

Food Procurement

World Food Programme



EB Induction Session
Rome, 7 December 2006

Food Procurement

- **Mission statement:**

“ to provide acceptable food to beneficiaries in a timely and cost efficient manner”.

- In addition the Financial Rules state:

“ to the extent possible to procure from the developing countries.....”

In 2005 WFP delivered approximately:

5.2 million mts of food (in kind and purchased commodities), of which

2.5 million tons

(representing approx 48% of all WFP deliveries) were commodities purchased using cash contributions

KEY FIGURES

Total
Purchases

USD
712,418,445

2,526,652 MT

2005



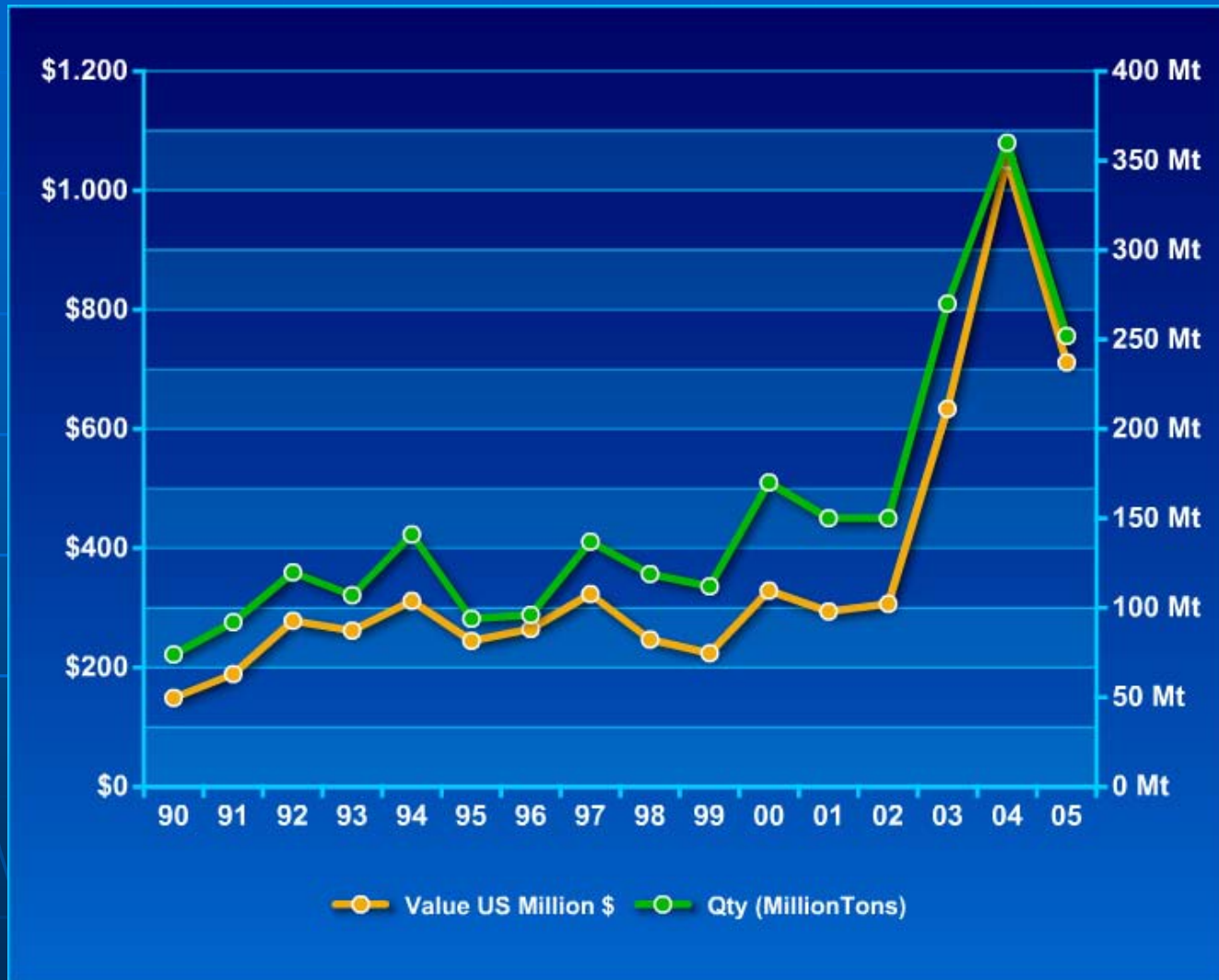
Key Figures in WFP Food Procurement

<u>Year</u>	<u>US</u> (Million)	<u>Metric tons</u> (Million)
2001	294.3	1.4
2002	307.5	1.5
2003*	634.2	2.7
2004**	1,051.4	3.6
2005	712.4	2.5

*Includes 518,000 mts worth US\$ 182 million for Iraq

** Includes 1,562,000 mts worth US\$540 million for Iraq

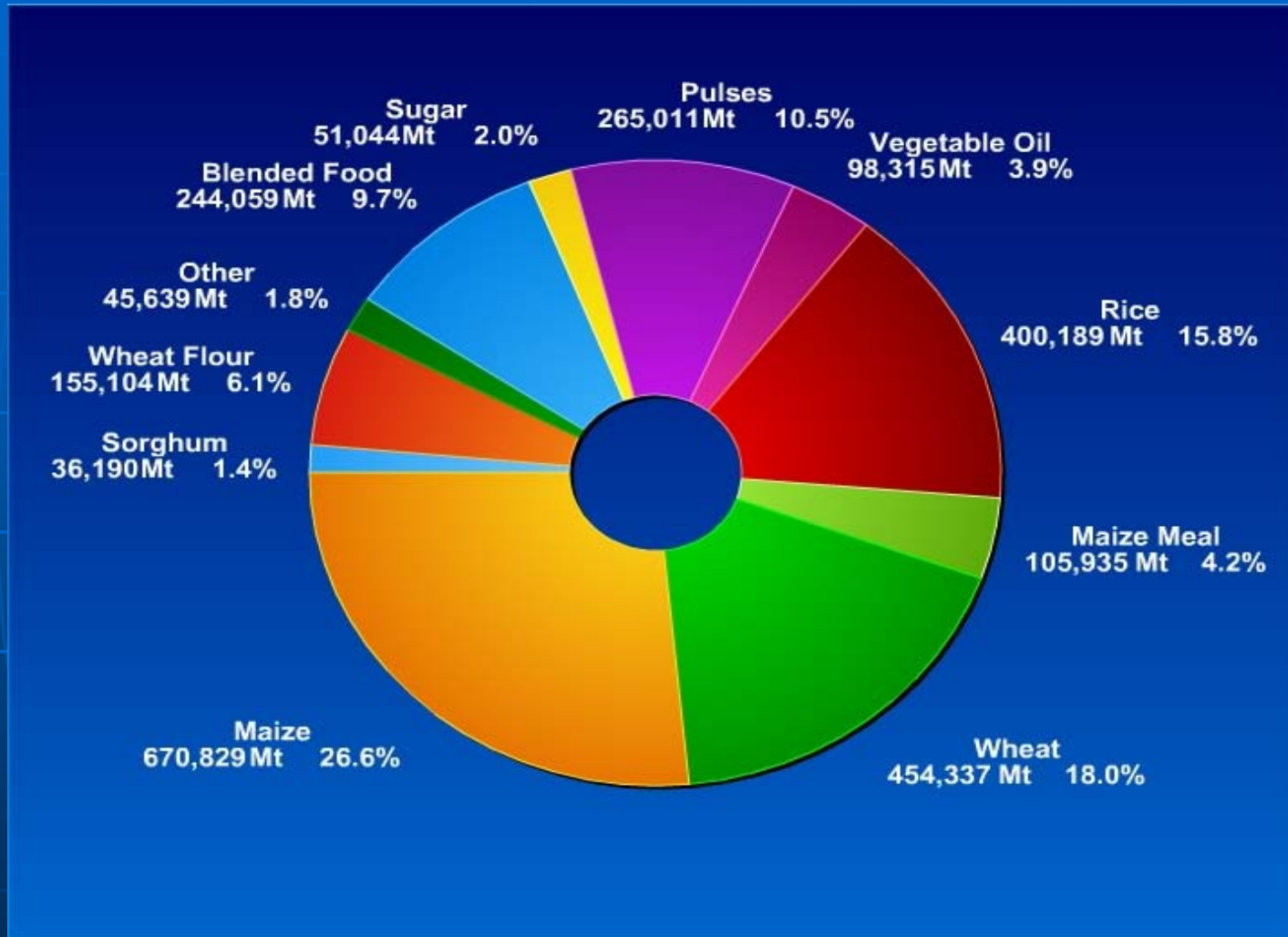
Food Procurement Trends



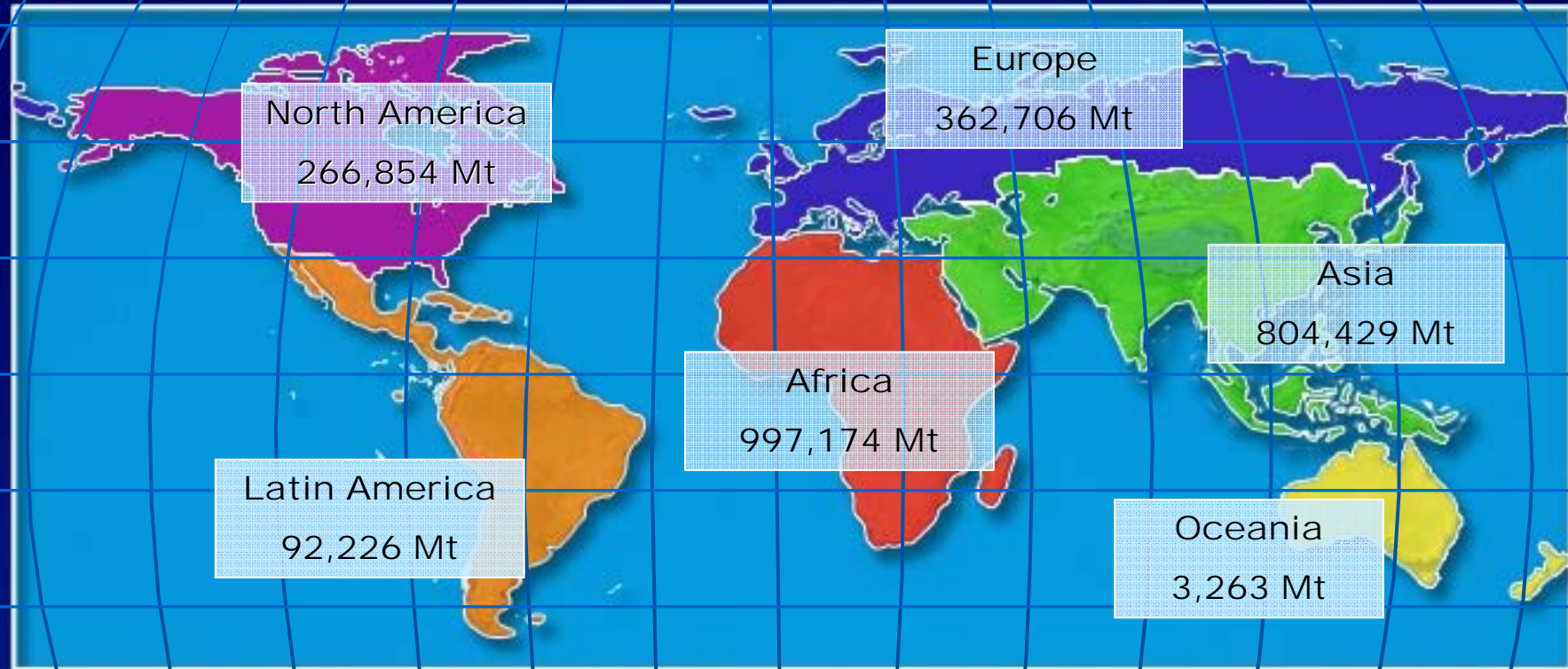
2003 includes 518,000 mts worth US\$ 182 million for Iraq

2004 includes 1,562,000 mts worth US\$540 million for Iraq

What did we purchase?



Where did we purchase?



85 Countries: 75 Developing / in Transition 10 Developed

WFP FOOD PROCUREMENT: WORLD VIEW 2005

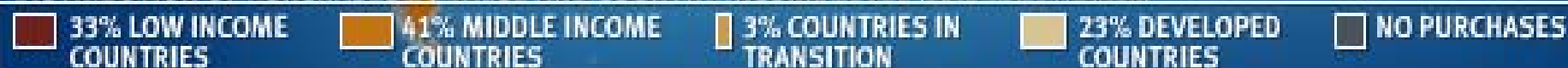


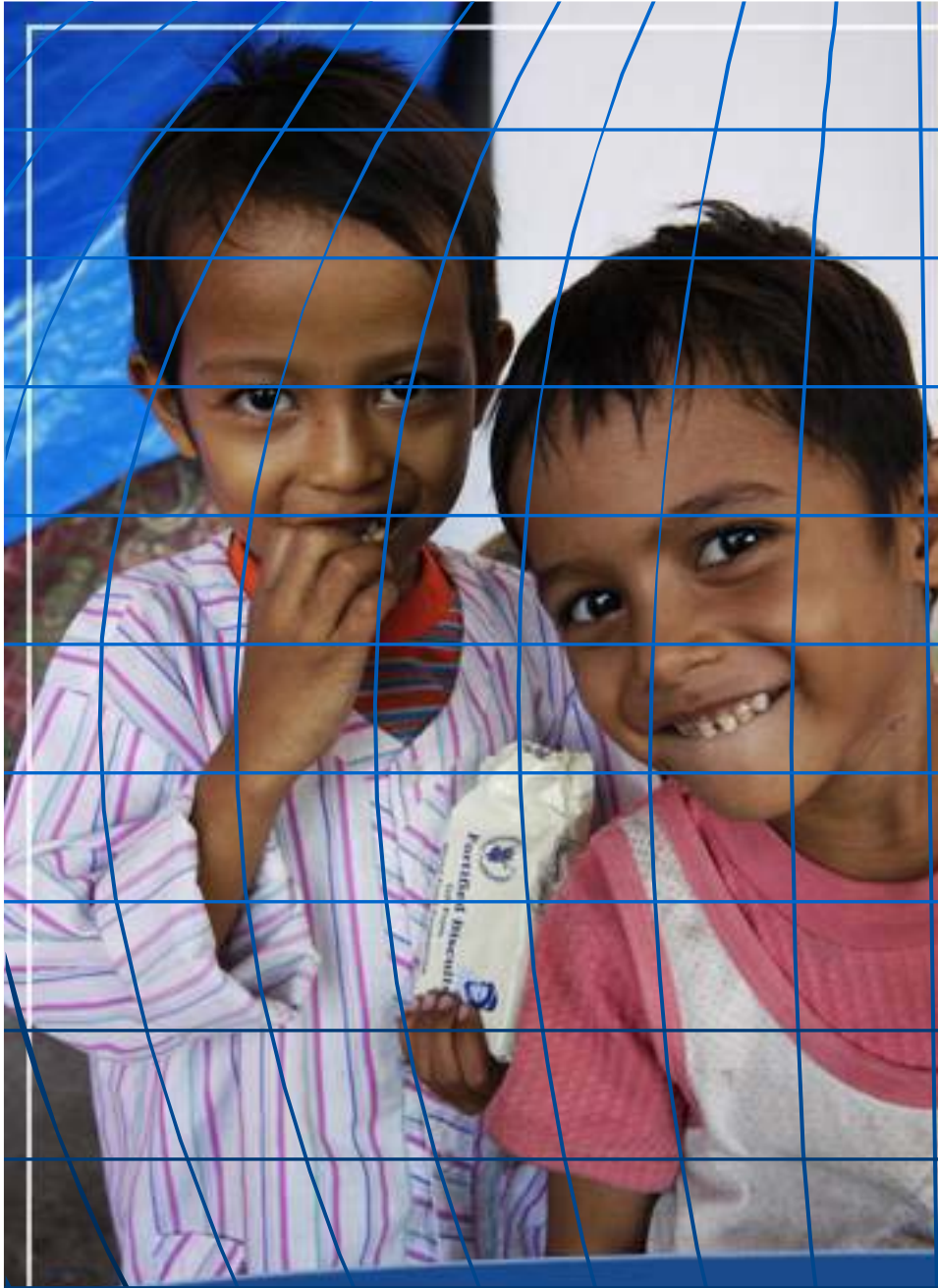
CLICK ON A CONTINENT FOR ADDITIONAL INFORMATION:

TOTAL PURCHASES ► US\$ 712 MILLION ► 2.5 MILLION MT



DISTRIBUTION OF PURCHASES BY VALUE AND COUNTRY INCOME LEVEL (OECD CLASSIFICATION)





Food Origin

(in value terms USD)

TOP 15 Countries

Country	Value USD	%
Canada	69,330,680	9.73
South Africa	57,525,703	8.07
Indonesia	50,683,157	7.11
Ethiopia	42,474,511	5.96
Uganda	39,331,303	5.52
Turkey	32,140,721	4.51
Ecuador	31,868,760	4.47
China	26,931,905	3.78
India	26,858,170	3.77
Italy	22,368,695	3.14
Denmark	22,246,503	3.12
Tanzania	22,128,963	3.11
Malaysia	19,298,745	2.49
Japan	17,745,699	2.49
Pakistan	16,694,306	2.34

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Total	497,627,821	69.85
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WFP Food Purchases in 2005

Origin of Goods as per DAC Category

DAC Category	Quantity (MT)	% MT	USD Value	% USD
LDC/LIC	898 451	36%	233 608 578	33%
LMIC/UMIC	947 653	37%	293 681 600	41%
SUB-TOTAL:	1 846 104	73%	527 290 178	74%
In Transition	127 550	5%	20 677 884	3%
TOTAL:	1 973 654	78%	547 968 062	77%
Developed	552 998	22%	164 450 383	23%
GRAND TOTAL:	2 526 652	100%	712 418 445	100%

DAC Category	Quantity (MT)	% MT	USD Value	% USD
LDC	679 866	27%	174 555 873	25%
LIC	218 586	9%	59 052 705	8%
LMIC	436 201	17%	174 713 166	24%
UMIC	511 452	20%	118 968 434	17%
In transition	127 550	5%	20 677 884	3%
Developed	552 998	22%	164 450 383	23%
Grand Total	2 526 652	100%	712 418 445	100%

LDC: Least Developed Countries

LIC: Other Low-Income Countries (per capita GNI < \$825 in 2004)

LMIC: Lower Middle-Income Countries (per capita GNI \$826 - 3,255 in 2004)

UMIC: Upper Middle-Income Countries (per capita GNI \$3,255 - 10,065 in 2004)

In transition: Countries formerly listed in the 2003 DAC List of Aid Recipients under CEEC (Central & Eastern European Countries + New Independent States, etc.) and More Advanced Countries and Territories

How does WFP buy ?

- **Competitive Bidding** (general policy)
- **Waiver of Competition (direct contracting)**
(less than 3 suppliers/ urgency/recent contract / from state enterprise etc.)
- **from**
■ Pre-qualified suppliers

Vendor Requirements

- Legal capacity to enter into a contract
- Specialized in the concerned commodity and has the necessary experience
- Has the financial standing to honor a contract
- Has proven ability to perform

Control functions in procurement

- **Bid Opening Committee**
(ensures integrity of formal bidding process)
- **Purchase Committee**
(evaluates & advises procurement authority)
- **Committee on Commodity, Transport & Insurance**
(post facto review of purchases)

In addition:

Internal Auditors, Oversight & Investigation Unit, External Auditors, UNJIU (UN Joint Inspection Unit)

Different procurement categories

- Local/Regional Purchases
(through WFP Country Offices, in countries where beneficiaries are located)
- International Purchases
(through WFP HQs Rome, Italy)

Conditions affecting procurement

- Donor country conditions/restrictions
(origin/ destination/quality /packing /marking etc.)
- Recipient country requirements
(product/origin/packing/import regulations)
- Impact on local market/economy
(harvest/lean period/surplus)

Overriding considerations

Local/Regional Procurement

- More cost effective than importing;
- More timely;
- More appropriate and adapted to the tastes of WFP's beneficiaries.

Primary Market Intelligence Gathered

- The expected harvest and the quality of food likely to be available for purchase locally, which in some countries will be derived, inter alia, from FAO/WFP Crop and Food Needs Assessment Missions;
 - Prevailing prices and their likely changes;
 - Other likely significant food purchases, including commercial exports and purchases by local institutions, such as the military, schools, hospitals or prisons;
 - Estimates of stocks held by the traders, potential disruptions to trade systems, possible delivery delays, etc;
 - Expected flows of food within the region;
- * The quality of information available needs to be critically assessed accordingly. Primary sources of data include relevant Government ministries (such as Agriculture or Finance), other United Nations agencies (e.g. FAO), bilateral agencies (such as Famine Early Warning System – FEWS), NGOs, trader networks and WFP's own information systems such as Vulnerability Analysis and Mapping (VAM) and the Strengthening Needs Assessment Capacity (SENAC) project.

Primary Risk

- Un-sustainability and artificial nature of WFP business as a market (sporadic funding, largely responding to emergencies)

WAYS THAT DONORS CAN ASSIST IN OUR EFFORTS

- Time contributions in such a way that maximum quantities are captured at lowest prices, usually following the harvest period
- Allow some flexibility on deadlines by which funds must be committed and spent
- Allow waiving of bag markings

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