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Programme  
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Food  
Programme

Programa  
Mundial  
de Alimentos

**Executive Board  
Annual Session**

**Rome, 4–8 June 2012**

# **ADMINISTRATIVE AND MANAGERIAL MATTERS**

**Agenda item 13**

*For information\**



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## **UPDATE ON WFP FOOD PROCUREMENT**

\* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

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## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for information**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Director, ODP\*:                      Mr F. Curran                      tel.: 066513-2408

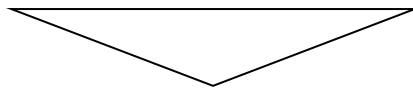
Chief, ODPF\*\*:                      Mr J. Keulemans                      tel.: 066513-2190

Should you have any questions regarding availability of documentation for the Executive Board, please contact Ms I. Carpitella, Senior Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

\* Procurement Division

\*\* Food Procurement Service

## DRAFT DECISION\*



The Board takes note of “Update on WFP Food Procurement” (WFP/EB.A/2012/13-B).

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\* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

## FACTS AND FIGURES

1. In 2011 WFP procured 2.4 million mt of food valued at US\$1.23 billion in 87 countries. Of this, 71 percent valued at US\$870 million was purchased in 70 developing countries and 29 percent valued at US\$362 million was purchased in developed countries. Of the total food procured, 7 percent was bought with contributions restricted to purchase in the donor's country, and 22 percent was procured in developed countries as the best market option.
2. Purchases of fortified blended foods and fortified biscuits in developing countries increased from 20,000 mt in 2000 to 181,000 mt in 2011 and accounted for 52 percent of the blended foods procured.

**TABLE 1: WFP FOOD PURCHASES IN 2011,  
BY DEVELOPMENT ASSISTANCE COMMITTEE CATEGORY**

Category	Quantity (mt)	Quantity (%)	Value (US\$)	Value (%)
Least developed countries	632 411	25.97	267 378 292	21.70
Low-income countries <sup>i</sup>	66 446	2.73	27 230 300	2.21
Lower-middle income countries <sup>ii</sup>	656 697	26.97	378 470 396	30.72
Upper-middle income countries <sup>iii</sup>	383 308	15.74	196 615 152	15.96
Developed countries	696 339	28.59	362 337 637	29.41
<b>TOTAL</b>	<b>2 435 202</b>	<b>100.00</b>	<b>1 232 031 777</b>	<b>100.00</b>
<b>Categories grouped</b>				
Least developed countries/ low-income countries	698 857	28.70	294 608 593	23.91
Lower-middle income countries/ upper-middle income countries	1 040 005	42.71	575 085 548	46.68
<b>Subtotal</b>	<b>1 738 863</b>	<b>71.41</b>	<b>869 694 141</b>	<b>70.59</b>
Developed countries	696 339	28.59	362 337 637	29.41
<b>TOTAL</b>	<b>2 435 202</b>	<b>100.00</b>	<b>1 232 031 777</b>	<b>100.00</b>

<sup>i</sup> Per capita gross national income <US\$1,005 in 2010)

<sup>ii</sup> Per capita gross national income US\$1,006 – US\$3,975 in 2010)

<sup>iii</sup> Per capita gross national income US\$3,976 – US\$12,275 in 2010)

## FOOD PROCUREMENT TRENDS

3. In terms of value and quantity, WFP procured more food in Asia than in any other region.
4. Pakistan is the developing country in which WFP purchased the most in terms of quantity – 202,000 mt. Indonesia is the country in which WFP procured the highest value – US\$118 million. Table 2 lists in value terms the top 20 developing countries in which WFP procured food in 2011.

**TABLE 2: TOP 20 DEVELOPING COUNTRIES IN WHICH WFP PROCURED FOOD IN 2011**

Country	Value (US\$)	Country	Value (US\$)
1. Indonesia	117 984 471	11. Sudan	21 573 616
2. Pakistan	80 211 407	12. Yemen	21 127 301
3. India	75 841 675	13. United Republic of Tanzania	20 030 782
4. Turkey	56 367 966	14. Uganda	18 538 048
5. South Africa	53 360 597	15. Myanmar	17 238 488
6. Ethiopia	42 684 636	16. Argentina	15 470 025
7. Malawi	40 031 321	17. Egypt	13 782 524
8. Brazil	27 448 586	18. Kazakhstan	12 866 352
9. Honduras	23 782 467	19. Viet Nam	12 149 643
10. Kenya	22 867 269	20. Ukraine	12 017 130
<b>TOTAL US\$869 694 141</b>			

## THE MARKET ENVIRONMENT

5. In 2011, food prices reached their highest level in 12 years. As reported in the Food Prices Index of the Food and Agriculture Organization of the United Nations, 2011 prices were 26.5 percent higher than 2010 levels, and 21.6 percent higher than in 2008, the previous peak.



6. The price increases affected WFP's purchasing power. During 2011, WFP spent US\$1.23 billion to purchase 2.4 million mt of food, compared with US\$1.25 billion spent in 2010 to purchase 3.2 million mt.
7. Cereal prices remained high throughout 2011. Cereals accounted for 72 percent of the food purchased: the main purchases were wheat – 43 percent – and maize – 24 percent.

8. Most of the wheat procured came from countries of the Commonwealth of Independent States and the Black Sea region. Of the remainder, significant amounts came from Brazil – a new wheat market for WFP – India and Pakistan. There was a slight downward trend in wheat prices in the second half of 2011 as a result of good harvests in the Commonwealth of Independent States, the lifting of export bans in the Russian Federation and India, and large surpluses in Brazil.
9. The increased demand for maize and the limited supply of maize guaranteed as non-genetically modified organisms contributed to the exceptionally high prices throughout the year. The 410,000 mt procured was sourced from developing countries, mainly for beneficiaries in Africa. Malawi and Zambia, where WFP does not usually buy for export, entered the market as sources of non-genetically modified maize. Where possible, sorghum was purchased for the Horn of Africa to make up for a lack of availability of maize.
10. The quantity of blended foods purchased remained stable in 2011, but there was greater emphasis on products such as Supercereal Plus (corn-soya blend++ and wheat-soya blend++) designed for children under 2. Purchases of corn-soya blend++ increased from 1,000 mt in 2010 to 14,000 mt in 2011.

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## STATUS OF PROCUREMENT CAPACITY

11. At the end of 2011, WFP had 34 international professional food procurement officer posts, 10 at Headquarters and 24 in the field, 2 junior professional procurement officer posts funded by the Netherlands and Japan, and 19 national food procurement officer posts.
12. Food is also purchased by procurement focal points, who often have other functions. Posts financed through direct support costs are at the discretion of Country Directors, who take into consideration resource levels and other staffing requirements. Table 3 shows the current international and national food procurement officer positions in the field.

<b>TABLE 3: FOOD PROCUREMENT POSTS IN THE FIELD AS AT 31 DECEMBER 2011</b>				
<b>International officers</b>				<b>National officers</b>
<b>Regional bureau</b>	<b>Grade</b>	<b>Country office</b>	<b>Grade</b>	<b>Country office</b>
ODB	P4	Afghanistan	P4	Bangladesh
ODB	P3	Afghanistan	P3	Cambodia
ODC	P3	Democratic Rep. of the Congo	P4	Cameroon
ODD	P4	Democratic Rep. of the Congo	P2	Democratic Rep. of the Congo
ODJ	P4	Ethiopia	P4	Ethiopia (2)
ODJ	P3	Chad	P3	Ghana
ODN	P4	Kenya	P3	India
ODPC	P4	Liberia*	P2	Indonesia
ODS	P4	Malawi*	P2	Kenya (2)
		Mali*	P2	Lao People's Democratic Republic
		Mozambique*	P3	Myanmar
		Pakistan	P4	Pakistan
		Rwanda*	P2	Rwanda
		Uganda	P4	South Sudan
		South Sudan	P3	Sudan
				Senegal
				Uganda
<b>Subtotal</b>	<b>9</b>	<b>Subtotal</b>	<b>15</b>	
<b>TOTAL: 24</b>				<b>TOTAL: 19</b>

\* Funded by Purchase for Progress

ODB: Regional Bureau Bangkok (Asia)

ODC: Regional Bureau Cairo (Middle East, North Africa, Central Asia and Eastern Europe)

ODD: Regional Bureau Dakar (West Africa)

ODJ: Regional Bureau Johannesburg (Southern Africa)

ODN: Regional Bureau Nairobi (East and Central Africa)

ODPC: Regional Bureau Panama City (Latin America and the Caribbean)

ODS: Regional Bureau Sudan

## HIGHLIGHTS OF FOOD PROCUREMENT

### Forward Purchase Facility

13. The Forward Purchase Facility is a US\$150 million revolving fund that enables WFP to purchase food in advance to ensure a steady flow to those in need and to minimize response times in emergencies.
14. In 2011, the Forward Purchase Facility was used to purchase 390,000 mt of food and reduce lead times by up to 42 days.

## Purchase for Progress

15. In 2011, 55,000 mt of food valued at US\$26 million was contracted under the Purchase for Progress (P4P) pilot programme; this was 50 percent less than in 2010, largely because of drought in the Horn of Africa and floods in Central America. In 2011, P4P purchases accounted for 10 percent of WFP's local purchases in the 21 P4P pilot countries and 3 percent of WFP food purchases in developing countries.
16. Since the launch of the P4P pilot, 203,000 mt of food has been contracted either directly from farmers' organizations and small-scale and medium-scale traders or through innovative marketing approaches such as commodity exchanges and warehouse receipt systems. Of the food purchased through P4P, farmers' organizations supplied 65 percent, commodity exchanges and warehouse receipt systems supplied 26 percent, traders supplied 8 percent and processors supplied 1 percent.
17. WFP has designed P4P modalities such as pro-smallholder competitive tendering, direct contracting and forward contracting to facilitate sales by smallholder farmers. Of the food purchased under P4P, 55 percent was purchased through competitive tendering. A new WFP business approach involves forward-delivery contracts: 14,000 mt of food was purchased through pilot schemes in Burkina Faso, Ethiopia, Kenya, Mali, Mozambique and South Sudan; the pilots also include expansion of local capacities to manufacture processed foods from raw materials sourced from low-income farmers.
18. Best practices from the pilots will contribute to changes to WFP's food procurement model with a view to improving support for smallholder agricultural development. A business process review is currently exploring ways in which WFP's procedures could support smallholders, for example by accelerating payments and reducing bureaucracy; links between farmers' organizations and Forward Purchase Facility are also being explored. By purchasing 10 percent of its annual food needs through P4P, WFP could potentially direct US\$100 million more to low-income farmers.

## Food Safety and Quality Assurance Initiatives

19. During 2011 WFP continued to improve food safety and quality management, concentrating on:
  - improving products to meet the expectations of beneficiaries, cooperating partners and host governments: WFP's focus on improving malnutrition requires special attention to delicate fortified blended foods, and during 2011 improvements were made to the packaging and shelf-life of these foods and their acceptability by establishing local production plants;
  - revising food specifications in accordance with international standards and national regulations as the range of locally available ingredients for production plants increases;
  - applying safety and quality criteria in the selection of food processors, suppliers, traders, inspection companies and laboratories, which are now rated on the basis of questionnaires and audits; the focus in 2011 was southern and eastern Africa;
  - training and awareness-raising in food safety and quality for:
    - ◊ WFP staff – this involves training in: i) the principles of food quality and safety; ii) prevention and management of logistics and procurement problems; iii) management of food safety issues; iv) screening for quality; v) mainstreaming



- the supply-chain approach implemented in 2010; and vi) how WFP food products are processed;
- ◇ food suppliers and inspection companies – this involves enhancing capacities in core activities and assessing needs for training materials; and
- ◇ smallholder farmers – this involves enhancing capacities to screen food by using the Blue Box, an initiative adopted by five countries to date; and
- finalizing two of the quality-management software modules: the “food laboratory report online” and “supplier management” modules enable WFP to monitor the quality of purchased food in real time, take corrective action when necessary and evaluate supplier performance. The other two modules are “document management” and “food incident management”.

### **2011 Food Procurement Map**

20. The 2011 Food Procurement Map shows the food items purchased in which countries and for which destinations; it is colour-coded according to Development Assistance Committee national income categories. The interactive map is available at: <http://www.wfp.org/procurement>

### **Procurement on Behalf of Governments**

21. WFP is helping the governments of Colombia, the Dominican Republic, Ecuador, El Salvador, Honduras and India to procure food for their social welfare programmes. The mechanism is funded by contributions from the governments and managed through trust funds. WFP’s procurement policies and procedures are followed; competitive tendering and food fortification, safety and quality assurance are implemented to the extent possible. In 2011 WFP bought 37,000 mt of food valued at US\$34 million on behalf of governments.

### **Professional Development**

22. As WFP moves to food assistance, its procurement requirements are changing and the competencies of procurement staff are growing: the resulting need is to systematize WFP’s approaches to enhancing and maintaining its technical capacities in procurement worldwide.
23. In 2010 and 2011, the Procurement Division applied resources from a P4P grant to develop technical capacities in food procurement: the targets were to improve competencies in traditional food procurement and build new competencies in market and price analysis at the local and regional levels. The division also decided to partner with the United Nations Development Programme in standardizing activities on the basis of its Public Procurement Training and Certification Programme to give WFP a basic procurement training and certification programme that is readily accessible to staff in all regional bureaux at a reasonable cost.
24. In 2011, work started to bring the level of professionalism in procurement up to that in other WFP business areas, particularly in view of the risks involved and the increased focus on specialized products.