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**Executive Board  
Annual Session**

**Rome, 12–16 June 2006**

## **POLICY ISSUES**

### **Agenda item 5**

*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 point indicated below, preferably well in advance of the Board's meeting.

Chief, ODTP:

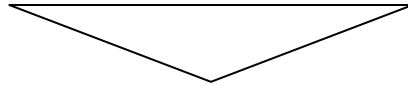
Ms N. Menage

tel.: 066513-3597

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms C. Panlilio, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).



## DRAFT DECISION\*



The Board takes note of “Update on WFP Food Procurement” (WFP/EB.A/2006/5-I).

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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 WFP/EB.A/2006/16) issued at the end of the session.



## FACTS AND FIGURES

- In 2005 WFP delivered 5.2 million mt of food. Over 2.5 million mt, with a value of US\$712 million, were procured in 85 countries, of which 75 were developing or in transition.
- Seventy-four percent of all food procured in 2005, with a value of US\$527 million, was purchased in developing countries; 3 percent, with a value of US\$21 million, was purchased in countries in transition. Only 23 percent, with a value of US\$164 million was purchased in developed countries.
- Fourteen percent of all food procured was bought with restricted contributions in the donor country; only 9 percent was procured in developed countries as the best option.
- Purchases of blended foods in developing countries have increased from 20,000 mt in 2000 and 2002, to 60,000 mt in 2003 and 2004, and to 115,000 mt in 2005.

<b>TABLE 1. WFP PURCHASES IN 2005</b>				
<b>Origin of commodities, by Development Assistance Committee (DAC) category</b>				
<b>DAC category</b>	<b>Quantity (mt)</b>	<b>% mt</b>	<b>Value (US\$)</b>	<b>%</b>
LDC/LIC	898 451	35.56	233 608 578	32.79
LMIC/UMIC	947 653	37.51	293 681 600	41.22
Subtotal	1 846 104	73.07	527 290 178	74.01
In transition	127 550	5.05	20 677 884	2.90
Subtotal	1 973 654	78.11	547 968 062	76.92
Developed	552 998	21.89	164 450 383	23.08
<b>TOTAL</b>	<b>2 526 652</b>	<b>100.00</b>	<b>712 418 445</b>	<b>100.00</b>

LDC: least-developed country.

LIC: low-income countries – per capita gross national income (GNI) in 2004 < US\$825.

LMIC: lower middle-income countries – per capita GNI in 2004: US\$826–US\$3,255.

UMIC: upper middle-income countries – per capita GNI in 2004: US\$3,255–US\$10,065.

In transition: Countries formerly listed in the 2003 DAC List of Aid Recipients under Central and Eastern European Countries (CEECs) and New Independent States of the Former Soviet Union (NIS), and More Advanced Developing Countries and Territories. The DAC list is compiled by the Organisation for Economic Co-operation and Development (OECD).

1. The Annex gives the statistics for all purchases made in the first quarter of 2006 by country, tonnage and value; it includes a table showing the breakdown by Development Assistance Committee (DAC) category. This and other analytical information is contained in a statistical booklet produced each year by the Food Procurement Service and distributed at the First Regular Session of the Board.



## STRENGTHENING OF PROCUREMENT CAPACITY

2. As of May 2006, WFP had 24 international professional food procurement officer posts (10 in Headquarter and 14 in the field) and four national food procurement officer posts. Of the professional officer posts, 16 are financed from the Programme Support and Administration (PSA) budget; the remaining eight, and the four national officer posts, are financed from direct support costs (DSC). Food procurement activities are also carried out by a network of procurement focal points, who often also perform other functions. Eight potential new posts and three post upgrades have been identified, all to be located in the field. The cost of the eight new posts, of which seven are P-3 level and one is P-2 level, is US\$1.0 million per year; the cost of the three upgrades is US\$72,060 per year. A total of US\$1.0 million per year is needed to expand food procurement capacity. Posts financed through DSC are ultimately at the discretion of the country or regional director, who takes into consideration resource levels and competing staffing demands. The table below shows the existing professional and national officer food procurement officer positions in the field.

<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/Bangkok	P4	Ethiopia	P3	Bangladesh
ODC/Ankara	P5	Indonesia	P3	Ecuador
ODD/Dakar	P4	Kenya	P3	India
		Tanzania	P3	Pakistan
ODJ/Johannesburg	P4			
	P3			
ODK/Kampala	P4			
	P3			
ODP/Panama City	P3			
ODS/Khartoum	P4			
	P2			
<b>Total existing posts = 14</b>				<b>Total existing posts = 4</b>

## FOOD PROCUREMENT AND THE MARKETS: FOCUS ON AFRICA – EASTERN, SOUTHERN AND THE HORN – CEREALS, OCTOBER 2005-APRIL 2006

3. The focus of this update is food procurement in the eastern part of Africa during the period because it is an interesting example of how local, regional and international procurement must often complement each other.
4. The cereals markets in eastern and southern Africa have been characterized over this seven-month period by large movements of maize, the main staple crop. Low supply relative to overall demand drove up prices. The entire area was affected, even though the agricultural cycles and maize harvest periods in north-eastern Africa are different from those in south-eastern Africa; dry conditions were widespread. Early in the 2005–2006 season, large regional traders bought the few available sources, for example in western Uganda, and began to move maize mainly south to Malawi, Tanzania and Zambia, where demand and prices were highest; prices in Kenya also increased. Despite urgent needs, WFP took great care not to add to the price increases: purchases in most of the region were reduced to a minimum. As prices surpassed import parity, an essential indicator of stress in the market, international procurement became the only cost-effective option to use as a complement to local or regional procurement.
5. Prices also rose rapidly in South Africa, WFP's most important source of maize, further limiting the sources of maize that met all conditions and preferences specified by recipient and donor countries – for example white maize rather than yellow, or not genetically modified.
6. The area of maize planted in South Africa during the 2005/06 season was considerably less than in previous seasons; low prices in the preceding two years had been a disincentive to production. This will certainly affect the level and availability of the coming harvest in the next market year.
7. In the Horn of Africa, cereals for Somalia and Djibouti are usually purchased from Kenya and South Africa, even in good years; Ethiopia usually has a high level of local procurement. From October 2005 to April 2006, 40,772 mt of cereals were purchased in Ethiopia. Prospects for the coming buying season look positive: the recently completed cereal availability assessment in Ethiopia indicates that 170,000 mt of surplus maize are available for local purchase this year. Consequently, cash contributions permitting, WFP could buy up to 100,000 mt of maize in Ethiopia without dominating too large a share of the market. Projections also indicate that WFP could purchase 30,000 mt of wheat and 15-20,000 mt of sorghum.
8. Table 3 summarizes purchases of maize, wheat and rice made for the countries in eastern and southern Africa and the Horn of Africa during the period indicated.



<b>TABLE 3. CEREALS PROCUREMENT FOR EASTERN AND SOUTHERN AFRICA AND THE HORN — OCTOBER 2005–APRIL 2006</b>								
Recipient country	Local purchases		Regional purchases		International purchases		TOTAL	
	mt	US\$	mt	US\$	mt	US\$	mt	US\$
Burundi	-	-	13 885	3 813 530	4 397	956 405	<b>18 282</b>	<b>4 769 935</b>
Djibouti	-	-	-	-	2 282	409 413	<b>2 282</b>	<b>409 413</b>
Ethiopia	40 772	8 358 250	-	-	36 491	5 806 713	<b>77 263</b>	<b>14 164 962</b>
Kenya	7 923	1 835 994	20 750	4 140 388	17 663	2 805 671	<b>46 336</b>	<b>8 782 052</b>
Malawi	415	124 912	33 450	5 875 370	-	-	<b>33 865</b>	<b>6 000 282</b>
Mozambique	-	-	13 988	2 254 593	8 295	1 755 634	<b>22 283</b>	<b>4 010 227</b>
Rwanda	-	-	1 736	396 378	3 437	715 817	<b>5 173</b>	<b>1 112 194</b>
Somalia	-	-	16 061	4 011 218	2 521	514 946	<b>18 582</b>	<b>4 526 164</b>
Tanzania	12 123	2 662 438	-	-	12 776	2 120 574	<b>24 899</b>	<b>4 783 013</b>
Uganda	61 780	10 674 050	-	-	3 936	1 235 003	<b>65 716</b>	<b>11 909 053</b>
Zambia	15 916	4 120 850	30 272	6 702 833	250	55 500	<b>46 438</b>	<b>10 879 183</b>
Zimbabwe	-	-	86 279	14 294 970	-	-	<b>86 279</b>	<b>14 294 970</b>
<b>TOTAL</b>	<b>138 929</b>	<b>27 776 494</b>	<b>216 421</b>	<b>41 489 279</b>	<b>92 048</b>	<b>16 375 674</b>	<b>447 398</b>	<b>85 641 448</b>

## HIGHLIGHTS OF FOOD PROCUREMENT ACTIVITIES

### Swedish Trust Fund

9. An improved analytical tool for measuring the cost-efficiency of procurement actions is being developed with financing from the Swedish trust fund. The tool will allow comparison of the cost of local and regional procurement relative to import parity to be inserted into a data system. It is scheduled to be ready by the end of 2006, and should enable WFP to improve its ability to quantify the opportunity cost of the various restrictions and conditions imposed on procurement actions and provide a clearer picture of the nature of procurement activities as a whole.

### Belgian Support to Local Food Procurement

10. Belgian funding has been provided to strengthen and enhance local procurement activities in the Democratic Republic of the Congo (DRC). A study will be carried out during the second half of 2006 in several parts of the country to explore further the potential for procuring food and diversifying the supplier base. Additional funding has been provided to finance for two years a junior professional procurement officer in the DRC who will be involved in carrying out the study and following up the findings.

## COOPERATION WITH THE STRENGTHENING EMERGENCY NEEDS ASSESSMENT CAPACITY (SENAC) PROJECT

11. A workshop on markets and emergency needs assessment that brought together various experts on the topic was held in Cairo in March 2006, funded by the Humanitarian Aid Department of the European Commission (ECHO) as part of the SENAC project. It was a



useful forum for discussion of market analysis and ways in which collaboration might be further fostered to improve the assessment process and the quality of market profiles.

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## **STUDY ON THE POTENTIAL FOR THE PRODUCTION OF FORTIFIED CEREAL-BASED COMMODITIES WITHIN THE WEST AFRICA REGION**

12. This study, to be carried out during the second quarter of 2006, comprises two components:
- a) the review of milling options for introducing vitamin and mineral fortification of maize meal in Burkina Faso, the Central African Republic, Ghana and Mali; and
  - b) further exploration of opportunities for the local production of fortified blended foods in those countries.

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## **FOOD PROCUREMENT MAP, 2005**

13. As in 2004, a food procurement map showing which commodities were purchased where and for which destination and other analytical information will be released in June 2006, based on 2005 figures. The map is colour-coded according to national income categories as defined by DAC. This year the only versions to be produced will be a CD version and the interactive version, which may be found on the WFP website: [www.wfp.org](http://www.wfp.org).





## ANNEX

FOOD PROCUREMENT IN THE FIRST QUARTER OF 2006 ORIGIN OF COMMODITIES, BY COUNTRY						
Country of origin	Quantity (mt)	Value (US\$)		Country of origin	Quantity (mt)	Value (US\$)
Argentina	1 391	848 211		Indonesia	5 089	4 910 393
Armenia	949	203 870		Italy	12 794	3 366 247
Australia	962	246 276		Japan	8 038	1 672 202
Austria	344	173 720		Kenya	14 673	4 069 696
Azerbaijan	155	35 250		Lesotho	1 275	300 492
Bangladesh	65	41 448		Malawi	886	382 752
Belgium	9 559	3 261 641		Malaysia	6 887	3 852 807
Benin	1 901	517 042		Mali	3 220	909 362
Bhutan	1 110	248 919		Myanmar	4 436	1 008 139
Bolivia	2 481	1 245 576		Namibia	2 692	929 458
Bulgaria	748	134 490		Nepal	7 752	3 597 038
Burkina Faso	7 429	2 049 450		Netherlands	3 002	1 349 058
Cambodia	4 979	1 129 329		Occupied Palestinian Territory	17 689	3 983 204
Cameroon	2 750	1 092 840		Pakistan	9 652	2 162 941
Canada	50 012	9 638 712		Russian Federation	6 760	1 911 027
Chad	366	322 792		Rwanda	1 300	529 100
China	75	77 281		Senegal	283	22 877
Colombia	4 798	2 437 830		South Africa	69 072	15 407 864
Côte d'Ivoire	12	4 941		Sri Lanka	2 300	625 430
Cuba	233	188 730		Rep. of Tanzania	1 816	464 943
Denmark	335	354 279		Thailand	973	412 608
Ecuador	7 339	9 591 193		Turkey	17 674	4 817 550
Ethiopia	51 850	12 800 248		Uganda	44 539	11 936 293
Gambia	96	7 838		Uruguay	912	299 136
Germany	711	299 601		United States of America	23 560	3 522 150
Guatemala	2 119	1 082 345		Yemen	773	178 225
Honduras	1 876	627 534		Zambia	986	439 226
India	11 484	2 303 927				
<b>Total</b>					<b>435 162</b>	<b>124 025 529</b>

<b>ORIGIN OF COMMODITIES, BY DAC CATEGORY</b>				
<b>DAC category</b>	<b>Quantity (mt)</b>	<b>%</b>	<b>Value (US\$)</b>	<b>%</b>
LDC/LIC	173 632	39.90	46 519 858	37.51
LMIC/UMIC	144 704	33.25	51 576 268	41.59
Subtotal	318 337	73.15	98 096 126	79.09
In transition	7 508	1.73	2 045 517	1.65
<b>Subtotal</b>	<b>325 845</b>	<b>74.88</b>	<b>100 141 643</b>	<b>80.74</b>
Developed	109 317	25.12	23 883 885	19.26
<b>Total</b>	<b>435 162</b>	<b>100.00</b>	<b>124 025 529</b>	<b>100.00</b>

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## ACRONYMS USED IN THE DOCUMENT

CEEC	Central and Eastern European Country
DAC	Development Assistance Committee
DRC	Democratic Republic of the Congo
DSC	direct support costs
ECHO	European Community Humanitarian Office
GNI	gross national income
NIS	New Independent States of the Former Soviet Union
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 Africa)
ODK	Regional Bureau Kampala (East and Central Africa)
ODP	Regional Bureau Panama City (Latin America and the Caribbean)
ODS	Country Office Sudan
ODTP	Food Procurement Service
OECD	Organisation for Economic Co-operation and Development
PSA	Programme Support and Administration (budget)
SENAC	Strengthening Emergency Needs Assessment Capacity