345 per bag (instead of approximately G360 per bag). The inventory turnover of other types of flour on the market started to slow down, and flour prices generally started to drop, especially among the lesser brands.

In hindsight, these developments may have been a “hiccup” in the normal operations of the Port-au-Prince flour market, but buyers of PL 480 flour became concerned that they would suffer a loss. In addition, flour in Haiti occupies set niches, on the basis of brand name and origin, and it was disconcerting for buyers to see (1) more PL 480 flour on the market than anticipated (i.e., announced by the Management Office) and (2) PL 480 flour entering the market via avenues other than the PL 480 Management Office. A series of complaints was lodged with the Management Office.

### **OBSERVATIONS AND CONCLUSIONS**

The Salesian shipment notwithstanding, the auction was successful. As discussed in the next chapter, the auction sold the flour quickly and efficiently to the private sector at a fair price. This is not to say, however, that the next auction will proceed as smoothly. The next auction is highly dependent on how quickly and efficiently successful bidders in this auction will be able to sell their own

allocations of flour, and at what price. Bad experience with slow inventory turnover will influence the bidders' attitudes toward the next round of flour sales and encourage them to shade their bids downward.

To a great extent, the success of the auction can be credited to the determination of the Management Office to make it work. The office provided excellent training to prospective bidders, which allowed them to understand the auction's procedures and what was expected of them.

## 4. Analysis of Results of First Auction and Alternatives for Future Auctions

### FIRST AUCTION

#### Accomplishments

The first auction of PL 480 flour in Haiti was successful in many ways

- It was well executed, without interventions or deviations from the rules established for the auction, in addition, the staff of the Management Office understood their role in the auction process and provided excellent training and explanations to potential bidders
- It established a fair price for large purchases of flour that appear to reflect current market conditions
- It resolved a long-standing difficulty with allocating flour transparently among buyers and eliminated protests among buyers about allocations
- It lessened significantly the administrative burden on the Management Office, allowing it to concentrate on (1) receiving the flour shipment, (2) signing sales contracts with and collecting payments from successful bidders, and (3) establishing flour pickup schedules
- It shortened the sales period to 4 working days (1 day for the auction and 3 days for the signing of sales contracts and payment) and allowed most transactions to be concluded before the early arrival of the flour shipment in Port-au-Prince

#### Difficulties

The auction also experienced a few difficulties

- It resulted in an inverted price structure for the flour, with the unit sales price of small purchases being 1 gourde less than the sales price of large purchases (instead of the 15- to 20-gourde spread in sales prices used under earlier administrative sales)
- It generated a low response rate among small buyers who appeared to bid against their floor price rather than each other
- It involved a shorter-than-planned implementation period, leaving potential bidders little time to register for the auction or prepare bid bonds

#### Observations and Conclusions

Overall, the auction's accomplishments outweighed its difficulties, which resulted from the following factors

- The tendency of the auction implementors to favor overly conservative floor prices, well below the prices prevailing in the Port-au-Prince market for premium flour

- The low-risk bidding behavior of small buyers, who were less likely to be drawn to the one-time acquisition of flour permitted by the auction process after having experienced the possibility of multiple, weekly acquisitions under administered sales
- A very tight period for designing and carrying out the auction

## **FUTURE AUCTIONS**

### **Possible Approaches to Future Sales**

Future PL 480 sales can be conducted in three ways, each of which uses the auction process to capture a fair market price via different means

#### ***Two-Tier Auction***

The first alternative is to continue to use the two-tier auction, but institute less conservative floor prices to ensure a better price structure (or margin) between small and large sales. In addition, a higher threshold (or number) of bidders would generate greater competition among bidders and entail better (more market-responsive) results. This requirement should not create a problem because experience shows that more and more buyers participate in auctions over time, as their comfort with and confidence in the process grows.

#### ***Strengths of Two-Tier Auction***

- Takes advantage of a sales system recently introduced and well understood by all participants
- Demonstrates a commitment to the auction sales process
- Permits transparency in allocations
- Permits transparency in pricing
- Poses the least administrative burden on the Management Office, especially if the auction proceeds without cancellation

#### ***Weaknesses of Two-Tier Auction***

- Requires accurate floor pricing

#### ***Mixed Administered Sales and Auction***

The second alternative is to use an auction for larger buyers and administered sales for small buyers, with the administered price for small buyers calculated on the basis of the auction's outcome. A possible formula for the administered price could be the auction-determined price for large sales multiplied by the prevailing sales margin for higher-quality flour in Port-au-Prince. The administered sale would be held a few days after the sales price is announced to ensure broad participation among small buyers.

#### ***Strengths of Mixed Administered Sales and Auction***

- Ensures an appropriate pricing structure between small and large purchases

#### ***Weaknesses of Mixed Administered Sales and Auction***

- Is management intensive and imposes an administrative burden on the Management Office

- Makes allocation to small buyers less transparent
- Generates dissatisfaction among small buyers, who believe that they are being denied timely access to the flour

### ***Two Separate Auctions***

The third alternative is to use two separate auctions held 1 week apart, with the first being for large buyers and the second for small ones, and with the results of the first auction, especially with respect to pricing, influencing the second. In other words, the price established by the first (very competitive) auction will become a reference for establishing the floor price of the second auction. The week's interval would permit proper announcement and notification of the floor price to interested bidders.

#### *Strengths of Two Separate Auctions*

- Permits transparent pricing for each category of bidders
- Permits transparent allocation for each category of bidders

#### *Weaknesses of Two Separate Auctions*

- Generates dissatisfaction among small buyers, who believe that they are being denied timely access to the flour
- Poses a greater administrative burden for the Management Office than a single auction

### **Recommended Sales Approach for Future Auctions**

Ultimately, the advantages of the two-tier auction outweigh its disadvantages as well as the advantages of the two other approaches. The two-tier auction is recommended because it works and is now a recognized sales technique in Port-au-Prince. Using an alternative might erode buyers' confidence. Safeguards to ensure better pricing results in the future include (1) using the highest legal U S dollar–gourde exchange rate when analyzing import costs and (2) focusing on the prevailing wholesale and retail prices for better quality flour in Port-au-Prince.

## 5. Other Considerations in Selling PL 480 Flour

Over the next 2 months (i.e., November and December 1997), there will be a convergence in Port-au-Prince of a significant amount of flour of the same quality and packaging: 21,785 metric tons of Title III flour, 12,500 metric tons of Title II flour, and 3,000 metric tons of USDA flour via the Salesian Mission. This combined amount represents about 15 percent of total annual flour imports through Port-au-Prince (or approximately a 2-month supply for the local market). To this amount should be added normal commercial imports, such as 5,500 metric tons of Rika scheduled to arrive in December. A glut could well develop, resulting in limited demand and low competition.

Fortunately, the PL 480 flour has a solid reputation and is likely to sell while other flour does not sell (or moves very slowly). Although it is unlikely that PL 480 sales prices will be as high as they were during the first auction, measures to ensure smooth sales operations for the PL 480 Program during the remaining fiscal year include (1) announcing as soon as possible the timing and volume of the Title II and Title III shipments, as well as their sales calendar, and (2) storing some of the flour and spreading sales over a longer time period than their shipments suggest.

## Appendix A

### JUSTIFICATION FOR UNIFORM PRICING FOR THE OCTOBER 1997 AUCTION

Competition (characterized by a large number of bidders, a high level of uncertainty about the bidding strategy of others, or, preferably, both) is key to the success of auctions. Competition requires bidders to examine closely the value of the item for sale (in light of cost and capacity) and set a price that will generate a positive surplus.

It is often claimed that bidders are sensitive to the nuances of bid pricing and are inclined to shade their bids upward or downward from the item's basic value depending on their attitude toward risk and their perceptions of how others will bid. However, bidders learn through experience that the best bidding strategy (regardless of auction structure or type) is to remain true as much as possible to one's best or optimum bid (i.e., the maximum the bidder is willing to pay).

The results of the October 1997 uniform-price auction amply reveal that most bidders (especially the large bidders) understood this bidding principle. They used market information to establish bid prices, and none submitted speculative bids. Some bids, perhaps, were shaded slightly upward, especially among the highest bids, but this is a standard outcome with uniform pricing.

Why then, one might ask, was uniform pricing used instead of pay-as-bid for the October 1997 auction? Wouldn't it be simpler to use pay-as-bid pricing? The answer is "not necessarily," for many reasons.

First, bidders needed to feel comfortable about the price-setting mechanism of the auction before the auction actually took place. Without enough bidders, there would not have been enough participation or enough competition, and it would have been necessary to cancel the auction. Uniform pricing assuaged concerns among potential bidders about fair pricing. It seemed appropriate that flour—a basic agricultural commodity, with a perceived common value—would be sold at a single unit price to small buyers and another single unit price to large buyers. It would have seemed less logical for flour to be sold at different unit prices.

Second, bidders needed to complete their purchases quickly on the basis of auction results. With pay-as-bid pricing, high-price winners might have been unwilling (as has happened in other countries) to pay the price they bid when they saw others completing their purchases at a lower price. The sales process would have become disorderly and protracted, thereby defeating a major purpose of having auctions in the first place.

Third, uniform pricing provided a fair market-responsive price that could be used for flour sales taking place between auctions. These sales included that of flour left over from the auction, as well as any other flour of similar quality being sold by the Management Office.

Lastly, the reference price established by the auction would be very useful to the Management Office in analyzing the impact of the auction on market operations. In the absence of a single sales price, it would have been more difficult for the Management Office to trace PL 480 flour prices after the auction and assess marketing margins at different levels of the marketing chain.

For these reasons, therefore, uniform price was selected (over pay-as-bid) for the October auction. It was understood that uniform pricing would allow the auction (and not the individual bidders or the auction implementors) to capture a fair, market-responsive price for the flour. In no way would uniform price suggest artificial pricing or administered pricing, nor would it rupture the essential connection between the price bid and the price paid. The auction implementors understood the rules and procedures governing the auction process and would not do anything to jeopardize the auction's results in terms of price formation.

Floor prices and ceiling prices, moreover, were understood to be mechanisms to ensure an orderly auction. The floor price was to guarantee generation of at least the U.S.-mandated minimum amount of local currency (unless, of course, potential buyers valued the flour below the floor price, in which case there would be no auction). The ceiling price (had it been used) would have eliminated nonserious bids (had there been any) from the auction. (With pay-as-bid pricing, overly high bids are always rejected in the expectation that the bidder will not follow through and disrupt final purchases.)



## *Appendix B*

### **STEP-BY-STEP PROCEDURES FOR TRANCHE II AUCTION IMPLEMENTATION BY PL 480 MANAGEMENT OFFICE**

#### **1 Establish auction parameters and have them vetted by the Government of Haiti and USAID**

##### *Ongoing process*

Auction parameters to be established are as follows

- **Timing of auctions** Use one auction per shipment, scheduled so that sales contracts are signed close to or just before the ship's arrival in port (to save on storage costs) The first auction will be completed October 30 The second auction will finish on or around November 21, the third, November 28, and so forth  
For each auction, bid documents will be available at least 2 weeks (and preferably 3 to 4 weeks) before the dates for submitting bids To expedite the public opening, registration and determination of bidders' eligibility will occur in advance of bid submission The submission and ranking of bids and the signing of sales contracts will occur within the time frame of a week
- **Type of auction** Use written, sealed bid tender (with bidders submitting bids for flour in sealed envelopes that are opened on a predetermined date)
- **Number of tiers (or separate simultaneous auctions)** Use two tiers, one for small bidders (capable of buying between 1 and 10 truckloads at a time), and one for medium to large bidders (capable of buying 11 or more truckloads) Partition shipments into two amounts On the basis of historic sales to small buyers, approximately 25,000 to 30,000 bags should be set aside for them This amounts to approximately 20 percent of the first shipment, leaving 80 percent for all other buyers
- **Lot size (or standard auction unit)** Use established lot size of 400 bags (which equals a truckload) Thus, all bidders will bid for flour in 400-bag increments (i e , 400 bags, 800 bags, 1,200 bags, 1,600 bags 2,000 bags, 2 400 bags, and so on)
- **Maximum number of lots that may be purchased** Use established maximum of 10 lots (or 4,000 bags) for small or first-time bidders, and use maximum of 25 (or 10,000 bags) for large bidders In other words, small bidders may bid for up to 4,000 bags in 400-bag increments, and large bidders may bid for 4,400 bags to 10,000 bags, also in increments of 400 bags
- **Minimum acceptable price (or floor price below which sales may not occur)** Use price that is a fraction below the prevailing price paid by wholesalers for good-quality, commercially imported flour Also examine the prices of other commercially imported

flour, and see whether prices reflect normal volumes, a scarcity or a glut, and why. These assessments of market conditions should be conducted weekly for the 4 weeks leading up to the auction. The reserve price should be set and announced at least 1 week before the opening of the bids. On no account can the floor price be less than the free alongside ship cost of the flour.

- **Bidders' eligibility** Use same criteria as established for administered sales for buyers, namely a fixed place of business (with proven warehousing capacity), 3 to 5 years of experience in trading agricultural commodities, and legitimacy (in the form of licenses, etc.) Bid bonds ought to help screen for financial capacity.
- **Acceptable payment terms** Use same terms established for administered sales. Cash (in the form of certified bank checks) and irrevocable letters of credit will be accepted.
- **Size of bid bonds (or caution)** Use a flat amount of G1,400 per lot as the bid bond for all small, first-tier bidders, and a proportionate rate of 20 percent of the total bid price as the bid bond for all other bidders. In essence, the bid bond of small bidders represents earnest money, whereas those of large bidders is to discourage them from backing too many bids.

Certified bank checks will be accepted as bid bonds. They must be included in the bid submission (i.e., attached to the bid form), or the bid will be immediately rejected.

The bonds of successful bidders must be placed directly by the Management Office in an interest-bearing bank account, opened especially for the purpose of holding bid bonds. Bid bonds will be returned to unsuccessful bidders immediately after the bid opening. Bid bonds (plus any interest accrued on the bond amount) will be credited toward payment of successful bidders when payment for the flour is made.

- **Conditions under which auction shall be canceled** The auction must be canceled whenever any of the following occurs:
  - Evidence of large-scale collusion (i.e., a set pattern in the prices bid by most of the bidders, suggesting a collective bidding strategy)
  - All bids are below the floor price
  - An insufficient number of bidders (i.e., less than 15 in each tier)

If an auction is canceled, it will be necessary to revert to administered sales. The administered price should reflect prevailing market conditions and be set higher than the floor price established for the auction.

- **Pricing procedure** Use uniform pricing, which is set by the auction in the following manner. All eligible bids will be ranked in descending order by price. Then, starting with the highest-priced bid, lots of flour will be allocated according to the quantities requested in each bid, until either the total shipment of flour is exhausted or the floor price is reached. The price at which this occurs is the stop-out price. The stop-out price will be the sales price of all flour.
- **Provisions for handling protests** Use mediation, though no protests are expected, given that the auction will be public, with the official minutes of the proceedings posted publicly at least 2 weeks after conclusion of the auction.

## 2 Prepare bid documents

*Prototype set completed (to be modified when necessary)*

Bid documents consist of the following items

- **Notice or announcement** (to be sent to newspapers and broadcast on radio to notify importers and traders of the upcoming auction)
- **Instructions** (to be given to any potential bidder to explain in detail and in writing the complete auction process)
- **Registration form** (to be completed by any potential bidders, supplying information to be used to ascertain the eligibility of each potential bidder)
- **Bid form** (to be completed by bidders and submitted to the Management Office in a sealed envelope during the dates specified, information provided therein will be used to rank the bids)

## 3 Open interest-bearing account at commercial bank (to hold bid bonds)

Use, if possible, a tender process to select the bank with the most favorable terms and conditions

## 4 Announce first auction as soon as bid documents are ready

*3 weeks if possible*

Announce that PL 480 flour will be sold by auction several times a week at least 3 weeks (if possible) before the dates for submitting bids. Inform potential buyers that the bid documents may be claimed directly from the Management Office

## 5 Make bid documents available for pickup

*3 weeks if possible*

Arrange to have the bid documents available at the Management Office for pickup as soon as the auction is announced

## 6 Register interested potential bidders

*3 weeks*

Use the same procedures currently employed

- 1 Check to see that the potential bidder has completed the bid registration form, as required
- 2 Verify the validity of the bidder's license or patent
- 3 If the bidder is not known to the Management Office, make an appointment to visit bidder's premises to verify warehousing capabilities and nature of commodities handled
- 4 Provide eligible bidders with a registration number, which will ultimately be used as a buyer's identification number for successful bidders
- 5 Enter eligible bidders into a register, indicating bidder's name, address, and phone number (The presence of the ledger will facilitate determination of who should be present at the opening and ranking of bids)

**7 Hold one or two bidders' conferences**

*2 hours on average*

At least one bidders' conference should be held at the Management Office to introduce the auction sales process and to promote bidders' understanding of auction procedures and what is expected of them. The conference will also give potential bidders an opportunity to voice questions and concerns.

**8 Announce floor price**

*At least 1 week before the auction*

**9 Open and rank bids in closed-door session open to all registered bidders**

*1/2 day*

- 1 Hold each session in the Conference Room of the Management Office, open the doors one-half hour before the session is scheduled to start, and allow bidders to enter freely. Assemble auction implementors in the room 10 minutes before the auction is to start. Close the doors precisely on the hour the session is scheduled to start, and have the door guarded to prevent any further access.
- 2 Collect bid envelopes from each bidder in the room by having them place their envelopes directly into two large boxes (one for each tier) at the front of the room, in view of all assembled. Do not accept any further bids from this moment forward.
- 3 Remove bid envelopes from one box, open them one at a time, and read the bid form contained therein aloud. Write this information on a chalk board. Determine whether the bid is responsive or nonresponsive on the basis of the price bid, the number of lots requested, and the payment terms indicated and whether the amount of the bid bond reflects the total amount requested. Reject any bids that do not correspond to the auction parameters, and explain why nonresponsive bids have been rejected. Draw a line through any nonresponsive bid.
- 4 Rank responsive bids by the prices bid, from the highest acceptable price to the lowest acceptable price.
- 5 Starting at the top of this list, with the highest priced bid, allocate flour on the basis of the number of lots requested by each bid.
- 6 Proceed down the list, and allocate flour by the number of lots requested by each bid, until either the flour is gone or the reserve price is reached. This price is called the stop-out price. It is the price set by the auction for all the flour sold in the tier. If more than one person bids the stop-out price, then the remaining flour should be allocated proportionately on the basis of the quantities requested. (Repeat Steps 3 through 6 for the bids in the other box.)
- 7 Prepare a list of all the bidders, with bid prices at or above each stop-out price. This is the list of winners (include in the list the bidder's name, the quantities won, and the stop-out price).
- 8 Prepare a list of alternates, by continuing down the list of bids. (Alternates will be contacted according to their ranking on the list, should any sales with winners fall through, and be asked whether they are interested in purchasing the flour in question at the auction determined price.)
- 9 If the reserve price is reached before the flour is totally allocated, announce the winners and then offer the remaining flour on a first come, first served basis to unsuccessful bidders (i.e., those who bid lower than the reserve price).

**10 Post auction results**

*2 to 3 weeks*

Announce on the radio the conclusion of the auction (optional) Post in the Management Office the minutes of the auction and the winners' list, with the names of the successful bidders and the amounts allocated to each Include the official stop-out price

**11 Sign sales contracts**

*3 to 4 days*

**12 Prepare documentation or reports covering proceedings and results of auction**

Reporting requirements include the following

- Copies of the announcements made on the radio and in the newspapers, with a list of the dates of the announcement,
- A copy of the bidding documents,
- A list of all bids submitted, with bidders' names, prices, and quantities, showing the stop-out price and indicating which bids were declared nonresponsive and why,
- The winners' list and the alternate list,
- An accounting of the final sale, showing actual sales, pickups, and payments by bidder and in total,
- An accounting of the auction's costs, showing the amount to be deducted from gross proceeds and the amount to be deposited in the counterpart funds account

*Appendix C*

---

**TRANCHE II BID DOCUMENTS**

### **3e AVIS D'APPEL D'OFFRES POUR L'ACHAT DE FARINE DE BLE**

Les interesses sont invites par le Bureau de Gestion a soumissionner pour l'achat de la farine de ble octroyee a Haiti par le Gouvernement Americain dans le cadre du Programme d'Alimentation pour le Developpement PL-480/Titre III

L'arrivee de la seconde tranche de farine a Port-au-Prince est prevue des le 22 novembre 1997 Cette tranche de farine de 10 085 tonnes metriques, soit 201 700 sacs de 50 kg sera vendue par lot de 400 sacs Quinze pour cent (15%) de la dite tranche seront reserves aux soumissionnaires interesses a acheter de 400 jusqu'a 4 000 sacs (1 a 10 lots) Le reste pourra être acquis toujours par lots de 400 sacs, dans une fourchette allant de 4 400 a 10 000 sacs (11 a 25 lots)

1) Les documents d'appel d'offres peuvent être retires du 10 au 21 novembre 1997 entre 9 00 a m et 4 00 p m au local du Bureau de Gestion a l'ancien local du Casino International au Bicentenaire

2) La soumission et l'ouverture des plis pour l'achat des lots allant de 400 jusqu'a 10 000 sacs auront lieu le lundi 24 novembre 1997 a 2 00 p m a la salle de Conference du Bureau de Gestion PL-480/Titre III

3) Les soumissionnaires doivent avoir une adresse d'affaires fixe et des capacites de stockage suffisantes pour entreposer la quantite de farine soumissionnee et au moins 3 annees d'experience dans l'achat et ou la

### **3e ANONS SOU PWOPOZISYON PRI POU FARIN**

Biwo Jesyon PL-480/Tit III envite tout moun ki enterese achte farin nan kad Ako PL-480/Tit III pou vin aplike nan lokal biwo-a

Dezyem kagezon farin nan, yon vale 201 700 sak, ap rive Potoprens ve 22 novanm 1997 15% nan farin-nan ap rezeve pou kliyan ki aplike pou yo achte 400 pou rive 4 400 sak, chak sak peze 50 kilo Res kagezon-an k'ap toujou vann pa lo 400 sak, rezeve pou moun kap achte soti 4 400 pou rive 10 000 sak

1) Dokiman pou ofri pri-yo ap disponib depi 10 jiska 21 oktob 1997, soti 9 ve pou rive 4 tre nan Biwo Jesyon, nan ansyen lokal kazino Entenasvonal sou Bisantne

2) Moun k ap achte 400 pou rive 10 000 sak-yo dwe remet pwopozisyon pri-yo 24 oktob a 2 ze nan sal konferans Biwo Jesyon se menm le-a tou y'ap louver anvlop-vo

3) Moun-vo ki vle achte farin-nan dwe bay von adres fiks fok yo gen eksperyans nan vann ak achte pwodwi moun manje, epi bon jan depo pou mete farin-nan Chak moun dwe prezante setifika patant, kat dimatrikilasyon

**PROGRAMME D ALIMENTATION  
POUR LE DEVELOPPEMENT**

*PL-480 TITRE II*

ente de denrees Chaque nouvel aceteur potentiel devra presenter pour etre enregistre son certificat de patente sa carte d'identite professionnelle et sa carte d immatriculation fiscale valides pour l'exercice 1997/97

4) L'enregistrement des soumissionnaires aura lieu au local du Bureau de Gestion du 10 au 21 novembre 1997 du lundi au vendredi de 9 00 a m a 4 00 p m Tous ceux qui ont ete deja enregistres pour le premier appel d'offres n'ont pas a s'inscrire a nouveau, a moins qu'ils veulent changer de categorie

5) Une caution de soumission devra accompagner chaque offre d'achat Les cautions des acheteurs dont les offres n'auront pas ete retenues leur seront retournees a la fin de la seance d'adjudication

6) Les acheteurs potentiels sont invites a assister au local du Bureau de Gestion le 19 novembre a partir de 2 00 p m a une conference au cours de laquelle les procedures et modalites de l'appel d'offre leur seront presentees Ils pourront aussi s'adresser a la Section Commerciale du Bureau pour toutes informations relatives au processus et au deroulement des operations d appel d offres

Pour plus d informations contacter la Section Commerciale du Bureau de Gestion PL-480/TitreIII telephone 23-8625 23-8845

fiskal ak kat didantite pwofesyonel-yo valab pou ane 1997/98

4) Biwo Jesyon ap anrejistre nouvo aplikasyon-vo soti 10 pou rive 21 novanm lendi a vandredi de 9 ve a 4 tre Tout moun ki te deja anrejistre pou premye kagezon-an, pa bezwen enskri anko, amwenske-yo vle chanje kategori

5) Tout moun ki aplike-yo dwe depoze yon vale lajan ke Biwo-a ap remet moun ki pa ranpli kondisyon pou achte-yo touswit apre seyans-la

6) Tout klivan envite pou yo asiste yon konferans nan dat 19 novanm a 2 ze, nan Biwo Jesyon, kote yo pral eksplike-yo an detay kijan farin-nan ap vann ane sa-a Yo kapab poze tout kesyon yo genyen tou ak moun ki travay nan seksyon komesyal Biwo Jesyon

Pou plus entomasyon kontakte Seksvon Komesyal Biwo Jesyon ansven lokal Kazino entenasvonal telefon 23-8625 23-8845

## AVIS D'APPEL D'OFFRES

Le Bureau de Gestion PL-480/Titre III invite les boulangers, pâtisseries, commerçants et industriels de l'alimentation en particulier à soumissionner pour l'achat de la farine de blé, dans le cadre de l'Accord PL-480/Titre III du 7 août 1997

Les documents d'appels d'offres peuvent être retirés du 10 au 21 novembre 1997 au local du Bureau de Gestion

L'arrivée de la seconde tranche est prévue pour le 22 novembre. La soumission et l'ouverture des plis auront lieu le lundi 24 novembre à 2 heures PM

Pour plus d'informations, veuillez appeler le 23-8625 ou le 23-8845 ou passer au Bureau de Gestion PL-480/Titre III sis à l'ancien local du Casino International, au Bicentenaire

## AVI

Biwo Jesyon PL-480/Tit III envite tout moun ki enterese achte farin nan kad Ako PL-480/Tit III pou vin aplike nan lokal biwo-a pou dezyem kagezon farin nan k'ap rive Potoprens ve 22 novanm

Dokiman pou ofri pri-yo ap disponib depi 10 jiska 21 oktob nan Biwo Jesyon Tout pwopozisyon pri dwe rive nan dat 24 novanm a 2 ze, nan sal konferans Biwo Jesyon

Pou plis enfomasyon, kontakte Seksyon Komesyal Biwo Jesyon, ansyen lokal Kazino Entenasyonal, telefon 23-8625, 23-8845

# CAHIER DES CHARGES

Vers la fin de novembre 1997, le Bureau de Gestion recevra environ 10 085 tonnes metriques de farine de ble dans le cadre du Programme d'Alimentation pour le Developpement PL-480/Titre III dont les specifications techniques sont les suivantes

- Taux de Protéine 10.5 pour cent minimum
- Taux d'humidité 14.0 pour cent maximum
- Falling Numbers 200 minimum
- Farine Traitee au Brome 30 parts par million, 60 parts per million maximum, blanche, varietes de ble dur seulement, telle que la variete "Hard Red Winter"
- Contenu en cendre maximum 0.54%
- Niveau d'enrichissement en vitamine A, forme palmitate 10 000 a 12 000 unites internationales maximum, par livre
- Niveau d'enrichissement en Calcium minimum 500 milligrammes, maximum 1 017 milligrammes par livre
- Emballage Sacs de farine de ble de 50 kilos, portant des marques en abrege

La farine sera vendue par appel d'offres selon les dispositions suivantes

## 1) Eligibilite des Soumissionnaires

Pour être eligibles a participer au processus d'appel d'offres, les interesses doivent

- a) avoir une adresse d'affaires fixe le certificat de patente, la carte d'immatriculation fiscale et la carte d'identite professionnelle, tous trois pour l'exercice 1996-97, et avoir une experience dans la commercialisation des denrees alimentaires,
- b) avoir les capacites de stockage suffisantes pour entreposer la quantite de farine demandee,
- c) repondre aux exigences decrites dans le present Cahier des Charges notamment celles relatives aux conditions de paiement a la soumission des offres aux dates et heures convenues et a la caution requise

## **2) Dimension des lots et des quantites maximales**

La farine sera vendue par lots de 400 sacs. Les interesses pourront soumettre leurs offres pour un (1) ou plusieurs lots de 400 sacs jusqu'à un maximum de 25 lots soit 10 000 sacs. Quinze pour cent (15% soit environ 30 000 sacs) de la tranche d'environ 10 085 tonnes metriques seront reserves aux soumissionnaires interesses a acheter entre 400 et 4 000 sacs (1 a 10 lots), le reste de la tranche, soit 85%, sera vendu en quantites allant de 4 400 a 10 000 sacs (11 a 25 lots)

La categorie I, donc comprend les quantites allant de 1 a 10 lots, et la categorie II, les quantites de 11 a 25 lots)

- a) Les acheteurs potentiels devront indiquer a l'avance les quantites qui les interessent. Ils ne seront pas autorises a changer leur selection, d'une categorie a une autre, une fois qu'ils ont rempli le formulaire d'enregistrement et que ce dernier ait ete agree par le Bureau de Gestion.
- b) Les interesses doivent soumettre une seule offre pour les lots, selon la categorie enregistree, jusqu'a un maximum de 10 lots ou de 25 lots. Dans la premiere categorie, la plus petite quantite de farine pour laquelle la soumission pourra être faite est 400 sacs et la plus grande quantite 4 000 sacs. Dans cette categorie les offres peuvent être pour 1,2,3, 10 lots soit 400, 800, 1 200 4 000 sacs. Dans la seconde categorie, la plus petite quantite de farine pour laquelle l'offre pourra être faite est 4 400 sacs et la plus grande 10 000 sacs, les offres peuvent aller de 11 12 13, 25 lots soit 4 400, 4,800, 5 200, 10 000 sacs.

## **3) Procedures pour la soumission des offres**

Les interesses devront participer aux trois etapes suivantes du processus de soumission:

- a) S'ils ne l'avaient pas fait anterieurement ou s'ils veulent changer de categorie, remplir le formulaire d'enregistrement (annexe a ce document) et le remettre au Bureau de Gestion, entre 9 00 a.m et 4 00 p.m du lundi au vendredi entre le 10 et le 21 novembre 1997. Le fait de ne pas remplir convenablement ce formulaire peut entraîner la disqualification du soumissionnaire.
- b) Soumettre une caution comme decrit dans les sections 3-c et 7.
- c) Soumettre leur offre sous pli cache dans l'enveloppe pourvue a cet effet.

APPEL D'OFFRES MONSIEUR USA - AOUT 1997 - TRANCHE II  
NE PAS OUVRIR  
CONFIDENTIEL

L'enveloppe devra contenir

- a) le formulaire de soumission de l'offre convenablement rempli
- b) le cheque de direction doit être libelle a l'ordre de "Programme PL-480/Titre III, Exercice 97 BIDD 13058105" pour le montant de la caution de soumission

Le formulaire de soumission de l'offre est annexe a ce document. La soumission des offres sous pli cachete et l'ouverture des plis se feront pour les soumissionnaires de la categorie I (1 a 10 lots) et pour les soumissionnaires de la categorie II (11 a 25 lots) au cours d'une seance publique, le 24 novembre 1997, au local du Bureau de Gestion.

Les soumissions reçues en retard ne seront pas prises en consideration, et le fait de ne pas specifier dans une soumission le prix par sac, le montant total et la quantite (soit le nombre de sacs) entraînera la disqualification du soumissionnaire lors du classement des offres.

#### **4) Ouverture des plis et classement des offres Liste des Adjudicataires**

Les offres seront ouvertes et classees au cours d'une seance publique qui sera tenue a la salle de Conference du Bureau de Gestion PL-480/Titre III, le 24 novembre 1997 pour toutes soumissionnaires (1 lot de categorie I et de la categorie II).

Les soumissionnaires apporteront leurs offres et cautions sous pli cachete. La seance debutera a 2 00 p.m. précises. A cette heure, les portes seront fermées et personne ne sera autorisé a pénétrer dans la salle.

L'appel d'offres sera conduit par le Bureau de Gestion et les représentants de l'USAID/Haïti. Les plis devront être déposés dans une des deux boîtes, chacune réservée pour une des 2 catégories. Ces boîtes seront placées bien en vue sur une table.

Les offres seront ouvertes et lues a haute voix, l'une apres l'autre. Les raisons de la disqualification de n'importe quelle soumission seront données avant l'ouverture du prochain pli. Aucune offre inférieure au prix plancher ne sera acceptée.

Les offres respectant les termes et conditions décrits dans ce document seront classées par ordre de prix, du plus élevé au plus bas. Les quantités de sacs de farine pour lesquelles les offres ont été faites seront alors indiquées à l'acte des dites offres.

Les quantités de farine seront alors additionnées entre elles jusqu'à atteindre le volume disponible réservé à la catégorie concernée (15% de la tranche pour la catégorie I et 85% pour la catégorie II). Pour chaque catégorie, l'offre la moins disante permettant d'atteindre le volume disponible déterminera le prix plancher uniformément à cette catégorie. La liste des adjudicataires sera

dressée Les adjudicataires sont tous ceux qui ont offert un prix plus élevé ou égal au prix à appliquer

Les offres qui sont inférieures au prix applicable feront partie d'une autre liste (classée par ordre décroissant), cette seconde liste sera gardée jusqu'à la finalisation des ventes et pourra être utilisée par le Bureau de Gestion si un adjudicataire n'arrive pas à remplir ses obligations Les soumissionnaires de cette liste en seront informés

### **5) Détermination des prix**

- a) Le prix de vente applicable à chaque catégorie sera déterminé par appel d'offres de la manière décrite dans la section 4 précédente C'est à dire pour chaque catégorie, toutes les offres répondant aux exigences du présent appel d'offres, seront classées dans un ordre de prix décroissant en commençant par l'offre la plus disante La quantité de farine pour laquelle l'offre a été faite sera placée en regard de ladite offre Les quantités de farine seront au fur et à mesure additionnées jusqu'à atteindre le volume réservé à la catégorie (15% de la tranche étant catégorie I et 80% catégorie II) L'offre la moins disante qui a permis d'atteindre le volume disponible déterminera le prix de la farine pour la catégorie Ce prix unique ou uniforme sera utilisé pour réaliser toutes les ventes de la catégorie
- b) les offres doivent refléter la situation du marché respectivement pour des achats de 400 à 4 000 sacs et pour ceux de 4 400 à 10 000 sacs Un prix minimum acceptable (ou prix plancher) pour chaque catégorie sera déterminé par le Bureau de Gestion et l'USAID Ces prix planchers seront annoncés par voie de presse et affichés au Bureau de Gestion dès le 17 novembre 1997
- c) Les offres de prix des soumissionnaires devront tenir compte d'une analyse des prix pratiques sur le marché pour une farine présentant les mêmes spécifications techniques que la farine PL-480 et pour des quantités comparables Cette analyse pourrait s'inspirer des coûts d'importation et de commercialisation de cette denrée

### **6) Procédures pour l'annonce des Résultats de l'Appel d'Offres**

- a) Les résultats de l'appel d'offres seront affichés au local du Bureau de Gestion dès le 25 novembre 1997 c'est-à-dire le jour qui suit la séance d'ouverture des plis Les résultats officiels détailleront le prix applicable les noms des adjudicataires et les quantités achetées par chacun d'eux
- b) Les adjudicataires ne seront pas avisés par écrit à cause des difficultés logistiques associées à un tel processus Un délai de trois (3) jours leur sera accordé pour confirmer leurs offres, en signant un contrat de vente Aucune négociation concernant les prix de vente et les

quantites achetees ne peut être tenue apres l'adjudication. Toute reclamation peut être adressee a la Direction Generale du Bureau de Gestion.

### **7) Conditions de Paiement**

- a) Le mode de paiement pour l'achat de la farine peut être l'une des deux (2) manieres suivantes : par chèque (soit par chèque de direction) ou par lettre de credit bancaire.
- b) Les cautions de soumission pour les offres qui seront retenues, seront deposees dans un compte bancaire ouvert par le Bureau de Gestion. Pour les offres de la categorie I (400 a 4 000 sacs) la caution a été fixee a 1 400,00 gourdes pour chaque lot de 400 sacs. Pour les offres de la categorie II (toute quantite de farine demandee allant de 4 400 a 10 000 sacs), l'offrant devra deposer une caution representant 20% de la valeur totale de sa soumission. Seul un chèque de direction sera accepte comme caution. Les offres qui ne seront pas accompagnees de la caution ne seront pas considerees.
- c) Au moment du enregistrement des ventes, le Bureau de Gestion dedura le montant de la caution ainsi que les interêts cumules a date, du chèque de paiement. A l'adjudicataire qui achete au moyen de lettre de credit le montant de sa caution, ainsi que les interêts cumules des l'annonce officielle des resultats, seront deduits du montant de la vente au moment de la signature du contrat de vente.
- d) Une saisie de liquidation sera faite pour tout adjudicataire refusant de remplir ses obligations conformement aux dispositions du present appel d'offres, apres l'annonce officielle des resultats.
- e) Les cautions seront remboursees aux soumissionnaires dont les offres n'auront pas été retenues a la fin de la seance d'adjudication.

### **8) Livraison de la Farine**

Le Bureau de Gestion (tel. +80/Titre III) delivrera aux adjudicataires ayant signe leur contrat de vente des fiches de livraison qui s'etendront sur une periode allant de 2 a 5 semaines, ce pour eviter tout congestionnement aux depots.

### **9) Transfert du Titre de Propriete**

La farine devient propriété de l'acheteur une fois qu'elle laisse l'entrepôt a bord de son camion  
Aucune réclamation sur la qualité ou les quantités livrées ne sera considérée après la livraison

### **10) Poids non conforme des Sacs de Farine**

- a) L'acheteur paiera pour la quantité de farine qu'il reçoit
- b) Lors du débarquement les sacs de farine endommagés seront déduits de la quantité disponible de l'appel d'offres. Ils seront offerts pour une autre vente aux enchères fixée à une date ultérieure

### **11) Annulation de l'appel d'offres**

Le Bureau de Gestion PI 480/Titre III se réserve le droit d'annuler le processus d'appel d'offres public avant, pendant ou après la session de soumission des offres et d'ouverture des plis. Toutes les cautions de soumission (intérêts inclus) seront retournées aux soumissionnaires en cas d'annulation du processus de vente aux enchères pour les 2 catégories ou pour l'une des 2 catégories

### **12) Conference pour les Soumissionnaires**

Il y aura une seule session qui sera tenue pour expliquer aux soumissionnaires les procédures et modalités de la vente aux enchères. Le rôle et les attentes des soumissionnaires pourront être verbalement discutés et les soumissionnaires potentiels auront l'occasion de poser des questions. Cette session d'information sera tenue à 2 00 p.m. le 19 novembre 1997

### **13) Procédures pour la vente du stock de farine non adjugé**

S'il reste de la farine dans une des catégories ou dans les deux, le Bureau de Gestion la vendra dès le 25 novembre 1997 aux prix établis pour chacune des catégories. Les intéressés, déjà inscrits, ne pourront pas changer de catégorie et pourra acquérir la denrée selon le principe "premier arrive, premier servi"

**ACCORD DE DON ENTRE HAITI ET LES ETATS-UNIS  
DU 7 AOUT 1997**

**FORMULAIRE D'ENREGISTREMENT  
"VENTES AUX ENCHERES"**

PRODUIT Farine de blé

Suite à l'avis                   annonçant l'arrivée des denrées fournies en Don au Gouvernement Haitien par  
le Gouvernement Americain, je suis intéressé à participer à la vente aux enchères des 160 000 sacs  
disponibles dans le cadre de la 1ère tranche

Veillez trouver ci-dessous les informations nécessaires à la constitution de mon dossier

1- NOM ET PRENOMS -----

2- ETABLISSEMENT COMMERCIAL(Raison Sociale)-----

3- TYPE D'ACTIVITES -----

4- ADRESSE ETABLISSEMENT COMMERCIAL -----

-----  
Ville ----- Telephone -----

5- REFERENCES FISCALES (Exercice 1996-1997)

1- Carte d'Identité Professionnelle (CIP) No-----

2- Carte d'Immatriculation Fiscale (CIP) No-----

3- Certificat de Patente No-----

6- Ma capacité de stockage est estimée à ----- (-----) sacs

7- Je suis intéressé à participer aux ventes

entre 400 et 4 000 sacs

entre 4 400 et 10 000 sacs

8- Je certifie que les informations fournies dans ce formulaire de Demande d'Achat sont véridiques  
et exactes

-----  
Signature de l'Acqureur

Recu le -----

Date -----

Bureau de Gestion PL-480/Titre III

## FORME DE SOUMISSION

NOM \_\_\_\_\_

COMPAGNIE \_\_\_\_\_

NO D'ENREGISTREMENT \_\_\_\_\_

Je suis interesse a acquerir \_\_\_\_\_

( \_\_\_\_\_ ) sacs de 50kg de farine de ble

Je soumissionne Gdes \_\_\_\_\_ par sac Le montant total que je veux payer est

Gdes \_\_\_\_\_

Signature

Date \_\_\_\_\_

*Appendix D*

**TRANCHE II AUCTION CALENDAR**

Three weeks between announcing and implementing auction sales usually allows participants enough time to prepare. This means that the auction should be announced November 6 or 7 and bids should be opened Monday, November 24. Bid documents (modified as needed) must be ready no later than November 10. Sales contracts (at least with big buyers) would be signed November 25–27, while flour is being off-loaded from the ship at an approximate rate of 14,000 bags a day. Buyers would be collecting their flour before 3,000 metric tons accumulates in the warehouse.

The proposed calendar is as follows:

<u>Event</u>	<u>Date</u>
Finalize Auction Parameters	November 4
Finalize Bid Documents	November 5–7
Announce Auction	ASAP
Make Available Bid Documents	November 10–20
Register Potential Bidders	November 10–20
Open Bank Account for Bid Bond	mid-November
Establish Account for Auction Proceeds	mid-November
Announce Floor Price	November 17
Hold Bidders' Conference	November 19
Open and Rank Bids in Public Session	November 24
Post Auction Results	November 24–December 12
Sign Sales Contracts	November 25–27

43