2017
Update on WFP Food Procurement in Countries and Regions of Operations

WFP
World Food Programme
wfp.org

October 2017/version 2

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WFP
World Food Programme
wfp.org

WFP SUPPLY CHAIN MISSION

Apply its leadership and expertise to support international, regional, and national efforts to eradicate hunger and poverty in all forms.

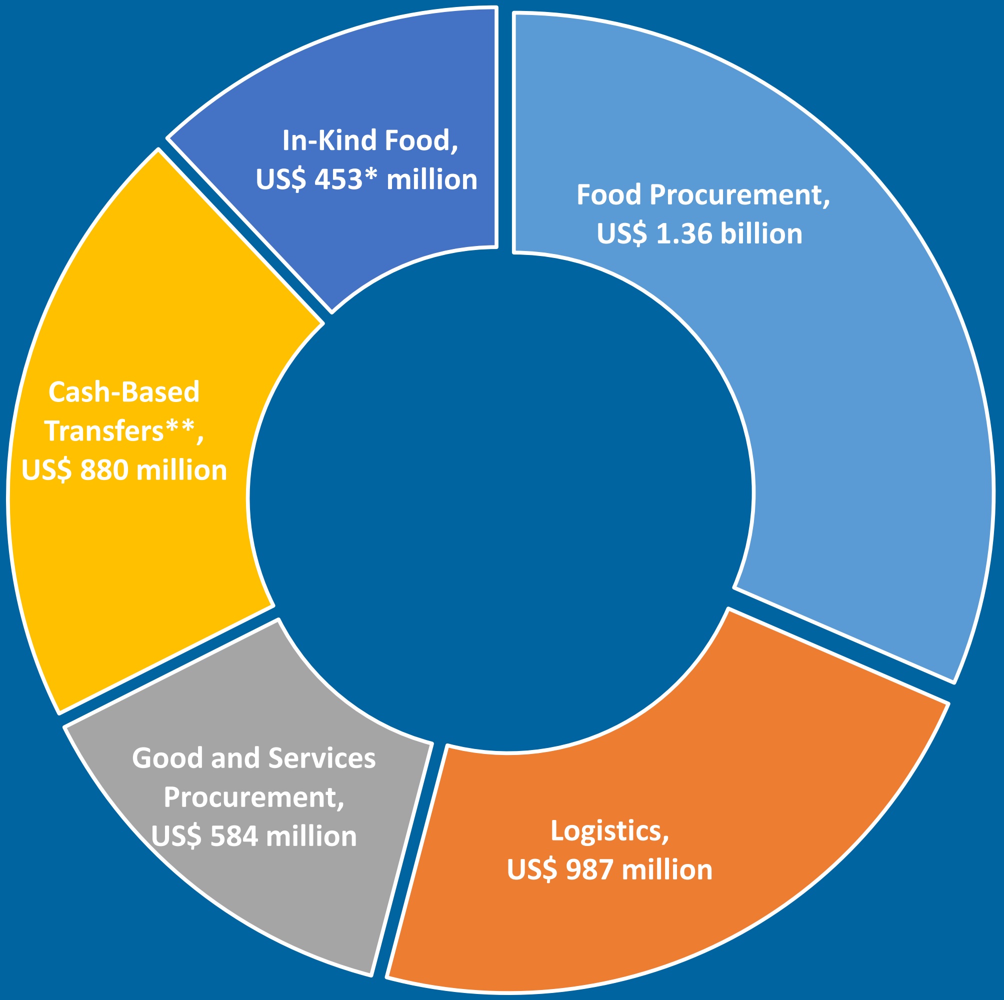
WFP Supply Chain will:

i. Deliver WFP food assistance with special focus on emergencies

ii. Strengthen national supply chain capacities and local and regional markets

iii. Support partners to achieve their own sustainable development goals

WFP SUPPLY CHAIN



SUPPLY CHAIN VALUE in 2016
US$ 4.3 billion

** In-kind food stats are equal to the total Purchase Order value*
***Undertaken in collaboration with programme and finance experts*

WFP SUPPLY CHAIN BUSINESS MODEL

SC Business Model 20th Century

"Humanitarian Response with Food Aid"

- **Effective emergency response**
- **Direct delivery of in-kind food assistance**
- **Develop and maintain expertise in-house**

Cash Assistance

Growing L3s & New Complexity

mature markets

Donor Requirements

Strategic Shift

SC Business Model 21st Century

"Lasting Dynamic Markets for Zero Hunger"

- **Effective + economical emergency response**
- **Strengthen national markets and local capacities**
- **Right in-house expertise + external platforms and networks**

SUPPLY CHAIN

OBJECTIVE 1 –
DELIVER WFP FOOD ASSISTANCE WITH SPECIAL FOCUS ON EMERGENCIES

1a. Supply Chain Performance

- 90% of food/cash delivered on time to beneficiaries
- 90% responsiveness to changes in demand
- Zero global food and aviation safety incidents
- Less than 1% of commodity loss
- 10% targeted cost savings

SUPPLY CHAIN

OBJECTIVE 2 - SERVICE PROVISION

2a. Ensure continued capabilities to provide mandated services to partners in emergency response and solutions to all partners in support of SDGs

2b. Explore the possibilities to provide additional Supply Chain services

SUPPLY CHAIN

OBJECTIVE 3 – PERFORMANCE OPTIMIZATION

3a. Optimize business processes and execution to ensure cost-efficient and timely implementation of key activities

3b. Introduce innovations that enable the Supply Chain to reach and remain at the cutting edge of the business

3c. Strengthen performance management culture

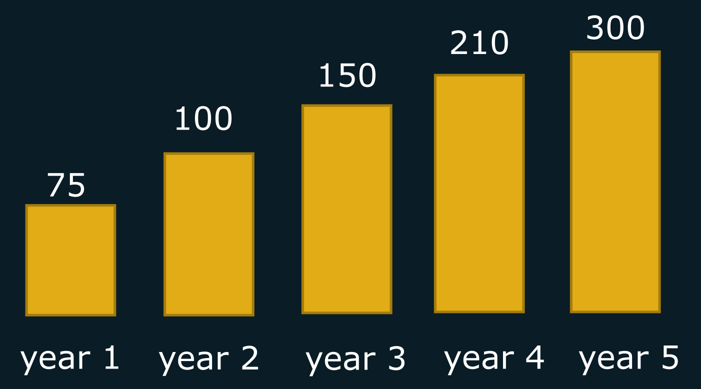
SUPPLY CHAIN

Improve cost efficiencies by 10%

3 Year Plan

Existing & new	Drivers
Cost avoidance through professional services	• Shipping service • In-house insurance scheme • Import parity model • LTSH / Tariff System
New cost saving opportunities addressed	• Integrated supply chain planning • Food procurement • Goods & services procurement • Shipping • Land transport • Retail strategy

Cost Savings/Productivity Gains



SUPPLY CHAIN

OBJECTIVE 4 – CAPACITY STRENGTHENING

4a. Assist countries to respond more effectively to emergencies

4b. Leverage WFP’s expertise to strengthen and improve national institutional supply chains

4c. Leverage WFP purchases power and apply its expertise to strengthen and stimulate rural and national markets, including retail capabilities

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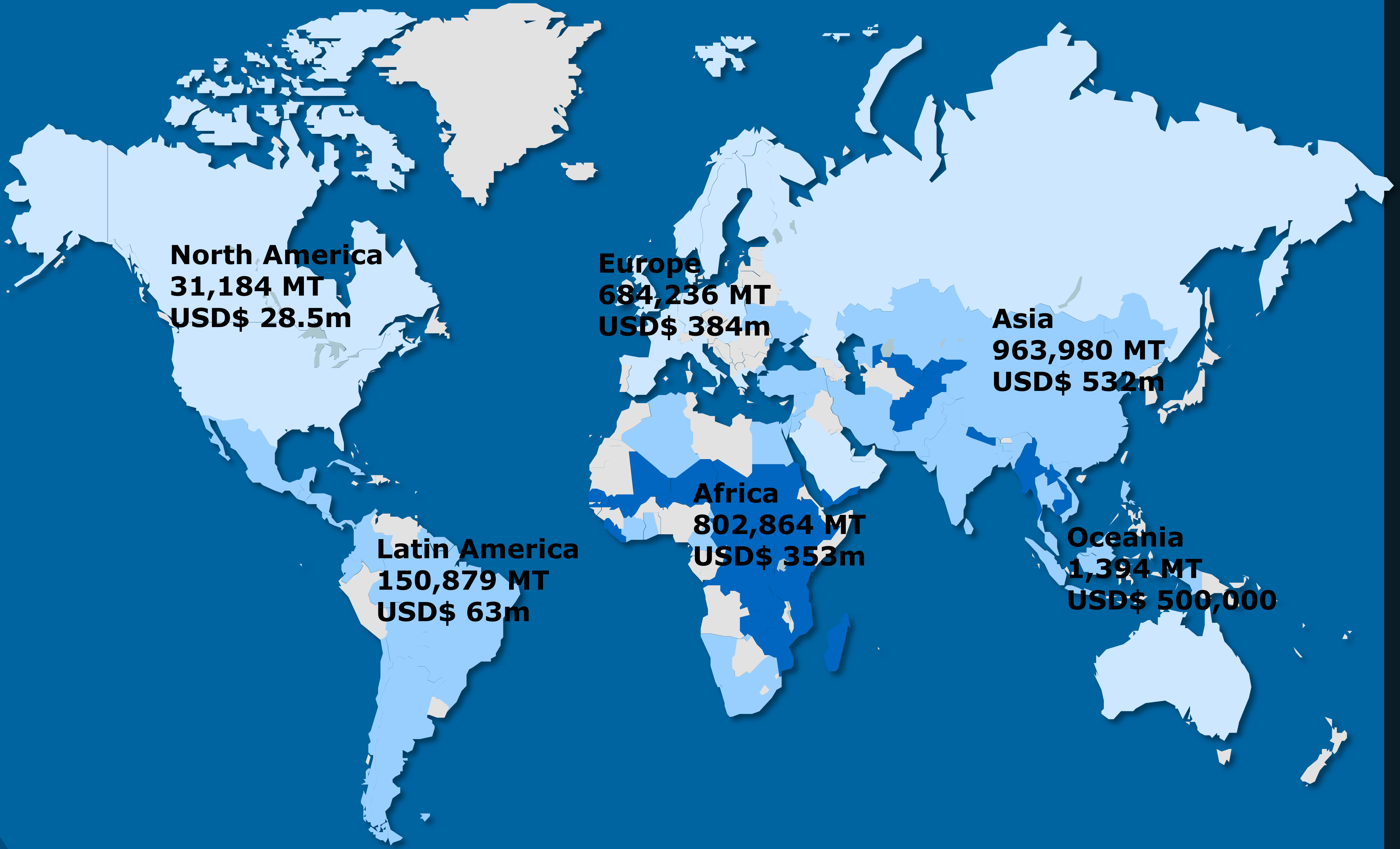
FOOD PROCUREMENT



2.6M MT
Purchased in 2016

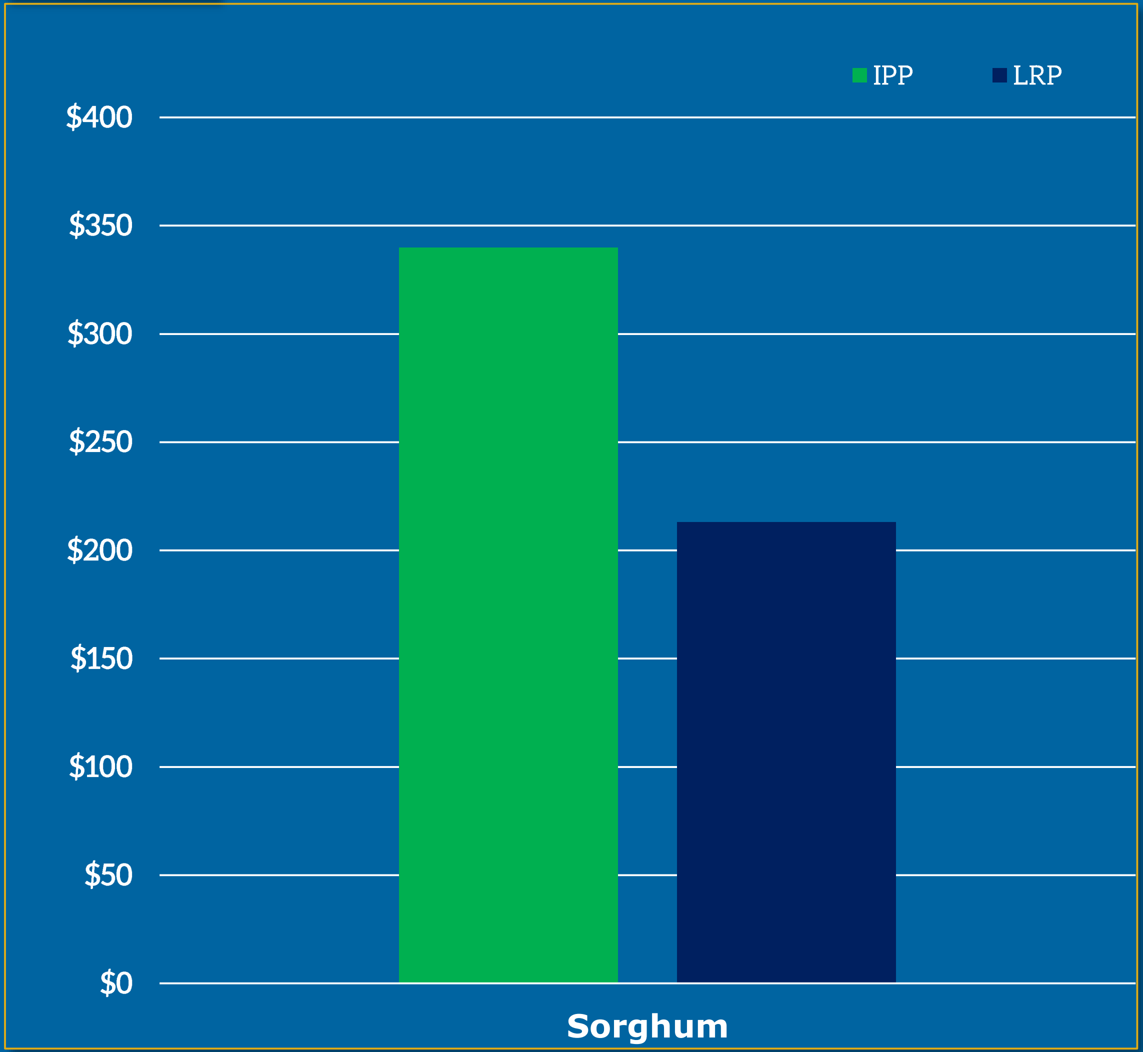
USD 1.4 bn
Purchased in 2016

54%
LRP

72%
Developing Countries (DAC)

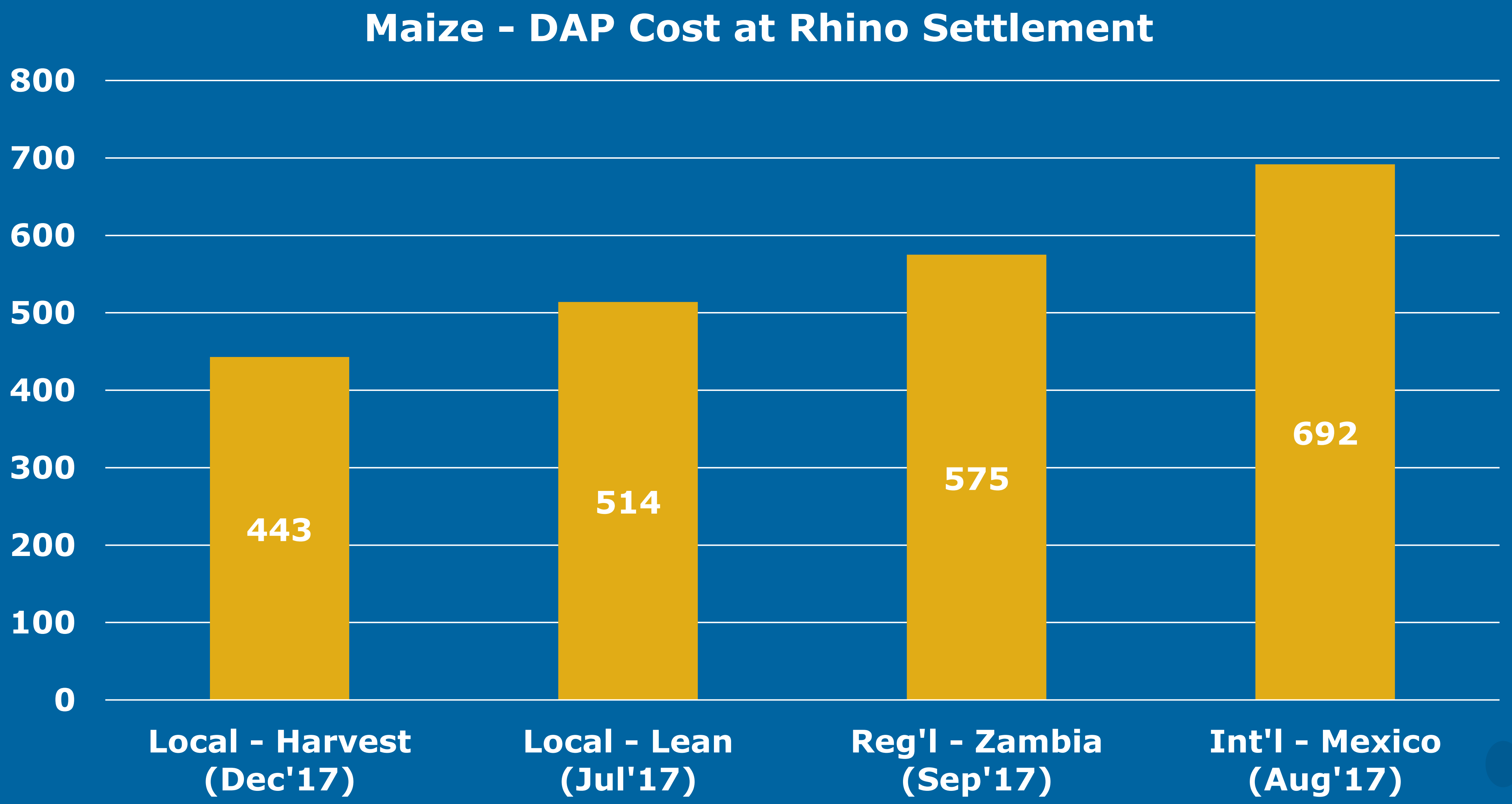
IMPORT VERSUS LOCAL PROCUREMENT: WHEN THE TIME IS RIGHT

Sudan



Ethiopia

IMPORT VERSUS LOCAL PROCUREMENT: WHEN THE TIME IS RIGHT



SNAPSHOT: HARVEST SEASONS

Commodity	Origin	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SORGHUM	Sudan												
	Uganda												
	Niger/Mali												
	India												
MAIZE	Ethiopia												
	Tanzania												
	Kenya												
	Uganda												
	Zambia												
	Rwanda												
	South Africa												
	Mexico												
YSP	Black Sea												
BEANS	East Africa												
	West Africa												

Savings

~10-30%

approximate savings on commodity cost

~29 days (69%)

approximate avg. lead time gain

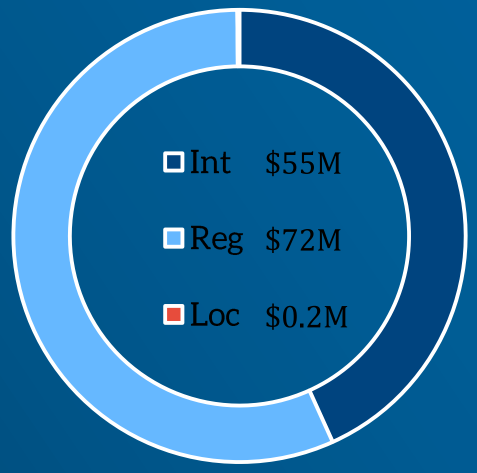
Source: https://insight.wfp.org/how-the-world-food-programme-has-cut-its-delivery-times-by-more-than-60-percent-77ee7462f39f
Source: http://documents.wfp.org/stellent/groups/public/documents/communications/wfp286738.pdf

HOW WFP SOURCES FOR SOUTH SUDAN

105K MT
International (2016-2017)

212K MT
Regional (2016-2017)

0.5K MT
Local (2016-2017)



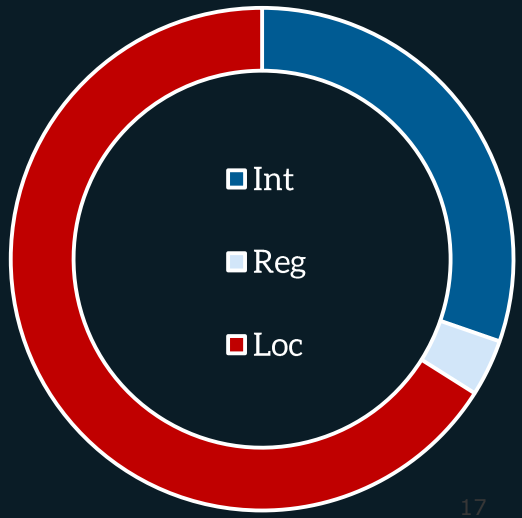
Source: PO-PR Report as of 27th Nov'17

HOW WFP SOURCES FOR NIGERIA

129K MT
International (2016-2017)

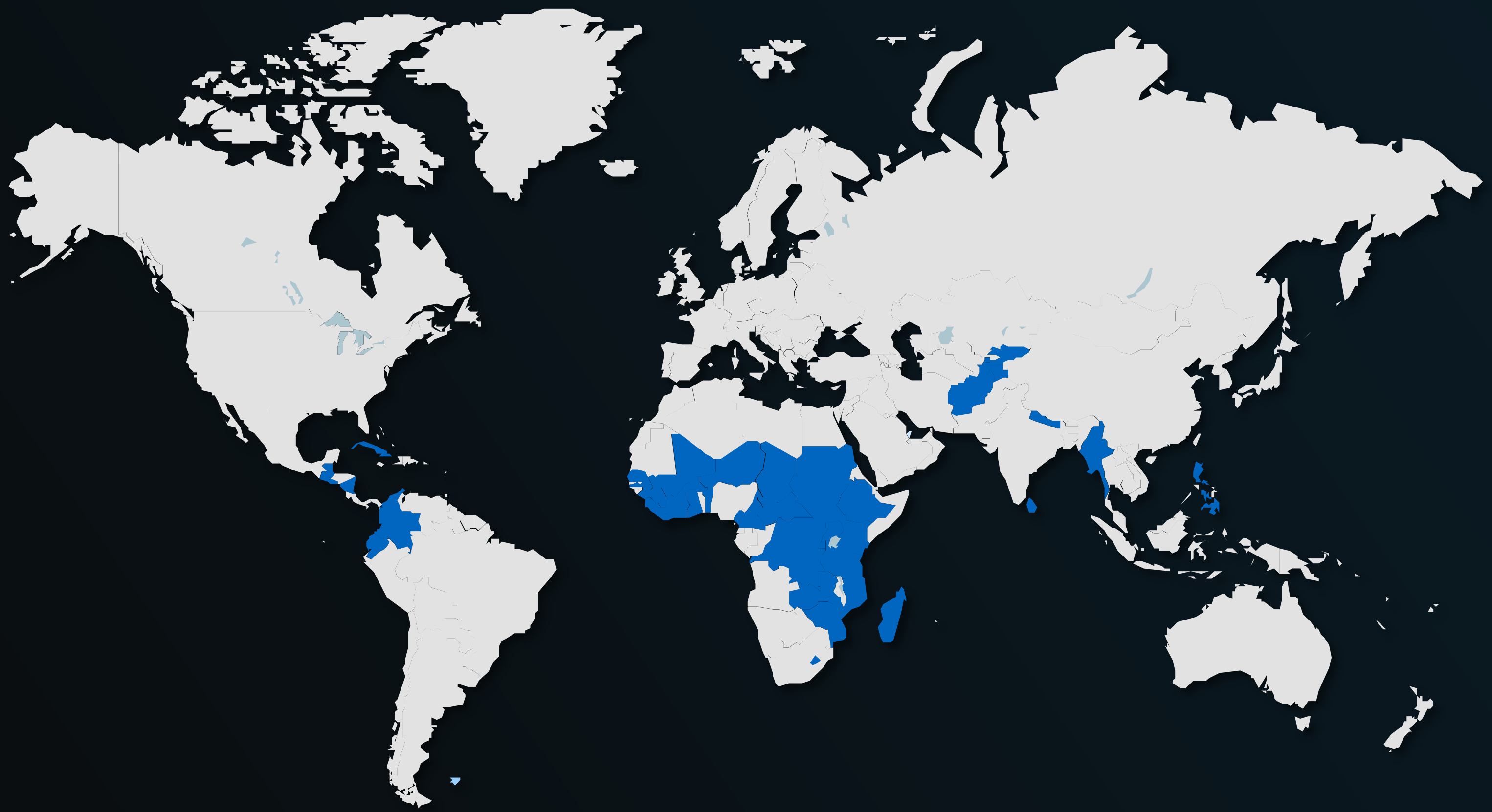
16K MT
Regional (2016-2017)

225K MT
Local (2016-2017)



Source: http://www1.wfp.org/index.php/cash-transfers

SMALLHOLDER FARMERS



P4P

7.5M

People benefitted from this initiative

35

countries

Post-Harvest Loss (PHL)

215,000 farmers

Farm-to-Market Alliance (FtMA)

120,000 farmers

10% OF PURCHASES FROM SMALLHOLDERS

Pilot new contract modalities

Review existing guidance

Develop and pilot a revolving fund

Develop a dedicated traceability system

Potential pilot countries to trial new modalities:

- **Zambia**
- **Malawi**
- **Tanzania**
- **Uganda**
- **Ethiopia**
- **Niger**
- **Mali**
- **Honduras**

FARM TO MARKET ALLIANCE *CO-OWNED & CO-DESIGNED*

Demand	Risk	Supply	Finance	Farming Inputs	Third Party Affirmers
WFP + other buyers	**Int'l financial institution**	**NGOs**	**Commercial cooperative bank**	**Private sector**	**NGOs, research institutions**
Design the demand-led structure at global and country level	Provide liquidity to local banks and/or guarantees underlying loans to farmer cooperatives	Coordinate and expand training and extension services	Engage with national level equity held banks	Make available products and associated agro-services including first loss coverage on input loan default	Advocate with private sector partners, donors and gov'ts
Serve as a catalyst through purchasing power	Provide an integrated assessment and capacity building program to farmer cooperatives	Develop a technical package of best practices	Ensure partial risk coverage	Provide knowledge of crop solutions and agronomists at ground level	Provide access to industry experts
Carry out overall coordination and monitoring		Fund/ support a portion of implementation partner costs	Provide capacity building to farmer organisations and local banks		

Four Strategic Pathways for Farmer-Market Intervention

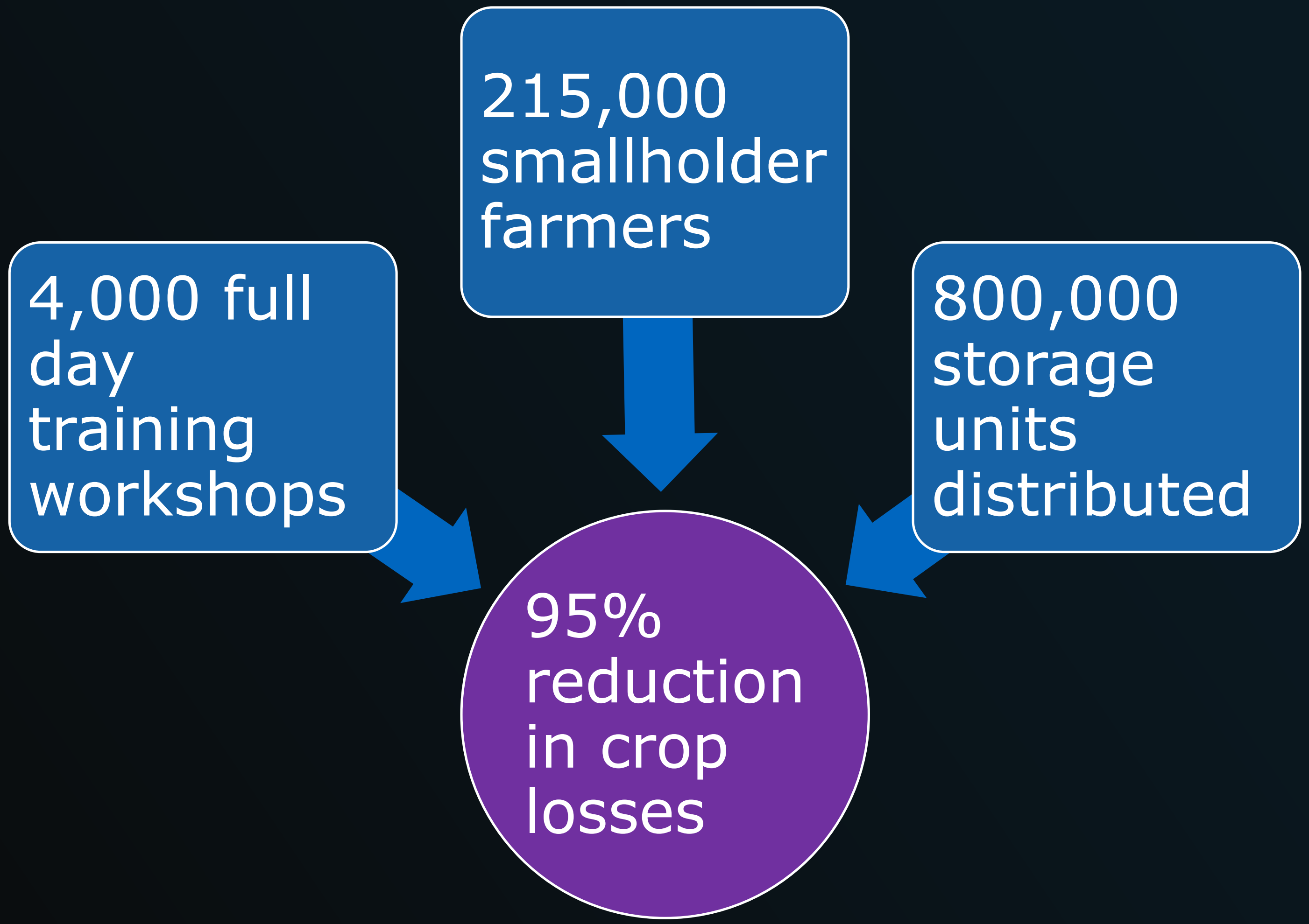
Access to quality farming inputs

Access to predictable markets

Access to affordable finance

Access to effective post-harvest and agricultural technologies

POST HARVEST HANDLING AND STORAGE



The Government of Uganda has issued an invitation for collaboration with WFP to lead efforts to reach 2.5 million families by 2025

Further expansion planned to 5-6 countries

LOCAL PROCUREMENT: RISKS

- Limited marketable surplus
- Small procurement windows during the year
- Vendor capacity / market maturity + transparency
- Quality issues

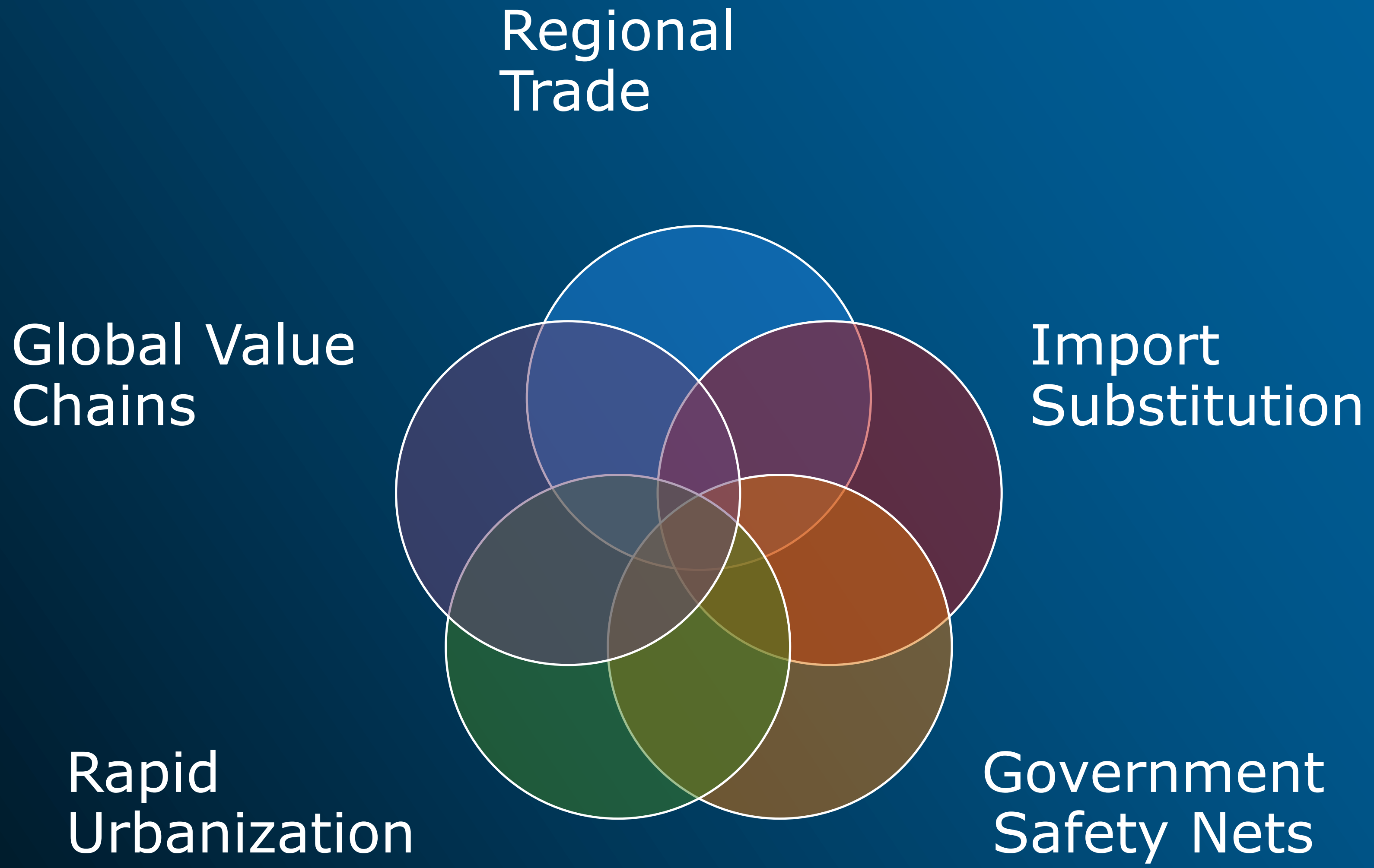
OVERALL CONTEXTUAL CHANGE

Food imports to Africa stand at $ 35 billion/year and expected to rise to $ 110 billion by 2025

Government food and cash-based programs are many times the size of WFP programs (80 million bens vs 1.9 billion bens)

CHALLENGES AND SOLUTIONS FOR LRP

OTHER OPPORTUNITIES



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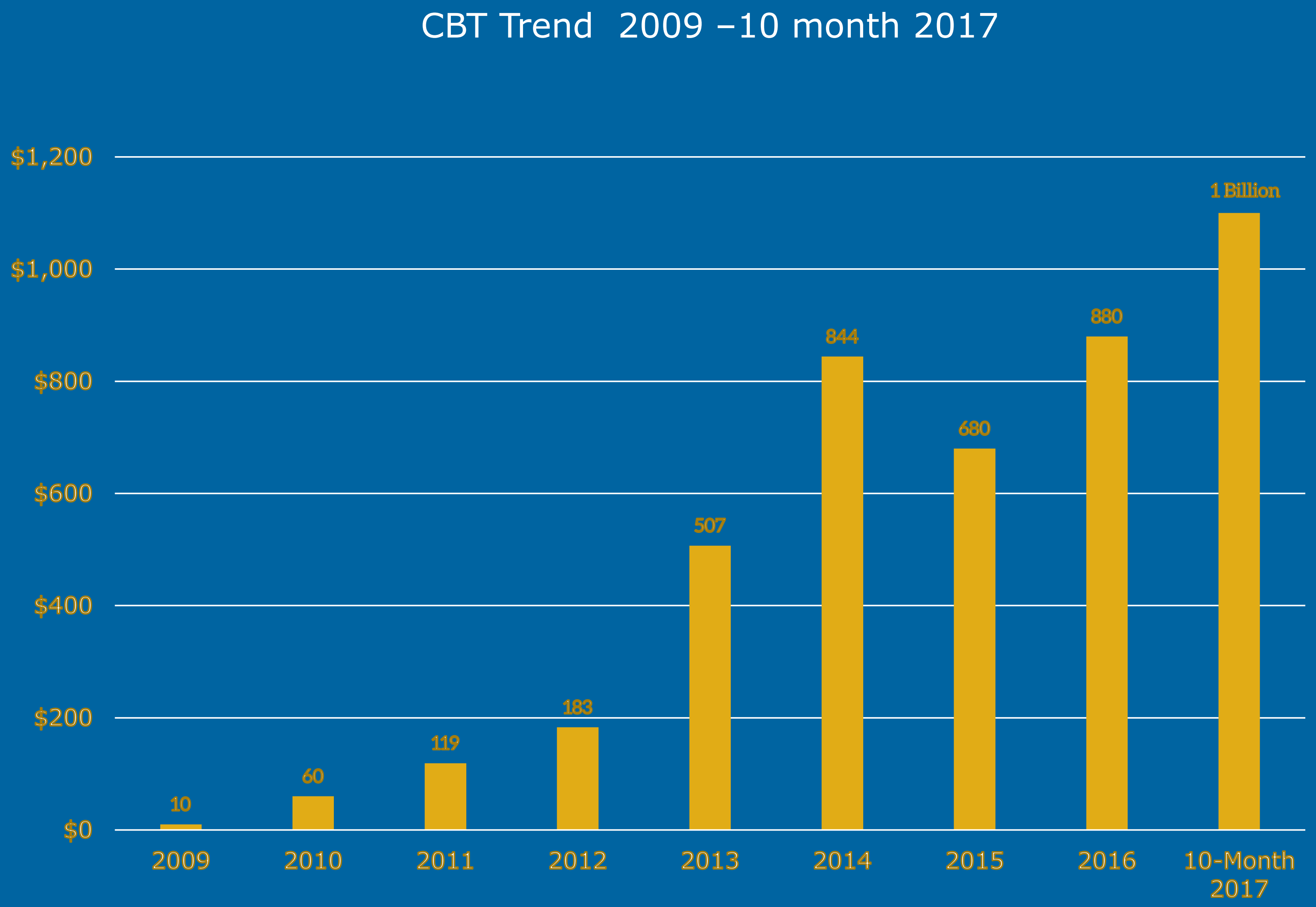
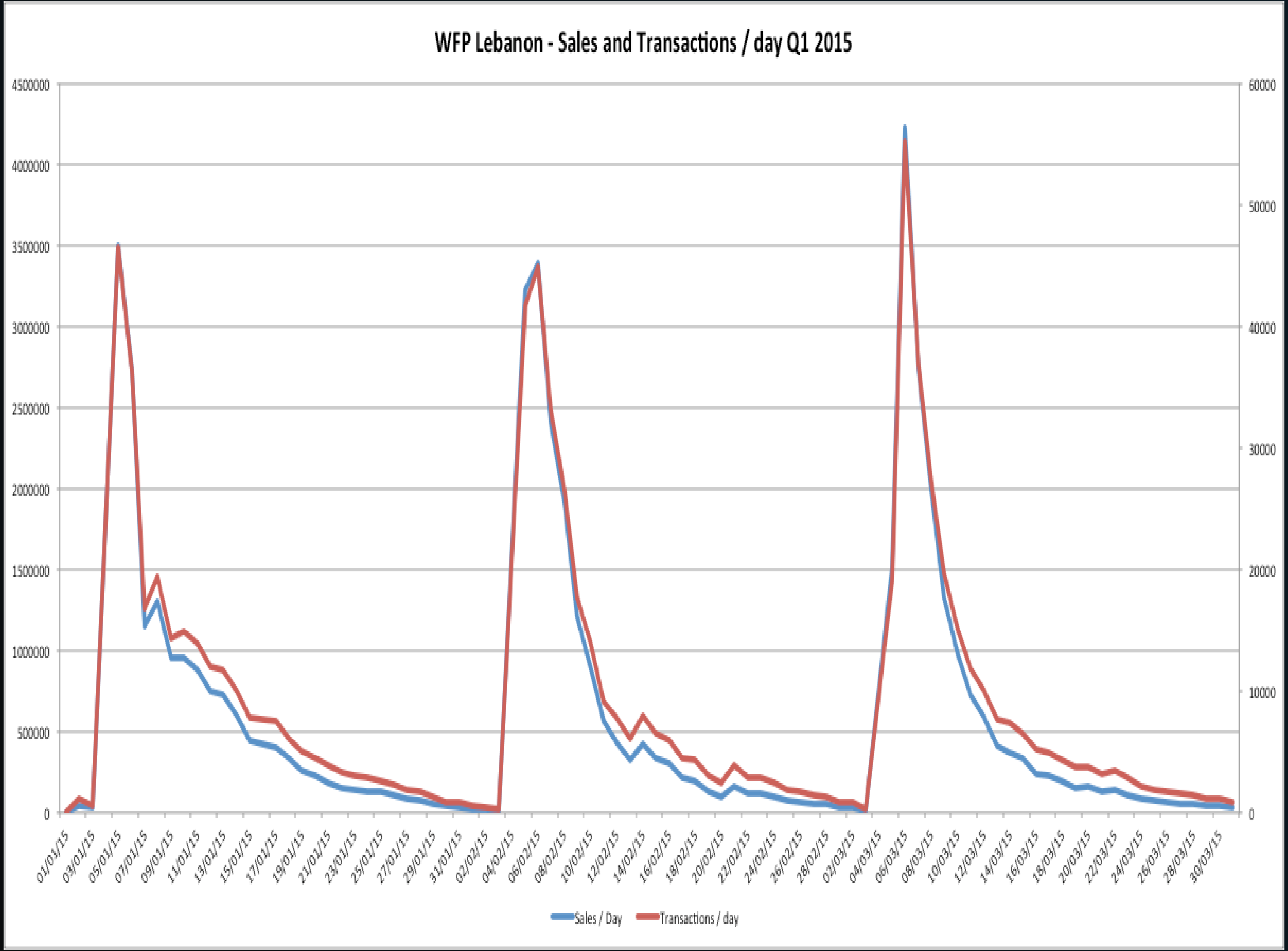
CASH-BASED TRANSFERS: CASH IN LOCAL MARKETS



2017
1 Billion USD Transferred

WHY DOES RETAIL MATTER?

Before starting the retail effort, beneficiaries and local retailers were struggling with inefficient processes



1- Beneficiaries: Queues to access shops, slow service, high level of stock-outs, at risk of pre-load price increases

2 - Retailers: Operational chaos, lost sales from non-beneficiaries, increased shrink, extra labor, cash flow strain, idle labor during non peak, inability to raise credit to fund spike

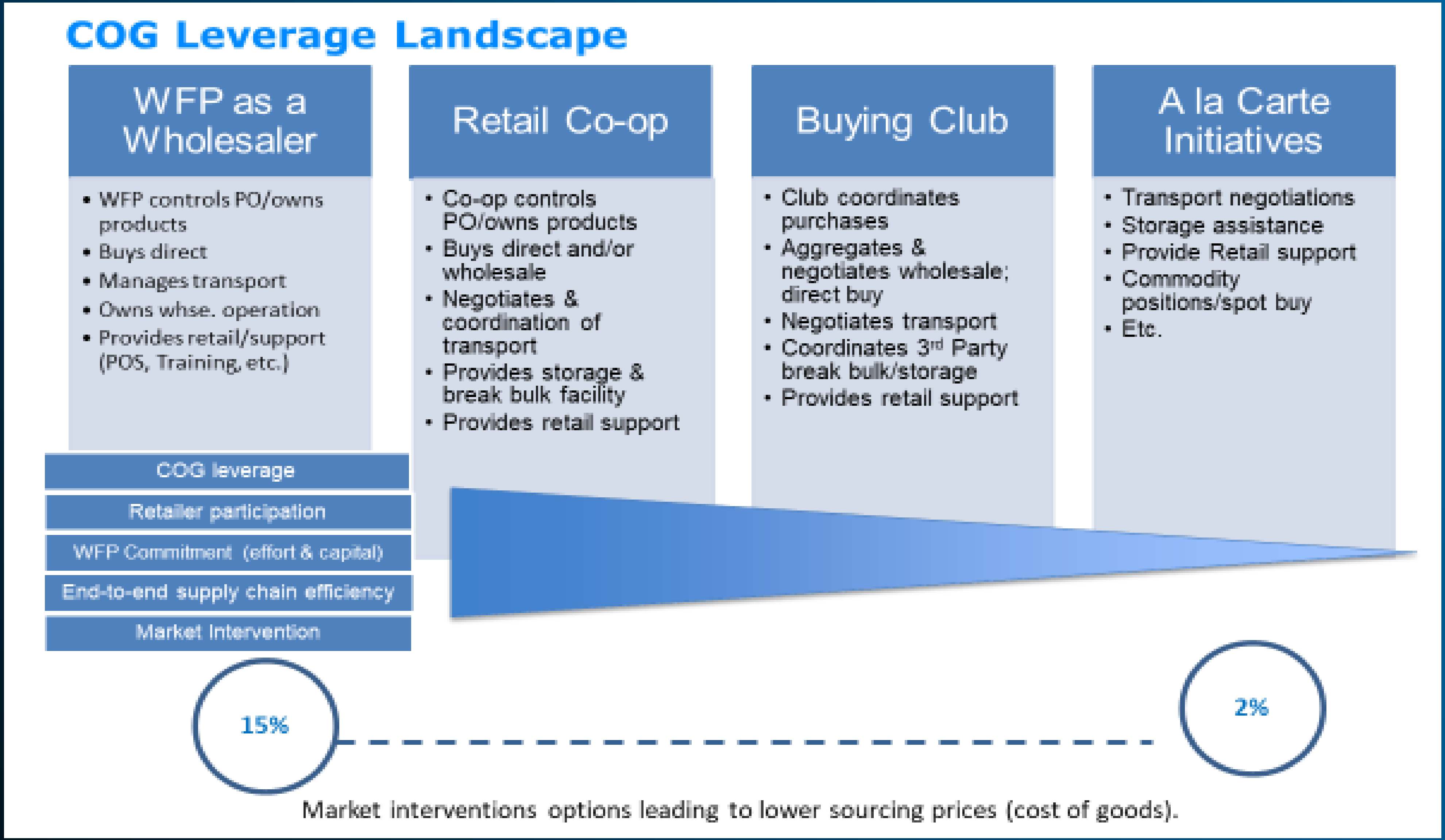
3 - WFP: Hard to access stores to price check during peak

WHY DOES RETAIL MATTER?

SKU	% of sales***	Saleh Hojair	Rammal 1	Al Radwan	Naim	TSC (non-contracted)	UCCM (non-contracted)
Rev pa: *% WFP sales:*	*6.7%*	*7,331m* *2.4%*	*4,537m* *1.5%*	*3,572m* *1.2%*	*5,485* *1.8%*	-	-
Nido 2.25 kg Milk Powder	1.83%	24,500	24,495	24,859	23,750	22,290	24,950
Picon 32 Cheese	1.13%	5,550	5,505	5,413	5,590	5,000	5,500
Nido 900gm	1.07%	13,500	13,004	13,050	12,490	11,350	13,195
Maggi cubes x24	0.45%	6,500			6,490	5,650	6,250
White eggs x30	0.58%	6,003		8,402		3,125	4,500
Sunflower Oil 10l*	1.12%	23,378	20,505	20,031		17,980	25,000
Sugar 5kg*	1.11%	1,100	4,997	5,354	2,450	4,450	
Tea 450gm	0.87%	N/A	5,684	6,462		6,450	5,063
Total Basket**	8.16%	86,395	85,921	89,794	83,571	76,295	88,128
Basket v. WFP largest store		**100%**	**99%**	**104%**	**97%**	**88%**	**102%**

Source: Team analysis of retail POS data supplied during the visit. * Alternative brands / sizes used to compare. ** For N/A items, average price used. *** Ramal 6 May 15 data

BEST VALUE FOR BENEFICIARIES & HOST COMMUNITY



THE WORLD BANK HAS SET THE POVERTY LINE AT US$ 1.90 /PERSON /DAY

The poorest spend a vast majority of their income in retail shops: Over 50% is spent on food alone.

Retail sector efficiencies support a commercially viable price drop in the food basket, increasing purchasing power for all customers.

Developing Retail is key to bridge the gap between the 80 million people we serve and the 800 million who need assistance.

WHY DOES RETAIL MATTER?

A development policy perspective on retail modernization

CHALLENGES (source: German Development Institute)

- No comprehensive national strategies for dealing with transformation of the retail sector
- No donor agencies with clearly defined perspective on retail modernisation in development terms
- No effective sequenced and assisted approach that aims to exploit the productivity gains of modern retailing while supporting local firms to adapt to the structural changes

WFP INVESTMENT IN RETAIL

- National Capacity Strengthening Through Improved retail systems
- Impact beyond WFP beneficiaries
- Commercially viable exit strategy & Gradual reduction in humanitarian needs

WFP RETAIL SUPPLY CHAIN – OUR GOAL

Our Goal is to innovate and strengthen local Retail Supply Chains and tackle Retail Sector inefficiencies to:

1. Increase Purchasing Power of all Retail customers
2. Enhance accountability, transparency and internal control through data
3. Maximize the potential and readiness to move to Unrestricted Cash

APPROACHES FOR LOWER SHELF PRICES

Innovative contracting

- Open book
- Loyalty programmes

Aggregated Sourcing

- Buying Club
- Preferred wholesaler

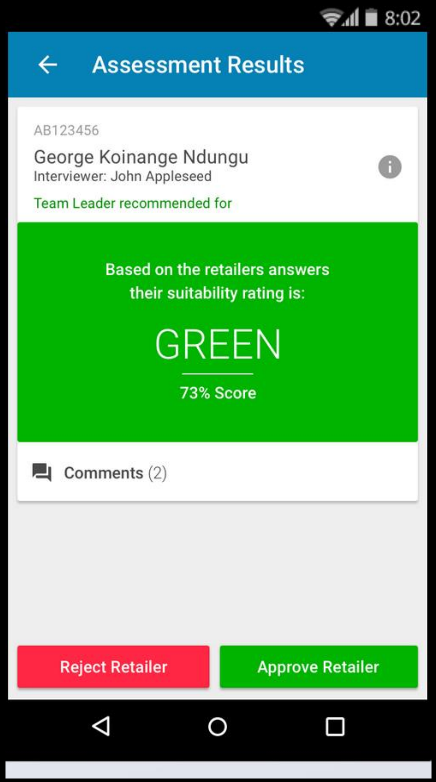
Price Index

- Adherence to existing price index
- Creation of index where non available

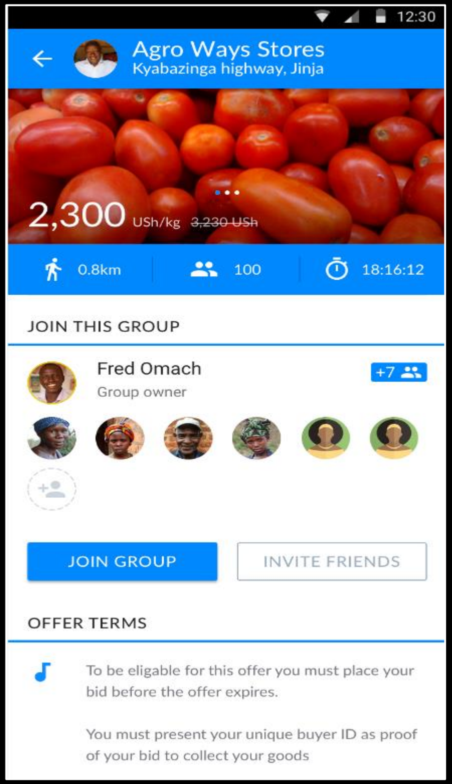
US$ 21.5M
18 months
4 countries

WFP RETAIL SUPPLY CHAIN – TOOLS

ON-BOARDING: ROC APP



NEGOTIATION: MARKETPLACE



PROMO: BENEFICIARY VOICE

WFP RETAIL SUPPLY CHAIN – TRAINING

DETERMINE THE RANGE

Determining the Range

Range: the total assortment of individual SKUs that a retailer offers in each category, department & total store

The Range impacts:

- Store size
- Capital requirements… refrigeration, display fixtures, etc.
- Gross margin… price structure, shrink, sourcing & distribution expense, etc.
- Operating cost structure… payroll, supplies, occupancy & utility expense, etc.
- Customer Satisfaction… choice, price points, convenience, etc.
- Others?

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WHO TO ENGAGE

Retail contractual options (1)

Some factors to consider when making a choice of whom to contract

Option	Advantages	Disadvantages
WFP	1. Local knowledge 2. Tax free 3. Sourcing knowledge	1. Low range 2. Service experience 3. Beneficiaries only
Small independents	1. Local location 2. Local employment 3. Sector development	1. Expensive 2. Less good buying 3. Compliance risks 4. Lack of systems 5. Over-reliance on WFP
Small local chains	1. Local location, employment 2. Better buying 3. Sector development	1. Expensive 2. Non-optimal buying 3. Inefficient systems

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HOW TO MANAGE A RETAILER

Retail contract management

To achieve best value, ongoing contract monitoring is vital.

The best team is a joint Finance / Supply Chain / Programme one

The best structure is:

- A monthly review process
- A set agenda:
  - Safety, service issues
  - Price patterns on KVIs
  - Retailer profitability
  - Opportunity reviews
  - Long term changes

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RETAIL SUPPLY CHAIN – MODALITY SELECTION

FULL COST RECOVERY COMPARISON

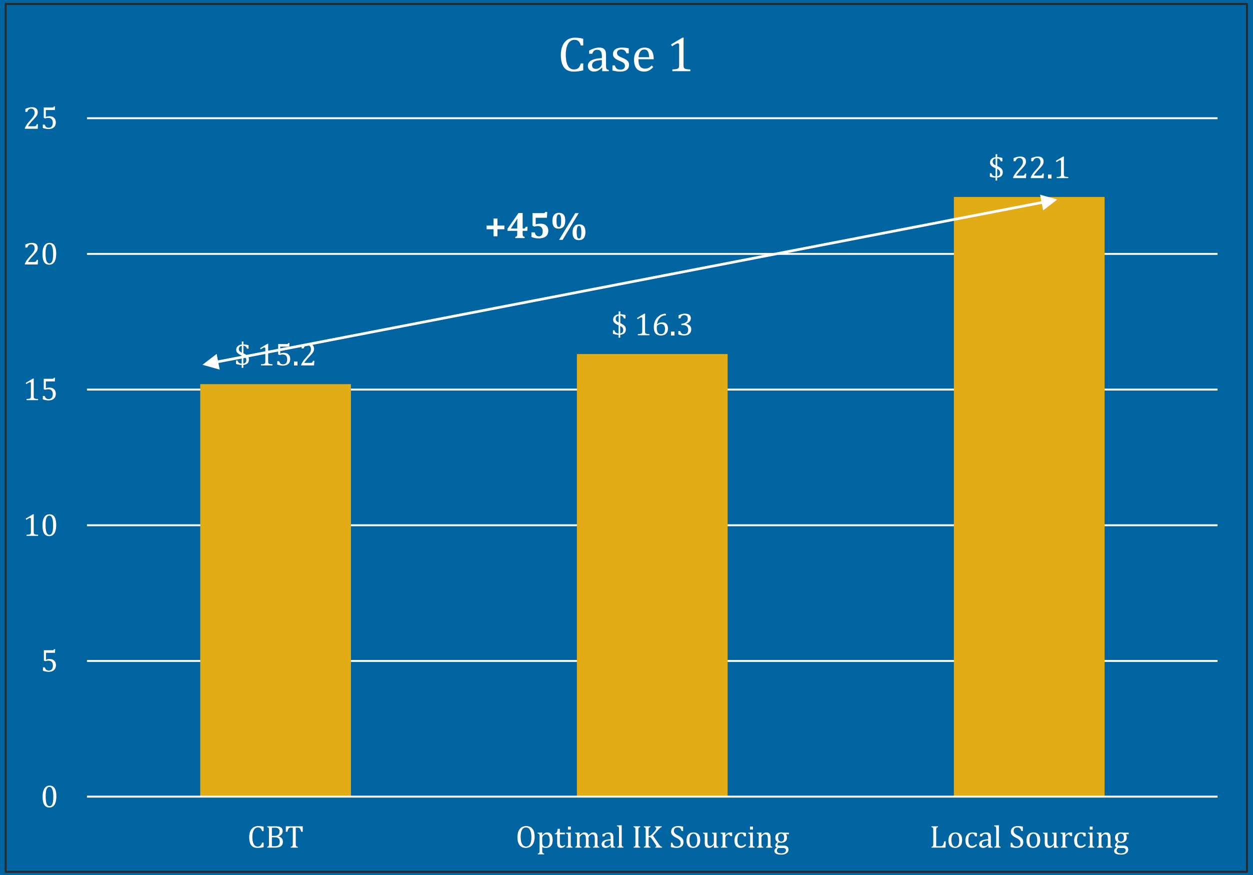

*Figure 1: Monthly cost per beneficiary of supplying the same basket through different modalities – CBT **most cost-efficient***

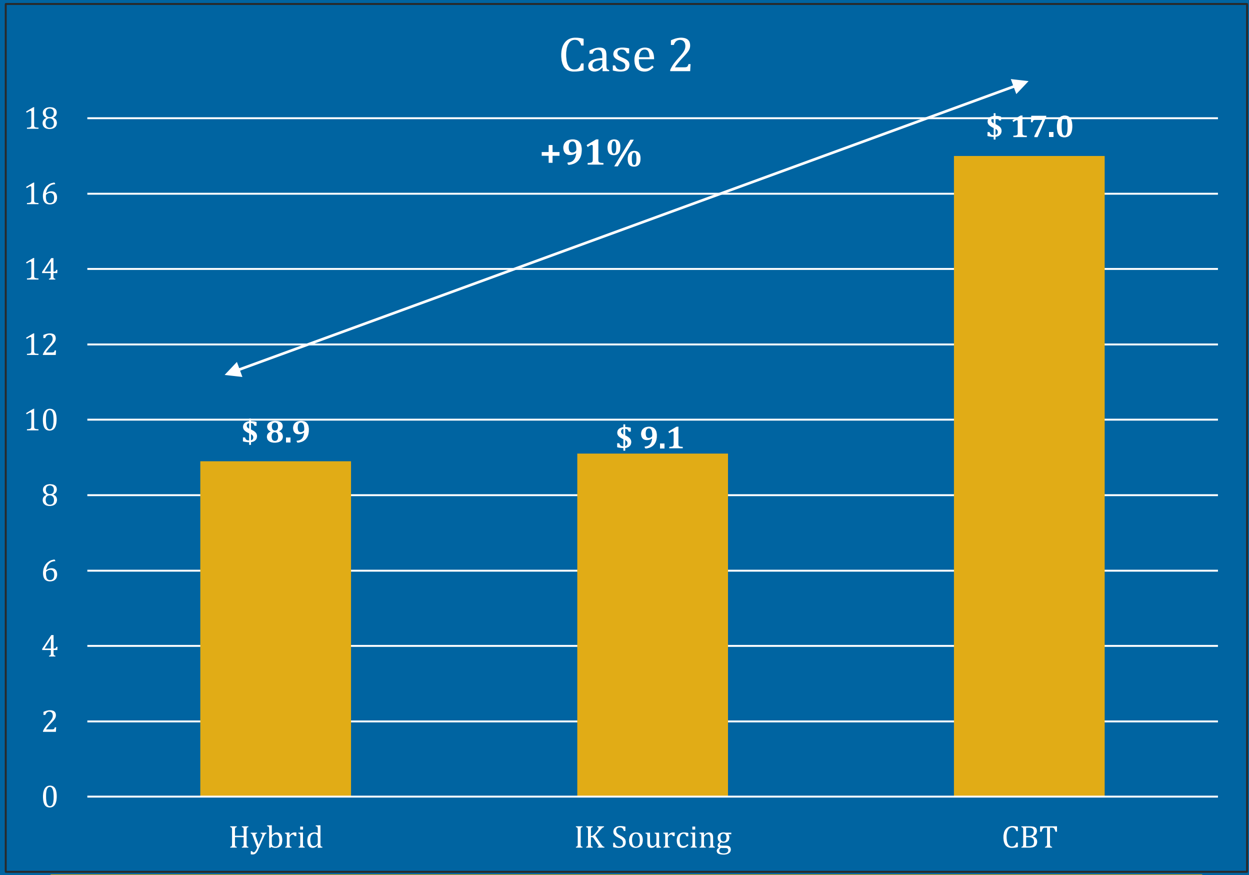

*Figure 2: Monthly cost per beneficiary of supplying the same basket through different modalities – CBT **least cost-efficient**.*

WFP RETAIL SUPPLY CHAIN – 2018 PLAN

THE FUTURE OF WFP RETAIL & ENABLE CASH

1- DEVELOP **UNRESTRICTED CASH** PROPOSITION

2- MEASURE **IMPACT**

3- SCALE TO **NATIONAL LEVEL**

HOW TO GET THERE

1 – DEVELOP **EXPERTISE**

- Hire retail experts
- Targeted training
- Partner (Private, Public)

2- DEVELOP **SUPPORT STRUCTURE** IN RBs, Tools + Manual

3- CORPORATE SUPPORT TO 4 **CURRENT COUNTRIES** + 6-7 **NEW COUNTRIES**

WHICH COUNTRIES

1- IRAQ
2- JORDAN
3- KENYA
4- LEBANON
5- BANGLADESH
6- SOUTH SUDAN
7- SUDAN
8- SYRIA
9- UGANDA
10- YEMEN