

برنامج
الأغذية
العالمي



Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
Annual Session**

Rome, 3–6 June 2013

ADMINISTRATIVE AND MANAGERIAL MATTERS

Agenda item 11

*For information**



Distribution: GENERAL
WFP/EB.A/2013/11-C
3 May 2013
ORIGINAL: ENGLISH

UPDATE ON WFP FOOD PROCUREMENT

* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions in 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.

This document is printed in a limited number of copies. Executive Board documents are available on WFP's Website (<http://executiveboard.wfp.org>).

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.

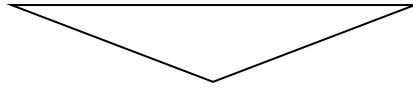
Director, OSP*: Ms C. Fleischer tel.: 066513-2293

Deputy Director, OSP: Ms M. McGroarty tel.: 066513-3099

Should you have any questions regarding availability of documentation for the Executive Board, please contact the Conference Servicing Unit (tel.: 066513-2645/2558).

* Procurement Division

DRAFT DECISION*



The Board takes note of “Update on WFP Food Procurement” (WFP/EB.A/2013/11-C).

* 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 the transition from food aid to food assistance, food procurement is critical for establishing an effective and efficient supply chain, and stimulating market development.
2. In 2012, WFP procured 2.1 million mt of food valued at US\$1.1 billion in 93 countries, making up 25 percent of its global expenditures. Of this 2.1 million mt, 77 percent valued at US\$845 million was purchased in 75 developing countries – up from 71 percent purchased in 70 countries in 2011. The remaining 23 percent valued at US\$259 million was purchased in developed countries. Table 1 breaks down the purchases by category of country.¹

Category	Quantity (mt)	Quantity (%)	Value (US\$)	Value (%)
Least developed countries	683 625	33	282 277	26
Low-income countries ^a	41 646	2	16 058	1
Lower-middle income countries ^b	781 009	37	382 861	35
Upper-middle income countries ^c	300 619	14	163 477	15
Subtotal	1 806 899	86	844 673	77
Developed countries	299 386	14	258 746	23
TOTAL	2 106 285	100	1 103 419	100

^a Per capita gross national income <US\$1,005 in 2010.

^b Per capita gross national income US\$1,006–US\$3,975 in 2010.

^c Per capita gross national income US\$3,976–US\$12,275 in 2010.

FOOD PROCUREMENT TRENDS

3. Among developing countries, WFP purchased the most food in India both in terms of quantity and value: 318,275 mt valued at US\$104 million. Table 2 lists the top 20 developing countries in which WFP procured food in 2012.
4. WFP procured more than 1.5 million mt of cereals in 2012, accounting for 71 percent of food purchased: the main purchases were wheat (27 percent) and maize (22 percent). Compared to 2011, when most wheat was purchased from members of the Commonwealth of Independent States and countries in the Black Sea region, in 2012 wheat of Indian origin predominated. The competitive price of Indian wheat was coupled with the competitive freight rates from Indian ports to the main recipient countries: the Democratic People's Republic of Korea; Ethiopia; and Yemen. The remaining wheat was procured from Australia, Kazakhstan and Pakistan.

¹ The 2012 food procurement map is available at: <http://www.wfp.org/procurement>.

TABLE 2: TOP 20 DEVELOPING COUNTRIES IN WHICH WFP PROCURED FOOD IN 2012			
Country	Value (US\$000)	Country	Value (US\$000)
1. India	104 014	11. Sudan	21 933
2. Indonesia	91 338	12. Viet Nam	19 189
3. Pakistan	69 012	13. Zambia	19 136
4. Turkey	68 974	14. Ukraine	17 453
5. Ethiopia	46 765	15. Syrian Arab Republic	15 852
6. South Africa	38 269	16. Honduras	15 756
7. Yemen	25 156	17. Malawi	15 001
8. Myanmar	24 794	18. Kenya	14 012
9. United Republic of Tanzania	23 843	19. Uganda	13 776
10. Kazakhstan	22 250	20. Togo	11 550
TOTAL US\$678 075 522			

5. Significant amounts of sorghum were purchased in response to the Sahel emergency and for the Horn of Africa, where beneficiaries prefer maize and sorghum to wheat. Sorghum purchases increased from 86,800 mt in 2011 to 209,400 mt in 2012, primarily from India and the Sudan. These purchases also helped to mitigate the lack of availability of maize guaranteed as non-genetically modified organisms.
6. In addition, WFP purchased 268,527 mt of fortified blended foods. The need for the specialized product Supercereal Plus (corn-soya blend++ and wheat-soya blend++) was especially great: in 2012, WFP purchased 46,594 mt – three times more than the previous year. Purchases of ready-to-use supplementary food (RUSF) also increased by 9 percent.

THE MARKET ENVIRONMENT

7. The WFP Cereal Index, based on the variety of cereals in the beneficiary food basket, rose by 11.4 percent during 2012. This was fuelled by a 27 percent increase in wheat prices and an 18 percent increase in maize prices during the last quarter of 2012 compared to the same quarter in 2011 as a result of extreme heat and drought in exporting countries.
8. Cereals account for 71 percent of the typical beneficiary food basket. The increase in cereal prices coupled with introduction of new fortified cereal-based products resulted in a marginal increase in the overall cost of the food basket per beneficiary in 2012.
9. WFP sources food commodities from local, regional and international markets. The decision regarding where to buy is informed by the import parity price comparison, which compares prices in different markets plus transport costs to the final destination point. This enables WFP to make the most economical choice.

10. In its 2012 Annual Report to the Board (WFP/EB.A/2012/6-D/1), the Audit Committee encouraged management to lay the foundation for commodity trading, hedging and forecasting. Building on the World Bank's 2009 work to mitigate the impact of price volatility on WFP's food budget, the Procurement Division with support from Canada has engaged experts to develop a price-risk framework. The work includes using historic data to build a risk profile, to inform price-risk models.

HIGHLIGHTS OF FOOD PROCUREMENT

Forward Purchase Facility

11. WFP made greater use of the Forward Purchase Facility (FPF) in 2012, building on experience gained during the Horn of Africa emergency. FPF purchases nearly doubled in tonnage over 2011 to 784,637 mt (US\$371 million). FPF purchases from developing countries also nearly doubled, constituting 87 percent of the total tonnage. Corridors for moving FPF purchases have been established in East Africa, North Africa and the Middle East, West Africa and Central America. The forward purchase response achieved an average gain in supply lead-time of 64 days for country offices. In addition, the types of food purchased through FPF increased from seven in 2011 to ten in 2012.
12. Recognizing this new tool's potential, the Board approved a doubling of the FPF ceiling to US\$300 million in June 2012, presenting an opportunity for food procurement innovation in WFP. Channelling a larger part of WFP's food procurement through the FPF enables a shift from a reactive approach – where procurement is triggered only by receipt of donor funds – to a proactive strategy. Securing resources in advance ensures a steady flow of food for those in need; helps to reduce response time in emergencies; and provides an opportunity for supply planning, leading to greater cost efficiency.

Pro-Smallholder Farmer Procurement

13. Through procurement modalities tested under the Purchase for Progress (P4P) pilot, 86,700 mt of food was contracted in 2012, 50 percent more than in 2011. From the start of the five-year pilot phase through the end of 2012, 293,400 mt of food was procured from the 20 countries taking part in the P4P initiative. Of that amount, 75 percent was maize and the rest was beans, peas, rice, sorghum, millet, wheat and processed food.
14. Purchase for Progress (P4P) has benefited from the use of innovative procurement modalities. Since the start of the pilot, 46 percent of P4P contracts were carried out through competitive tendering; 16 percent through forward delivery; and 38 percent through direct contracts. P4P procurement follows WFP's principles of best economical option and quality. Forward-delivery contracts are used to facilitate farmer access to credit, address price volatility and support aggregation of crops at the farmer-organization level. They will be used for a limited time to build the capacity of selected farmers' organizations to engage with alternative contracting approaches or markets.
15. In Ethiopia, WFP signed forward-delivery contracts with 16 cooperative unions for 28,200 mt of maize that provided collateral for the unions to access credit. In Afghanistan, WFP increased its high-energy biscuit (HEB) purchases under P4P by 20 percent to 933 mt; with help from the country office, a private-sector partner set up a new HEB production unit and signed a long-term agreement to purchase wheat from Afghani smallholder farmers for manufacturing the HEBs. In Malawi, WFP increased its purchases from P4P-supported farmers to 15,300 mt using the Agricultural Commodity Exchange. In Sierra Leone, WFP quadrupled its P4P purchases of cassava flour to 80 mt.

16. Purchase from Africans for Africa (PAA) is a US\$5 million initiative that began in 2012. Supported by Brazil and drawing on its experience with the *Fome Zero* (Zero Hunger) initiative, selected smallholder farmers' organizations in Ethiopia, Malawi, Mozambique, Niger and Senegal receive technical support from the Food and Agriculture Organization of the United Nations (FAO) while WFP buys food for local governments' Home-Grown School Feeding Programmes. Procurement mechanisms are similar to those of P4P and P4P experience informs work in the five countries.

Procurement on behalf of Governments

17. Using a trust fund mechanism funded by the interested governments, WFP bought 29,200 mt of food valued at US\$22.2 million on behalf of Colombia, the Dominican Republic, El Salvador, Honduras, India, Mauritania and Niger for their social welfare programmes. Trust funds are implemented in line with WFP's procurement policies to ensure competitive tendering, food safety and quality assurance.

Food Safety and Quality Management Initiatives

18. To improve food safety and quality across the supply chain, processes were enhanced through reviews of food specifications and service providers such as inspection companies and laboratories, audits of food producers, and development of guidelines and standard operating procedures for handling and storage. Software for monitoring food quality and supplier performance was tested in 2012 and will be rolled out in 2013. As a result of studies of fortified foods and special nutritious products, an improved pre-mix was developed in collaboration with the Global Alliance for Improved Nutrition.
19. Collaboration with United Nations partners and non-governmental organizations on food safety was also enhanced. WFP, the United Nations Children's Fund (UNICEF) and *Médecins sans frontières* (MSF) carried out joint factory audits of the main suppliers of RUSF. Experts from WFP, FAO and the World Health Organization (WHO), UNICEF, MSF, the global nutrition cluster and food manufacturers met to develop a joint industry strategy for improving hygiene during production of lipid-based RUSF.

PROCUREMENT CAPACITY

20. At the end of 2012, WFP had 36 international professional food procurement officer posts – 11 at Headquarters and 25 in the field – of which 5 were funded through P4P. There were 15 national food procurement officer posts and three junior professional officer posts for procurement – three funded by Japan and one by Belgium.
21. Some food is purchased by procurement focal points, who may have other functions. Staff positions financed through direct support costs may be created at the discretion of Country Directors, who take into consideration resource levels and other staffing requirements. Table 3 details the current international and national food procurement officer posts in the field.

TABLE 3: FOOD PROCUREMENT POSTS IN THE FIELD AS OF 31 DECEMBER 2012				
International officers				National officers
Regional bureau	Grade	Country office	Grade	Country office
OMB	P-4	Afghanistan	P-4	Bangladesh
OMB	P-3	Afghanistan	P-2	Cambodia
OMC	P-4	Chad	P-3	Cameroon
OMD	P-4	Democratic Republic of the Congo	P-2	Ethiopia (2)
OMJ	P-4	Ethiopia	P-4	Ghana
OMJ	P-3	Ethiopia	P-3	Indonesia
OMN	P-4	Indonesia	P-2	Kenya
OMP	P-4	Kenya	P-3	Lao People's Democratic Republic
		Liberia*	P-2	Myanmar
		Malawi*	P-2	Rwanda
		Mali*	P-2	Sudan (2)
		Mozambique*	P-3	United Republic of Tanzania
		Pakistan	P-4	Uganda
		Rwanda*	P-2	
		Sudan	P-4	
		Sudan	P-3	
		Yemen	P-2	
Subtotal:	8	Subtotal:	17	
TOTAL: 25				TOTAL: 15

* Funded by P4P

OMB: Regional Bureau Bangkok (Asia)

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

OMD: Regional Bureau Dakar (West Africa)

OMJ: Regional Bureau Johannesburg (Southern Africa)

OMN: Regional Bureau Nairobi (East and Central Africa)

OMP: Regional Bureau Panama (Latin America and the Caribbean)

Professional Development

22. The transition from food aid to food assistance must be driven by dynamic procurement staff with the appropriate expertise and training. This transition impacts procurement in many ways, particularly because of its focus on procurement from smallholder farmers, the local production of nutritionally enhanced foods and capacity development of national and subnational entities. Increased engagements through new approaches such as FPF enable WFP to adopt a more strategic outlook to procurement. This not only contributes to greater organizational efficiency but assists WFP in achieving its food assistance objectives.

23. In 2012, significant progress was made in building the technical capacities of WFP food procurement staff through formal training. Capacity development efforts aimed to improve competency in traditional food procurement and build new skills in market and price analysis. The Procurement Division continued its partnership with the United Nations Development Programme to standardize activities through the Public Procurement Training and Certification Programme accredited through the Chartered Institute of Purchasing and Supply. In 2012, 49 procurement staff from around the world completed the training.
24. Progress was also made in updating WFP's procurement systems. WFP has joined the United Nations platform for supplier registration, United Nations Global Market Place and an online tendering platform for procurement – “In-Tend” – has replaced the previous e-tendering system. FAO and the International Fund for Agricultural Development (IFAD) have also implemented “In-Tend” for procurement tendering, supporting the simplification of procurement activities undertaken by the common procurement team. WFP aims to complete the training of country office procurement focal points by the end of 2013.

ACRONYMS USED IN THE DOCUMENT

FPF	Forward Purchase Facility
FAO	Food and Agriculture Organization of the United Nations
HEB	high-energy biscuit
P4P	Purchase for Progress
RUSF	ready-to-use supplementary food
UNICEF	United Nations Children's Fund