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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

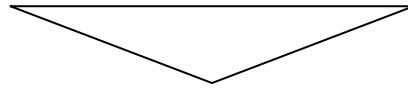
Chief, ODPF**: Mr J. Menkveld tel.: 066513-2114

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, 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/2011/13-B).

* 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 2010 WFP procured 3.2 million mt of food valued at US\$1.25 billion in 96 countries.
2. Of this, 78 percent, valued at US\$975 million, was purchased in 76 developing countries.
3. The remaining 22 percent, valued at US\$275 million, was purchased in developed countries. Two percent of the total commodities procured were bought with contributions restricted to purchase in the donor's country; 20 percent were procured in developed countries as the best market option.
4. Purchases of fortified blended foods and fortified biscuits in developing countries increased from 20,000 mt in 2000 to 216,000 mt in 2010, which represents 61 percent of the total procured in 2010 worldwide by WFP.

TABLE 1: WFP FOOD PURCHASES IN 2010, BY DEVELOPMENT ASSISTANCE COMMITTEE (DAC) CATEGORY

DAC Category	Quantity (mt)	Quantity (%)	Value (US\$)	Value (%)
Least developed countries (LDCs)	751 312	23.73	270 989 983	21.68
Low-income countries (LICs) ¹	855 769	27.03	272 507 130	21.80
Lower-middle income countries (LMICs) ²	639 279	20.19	275 963 697	22.08
Upper-middle income countries (UMICs) ³	372 537	11.77	155 650 740	12.45
Developed countries	547 423	17.29	274 938 198	21.99
TOTAL	3 166 320	100.00	1 250 049 747	100.00
Categories grouped				
LDC/LIC	1 607 081	50.76	543 497 113	43.48
LMIC/UMIC	1 011 816	31.96	431 614 436	34.53
Subtotal	2 618 897	82.71	975 111 549	78.01
Developed countries	547 423	17.29	274 938 198	21.99
TOTAL	3 166 320	100.00	1 250 049 747	100.00

¹ Per capita gross national income (GNI) < US\$935 in 2007

² Per capita GNI US\$936–US\$3,705 in 2007

³ Per capita GNI US\$3,706–US\$11,455 in 2007

FOOD PROCUREMENT TRENDS

5. WFP procured more food, in terms of value and quantity, in Asia than in any other region.
6. WFP procured more food, in terms of value and quantity, in Pakistan than in any other developing country: 676,000 mt valued at over US\$214 million. Table 2 lists, by value, the top 20 developing countries in which WFP procured food in 2010.

**TABLE 2: TOP 20 DEVELOPING COUNTRIES IN WHICH WFP
PROCURED FOOD IN 2010**

Country	Value (US\$)	Country	Value (US\$)
1. Pakistan	214 355 554	11. Viet Nam	20 807 641
2. Ethiopia	88 415 761	12. Kenya	20 141 628
3. South Africa	65 738 483	13. Malawi	15 911 703
4. Ukraine	63 644 410	14. Kazakhstan	14 210 519
5. Indonesia	60 234 906	15. Honduras	13 911 623
6. Turkey	40 492 312	16. Yemen	12 433 256
7. Uganda	33 445 419	17. Myanmar	12 230 132
8. Occupied Palestinian Territory	30 855 695	18. United Republic of Tanzania	11 586 993
9. India	29 488 379	19. Benin	11 224 166
10. Malaysia	23 454 335	20. China	10 890 554
Grand total – US\$975 111 549			

THE MARKET ENVIRONMENT

7. During the first half of 2010 international food prices continued to decline but, in June and July, the severe drought in Eastern Europe triggered a reverse trend, with significant increases in the price of wheat and wheat flour. Prices of sugar and vegetable oils showed a similar tendency, mainly as a result of sugar crop failures in South America and the Indian subcontinent and increased demand for vegetable oils. Consequently, the price of blended foods, containing cereals, soya bean, oil and sugar, increased.
8. WFP's ability to procure food in a range of markets, including local and regional, has to some extent leveraged it against higher prices. In 2010, WFP procured more than 1.2 million mt of wheat, of which more than half was sourced from local markets at a cost lower than the international market prices. The increase in the quantity of wheat purchased reflects the extraordinary needs generated by the flooding in Pakistan, where more than 560,000 mt were procured locally, mostly during the second half of the year. WFP also procured 85,000 mt of wheat locally in Ethiopia.
9. Commodity and fuel prices were volatile in the second half of 2010 and are likely to escalate as volatility becomes the new norm, at least in the short-to-medium term. Attention has been refocused on the indirect effect that global responses to this could have on the world's most vulnerable and on the organizations that support them.
10. In 2010 exemptions from some export bans for humanitarian organizations helped WFP to achieve an average purchase price below that of world market rates. Similarly, reducing the use of grain as an alternative power source has helped to offset the impact of fuel price rises, which inevitably lead to higher transport and fertilizer costs. Both approaches therefore ensured that more people were fed in 2010.

STATUS OF PROCUREMENT CAPACITY

11. At the end of 2010, WFP had 38 international professional food procurement officer posts (12 at Headquarters and 26 in the field); 2 junior professional procurement officer posts, funded by Belgium and Japan; and 19 national food procurement officer posts. Of the professional officer posts, 18 were financed from the Programme Support and Administrative (PSA) budget and 8 from funding provided in support of Purchase for Progress (P4P); the remaining 12 international officer posts and the 19 national officer posts were financed from the direct support costs (DSC) of the operations in the countries where the staff are assigned.
12. Food procurement is also carried out by procurement focal points, who often perform other functions. Posts financed through DSC are ultimately at the discretion of country directors, who take into consideration resource levels and competing staffing demands. Table 3 shows the current international and national food procurement officer positions in the field.

TABLE 3: FOOD PROCUREMENT POSTS IN THE FIELD AS AT 31 DECEMBER 2010					
International officers				National officers	
Regional Bureau	Grade	Country Office	Grade	Country Office	
ODB	P4	Afghanistan	P4	Bangladesh	
ODB	P3	Afghanistan	P3	Burkina Faso	
ODC	P3	Cameroon	P3	Cambodia	
ODD	P4	Democratic Republic of the Congo (DRC)	P4	Cameroon	
ODJ	P4	DRC	P2	DRC	
ODJ	P3	Ethiopia	P4	Ethiopia (2)	
ODPC	P4	Haiti	P4	Ghana	
ODS	P4	Kenya	P3	Haiti	
ODS*	P3	Liberia*	P2	India	
		Malawi*	P3	Indonesia	
		Mali*	P2	Kenya	
		Mozambique*	P3	Lao People's Democratic Republic	
		Pakistan	P4	Myanmar	
		Rwanda*	P2	Pakistan	
		Sierra Leone*	P2	Sudan (2)	
		Uganda	P4	United Republic of Tanzania	
		Zambia*	P4	Zambia	
Subtotal = 9		Subtotal = 17			
Total international officers = 26				Total national officers = 19	

* Funded by P4P

ODB: Regional Bureau Bangkok (Asia)

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

ODD: Regional Bureau Dakar (West Africa)

ODJ: Regional Bureau Johannesburg (Southern, Eastern and Central Africa)

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

ODS: Regional Bureau Sudan

HIGHLIGHTS OF FOOD PROCUREMENT

Purchase for Progress

13. Building on WFP's extensive experience in local procurement, new procurement modalities were implemented in 2010.
 - Marketing platforms, such as warehouse receipt systems, were used in Uganda and the United Republic of Tanzania, and commodity exchanges in Malawi and Zambia.
 - Forward contracts, where agreements are concluded before planting or harvesting periods, enabling farmers to access credit, were applied in Burkina Faso and Mali.
 - Processing options, where farmers are linked to processors, were implemented in Afghanistan, Guatemala, Kenya, Mozambique and Zambia.
14. In 2010, under the P4P initiative, WFP contracted 112,099 mt of food, either directly from farmers' organizations and small and medium traders or through innovative marketing platforms, such as commodity exchanges and warehouse receipt systems.
15. WFP and its partners gave farmers and small and medium traders training in improving agricultural production, post-harvest handling, quality assurance, group marketing, agricultural finance and contracting with WFP.

Fortified Food Products

16. In partnership with the private sector and other partners, WFP is increasing the use of nutritious fortified food products, including improved blended foods, ready-to-use supplementary foods, and micronutrient powders. These products are specially designed to efficiently and effectively meet the needs of the most vulnerable people in a variety of contexts. In 2010, WFP bought seven times as much specialized nutritional foods as in 2009, reflecting its growing commitment to prevent malnutrition in the crucial 1,000-day window of opportunity from the womb to two years of age by ensuring that children and pregnant and lactating women receive the right food at the right time.
17. Recognizing that manufactured foods have different procurement and storage demands, WFP has begun to explore with other United Nations agencies, NGOs and private-sector partners ways of balancing the need to be prepared for responding to sudden increases in demand with the financial risks of spoilage.

Food Safety and Quality Assurance Initiatives

18. In June 2010, the Executive Policy Council approved "WFP Food Safety and Quality Management System", drafted with the assistance of FAO and signed by the Executive Director. As a result a food safety and quality management system was developed and piloted in South Africa. The system seeks to harmonize food specifications and standardize the evaluation approach to manufacturing processes, production plants, inspection companies and laboratories.
19. Web-based software is being devised to support this new system. Once in place, it will be used to track the evaluations, together with laboratory reports on deliveries and other pertinent supplier information, in order to arrive at a supplier performance rating. Suppliers will be able to review their ratings online and will be provided with advice on the action needed to improve them. This software will enable WFP to build a food quality database, facilitating the management and measurement of quality and compliance.

20. Ensuring food quality and safety for processed food is more exacting. The Food Safety and Quality Assurance Unit is therefore cooperating with the WFP Nutrition Service to provide suppliers with the technical assistance required to produce good and safe food. It has developed a working relationship with the private sector with a view to improving food fortification, food production technology and packaging innovation.
21. The Unit is also developing training material to ensure that WFP's country offices are fully aware of the special requirements for inspecting, transporting, storing and delivering these foods.

2010 Food Procurement Map

22. The 2010 Food Procurement Map has been released, showing which food items were purchased in which countries and for which destinations, along with related information. The map continues to be colour-coded according to the Development Assistance Committee (DAC) national income categories. This year it was produced on compact disc and an interactive version is available at www.wfp.org.

Procurement on Behalf of Governments

23. WFP is assisting the governments of a number of countries, including Colombia, Dominican Republic, El Salvador, Ethiopia, Honduras and India, to procure food for their own social welfare programmes. Funded by contributions from the governments, the mechanism is managed through trust funds. WFP's procurement policies and procedures are strictly adhered to, including competitive tendering and food fortification, safety and quality assurance. In 2010 WFP bought over 149,000 mt of food valued at US\$64 million on behalf of governments.

ACRONYMS USED IN THE DOCUMENT

DAC	Development Assistance Committee
DSC	direct support costs
GNI	gross national income
LDC	least developed country
LIC	low-income country
LMIC	lower-middle income country
P4P	Purchase for Progress
PSA	Programme Support and Administrative
UMIC	upper-middle income country