

# **Update on the implementation of the WFP local and regional food procurement policy**



**Informal consultation**

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**World Food Programme  
Rome, Italy**

## Background

1. This document provides an update on the progress and achievements to date of the implementation plan of the WFP local and regional food procurement (LRFP) policy, since its approval in November 2019. It also provides an investment forecast for the policy implementation plan for the next five years, subject to resource availability.
2. The document details the resources required for key actions needed in various result areas (table at the end of the document) to operationalize the policy, including staffing, and is also aligned with the cost categories of the bottom up strategic budgeting exercise. Areas of work categorized as “baseline” in this document are funded through the programme support and administrative budget.
3. The forecast does not yet present a complete picture of the cost of WFP efforts to build the required systems and tools, as some are still being explored and assessed (for instance traceability tools), nor the required capacity in the field to fully operationalize the broad policy framework.
4. To address this, WFP will build, test, and adapt systems and tools, as well as review capacity requirements, through country case studies, before consolidating and disseminating those widely for more efficient and effective local and regional food procurement operations throughout WFP.
5. The investments associated with the outputs and activities required to implement the policy are listed in the table at the end of this document.
6. This forecast will be reviewed annually and adjusted during the preparation of the management plan.

### **Operational costs within a country strategic plan framework**

7. Estimating the operational costs of local and regional food procurement must be contextualised at field level. The availability of funding for a given country strategic plan (CSP), along with other factors that may affect LRFP strategies (prices, harvest levels, fluctuating demand, other risks), makes it difficult to set standardized or universal costs, as these vary from country to country. The choice of leveraging local and regional food procurement schemes, and related costs, are also subject to country office review and analysis.
8. Staff and associated costs borne by WFP regional bureaux and country offices for LRFP will also depend on the funding available under a given CSP. These will be supplemented by headquarters support to assist country offices to design CSP activities based on the findings of value chain analysis. Support can also be provided to strengthen knowledge and operational partnerships with local and international organizations, and other activities as needed.

## Policy implementation

### **Transition (2020-2022): key achievements to date**

#### ***Updates on implementation framework investment areas***

9. The approval of the LRFP policy in November 2019 reaffirmed WFP’s commitment to strengthen livelihoods of smallholder farmers and enhance the performance of local food systems, while ensuring reliable pipelines for our saving lives operations. This forms part of

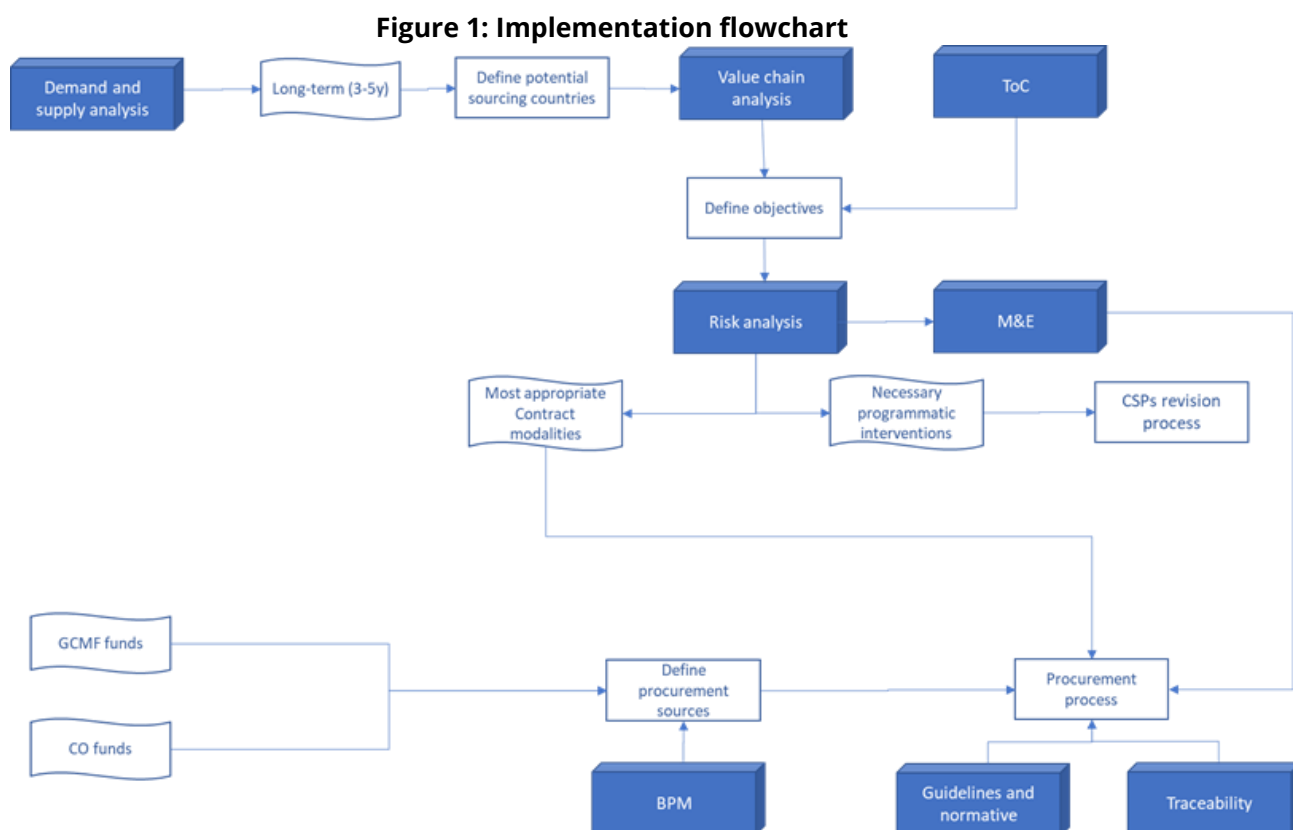
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WFP's saving lives and changing lives approach, and is captured in the WFP strategic plan for 2022-2025 under outcomes 3 and 4<sup>1</sup>.

10. In December 2019, a cross-functional technical team composed of staff from the Programme – Humanitarian and Development Division (PRO) and the Supply Chain Operations Division (SCO) initiated the development of the LRFP policy implementation framework, identifying key areas requiring investments to strengthen WFP capacities, build the required systems, tools, and processes to efficiently apply and operationalize the policy.
11. A Steering Committee, co-chaired by the PRO and SCO directors, is active and brings together relevant headquarter units as well as regional bureau's focal points, and serves as the main governance body to oversee implementation, provide guidance and support to the field.
12. The operationalization of the policy requires WFP to significantly strengthen its capacities and review systems, tools and processes used to undertake local and regional food procurement. Additionally, local and regional food procurement strategies and modalities should be integrated into the design and implementation of CSPs. This will ensure alignment between food procurement schemes with programmatic and supply chain interventions, thus fostering the integration of various WFP initiatives that contribute to improving smallholders' livelihoods and strengthening food systems.
13. To achieve this, an implementation framework has been developed. It identifies eight key investment areas (systems, tools, and processes in blue below) requiring development and/or updates. An implementation flow chart (Figure 1) describing the model and steps to be taken to operationalize the policy has also been developed and validated with relevant internal stakeholders.

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<sup>1</sup> The WFP strategic plan for 2022-2025 includes five outcomes that WFP will work towards, in collaboration with others: i) people are better able to meet their urgent food and nutrition needs; ii) people have better nutrition, health and education outcomes; iii) people have improved and sustainable livelihoods; iv) national programmes and systems are strengthened; v) humanitarian and development actors are more efficient and effective.



14. The investment areas of the local and regional food procurement policy implementation frameworks are:
- i) demand and supply analysis;
  - ii) value chain analysis;
  - iii) theory of change;
  - iv) risk analysis;
  - v) monitoring and evaluation framework;
  - vi) business process model;
  - vii) normative guidance (new contract modalities); and
  - viii) traceability.
15. **Demand and supply analysis.** This pillar aims to update and develop new ways of forecasting WFP's demand trends and supply opportunities across regions to help regional bureaux and countries implement local and regional food procurement. Profiles of countries with current or potential for local and regional food procurement scale-up are being compiled.
16. During 2021, demand forecasted plans for direct and indirect pro-smallholder food procurement have been developed and approved for respective countries for their upcoming marketing seasons. These plans were also shared with the Global Commodity Management Facility (GCMF), to provide them with estimated requirements that could be funded by the facility in each sourcing country.

17. Going forward, food procurement in alignment with the Budget and Programming Division/GCMF will seek to identify further areas for expansion of local and regional food purchases, with consideration for the required risk analysis, accountabilities and mitigation measures relevant for the specific contexts/geographical areas (e.g. changes/trends of the security levels, specific administrative restrictions such the ones imposed in certain countries during the COVID-19 pandemic, closure or improvements in specific corridors, access, market prices, etc).
18. **Value chain analysis.** In the sourcing countries, especially where volumes to be procured are significant, a value chain assessment of the concerned crops is recommended. In the framework of the policy, value chain analysis is an essential tool that provides the rationale for developing the appropriate local and regional food procurement strategies. These strategies are based on the identification of inefficiencies and gaps throughout the value chain, which can be addressed through procurement (use of new indirect pro-smallholder contract modalities) and programmatic/supply chain interventions by WFP and partners.
19. An interim version of WFP's methodology for value chain analysis was developed and piloted in Sudan between October 2020 and March 2021, with a special focus on price transmission analysis throughout the chain (from WFP vendors to smallholder farmers). The country office is currently validating the findings with key internal stakeholders and adapting its food procurement strategies, considering the results of the analysis.
20. The fully-fledged methodology for conducting value chain analysis will be structured through thematic modules, including the core economic module (focusing on price transmission analysis), and complementary modules that cover different areas of analysis such as programmatic areas (climate, smallholder access to market, post-harvest losses, resilience and asset creation, etc.), logistics, and access to finance. Aspects of nutrition, youth and gender will be considered as cross-cutting in all the modules.
21. Additionally, value chain assessments will also guide and inform WFP on the potential use of innovative financing mechanisms to support, for instance, agri-small and medium-size enterprises access to market and achieving viable scale, and/or local food processing (integrating optimal nutritional performance indicators in private sector food processing businesses and achieving scale economies that would be transmitted to food insecure households through lower food prices). Guidance on how best to use these innovative mechanisms is being developed by headquarters and will be distributed to country offices and regional bureaux by the end of 2021.
22. **Theory of change (ToC).** WFP, with support from a partner research institute, will finalize a ToC for the policy in 2022, followed by an indicator compendium and data collection toolkit to enable monitoring across the spectrum of potential activities. By explaining how and why a combination of supply chain (including food procurement) and programmatic interventions is expected to achieve development objectives, this will further refine the conceptual framework introduced by the LRFP policy. The final ToC will map out the sequence of results that is expected to unfold, make explicit the various assumptions that underlay the processes of change and identify risks and contextual factors that support or hinder the theory from being realized.
23. In advance of its finalization, a draft ToC is included in the interim guidelines.
24. **Risk analysis.** A detailed methodology, including development of risk matrices, need to be developed to conduct risk assessments (operational, programmatic, reputational), identify and implement mitigating measures when performing local and regional food procurement. This is particularly critical considering the "do no harm" principle in the policy, as the proposed interventions and flexibility regarding import parity entail a risk of price inflation and market distortion if not managed properly.

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25. Risk analysis will also inform the choice of most appropriate contract modalities and associated programmatic/supply chain interventions in each country. The identified risks will also support the development of the monitoring and evaluation (M&E) framework, indicating the critical parameters to be monitored during implementation.
  26. **Monitoring and evaluation framework.**– Based on the ToC, this stream focuses on building a monitoring and evaluation framework for the LRFP policy, aligned with WFP's corporate results framework and measurement tools, and with specific indicators for process, output, and outcome monitoring, as well as data collection, analysis and reporting tools and systems. Like the ToC component, the M&E framework will be developed in collaboration with regional bureaux and country offices. Process wise, the framework will inform the procurement process and the traceability system, in terms of the required information to be assessed and registered.
  27. A dashboard combining data from various sources will be designed to allow for up-to-date tracking and reporting of key indicators in terms of procurement as well as programmatic output, outcome, and impact performance in the different countries where the policy is implemented.
  28. Building on the ToC and M&E components, an ambitious learning agenda will be established around the implementation of the local and regional food procurement policy. This learning agenda will generate evidence around the different objectives identified in the ToC and will explore whether the critical assumptions of the model hold. The learning agenda should also provide a knowledge management framework for the documentation of the experiences, lessons learned and best practices in countries that will adopt the innovations and tools introduced by the policy. As such, the learning agenda will generate critical evidence allowing WFP to continuously improve the design and implementation of demand-driven smallholder market support programmes. Lessons learned and best practices documented through the learning agenda will also be shared with national governments and other stakeholders seeking to use their procurement power to foster positive impacts for smallholder livelihoods and spur value chain development.
  29. To meet the highest standards, WFP will partner with a reputable institution to support the ToC, M&E and research components. The partner will support WFP in the formulation and refinement of the local and regional food procurement ToC at country and global levels, the identification of relevant indicators, the development of data collection tools, as well as the production of quality learning products that can contribute to the existing global knowledge base on local procurement and value chain development.
  30. **Updated normative guidance on food procurement contracts.** The effective implementation of the policy requires updates/developments of guidance, forms, and tools, among others, to prepare guidance notes for the use of the new indirect pro-smallholder contract modalities. The updates have been initiated through the development of the interim guidance, and of which relevant sections to be cascaded into the Food Procurement Manual.
  31. Testing of use of new contract modalities by the Procurement Division (SCOP) started in April 2021 in some pilot countries. The contract modalities were selected based on procurement plans established under the demand and supply analysis workstream. Going forward, SCOP will organize awareness/training campaigns for procurement staff in regional bureaux/country offices to ensure correct use of the new contract modalities, as well as of the related entry and traceability in current corporate systems in order to also address potential under-reporting.

32. By collecting the success and failure cases as lessons learned through implementing these new contract modalities, SCOP will organize the report to update the Guidelines and Normative Guidance, drafted in September 2020, during the pilot implementation phase.
33. **Business process model (BPM) of the procurement decision-making process.** The current BPM is to be updated to consider the new parameters and principles introduced by the policy. Led by SCO, it will involve a focused analysis of the current decision processes, from the confirmation of funds availability to procurement decision, with identification of steps that require update.
34. BPM and risk analysis support and guide the procurement decision making process that occurs when funds are available, and the BPM leads to the defining of procurement sources, whether local, regional, or international purchases.
35. This process will also include the definition of the requirements for programmatic justifications for regional bureaux/country offices to purchase up to 20 percent above import parity. These decision processes and steps, and risks behind the contract modalities, are currently formulated through the interim guidelines developed to support pilots in the field. Going forward, these decision-making processes and risks will be updated based on findings and lessons learned in the pilot countries that will be using the new direct/indirect contract modalities.
36. **Traceability.** The expanded use of indirect pro-smallholder contract modalities<sup>2</sup> envisaged by the policy calls for the development of a tracking tool to verify that the food that WFP procures from traders is originating from smallholder farmers (SHFs), and that those prices paid by traders to farmers organizations and SHFs are in line with those defined by WFP in those purchase contracts for indirect modalities.
37. The work in this stream will explore whether WFP can digitally, or through paper-based systems, trace prices paid by intermediaries to smallholder farmers, and trace provenance of food.
38. The activities under this workstream are anchored in the partnership established with Mastercard, that aims at leveraging on strengths of both organizations to develop digital solutions that improve the livelihood of SHFs and enhance their access to markets.
39. The first phase of the partnership, started in January 2021, is focused on assessing the feasibility of digital traceability systems for the purpose required by WFP. Field research has been conducted by the two organizations in Uganda, during May/June 2021, on the maize and beans value chains. Potential digital solutions (owned by one of the two organizations or third-party organizations) have been technically assessed through a desk review.
40. WFP and Mastercard are reviewing the findings and recommendations from the report, that has indeed highlighted several challenges related to record keeping along the chain (from WFP vendors to smallholder farmers) and discuss/explore potential solutions for the way forward.
41. In the interim, guidance for non-digital traceability will be developed and used in connection with the piloting of the new indirect procurement contract modalities

#### ***Pilot implementation of the policy in the field (2020/2022)***

42. A dedicated workshop to launch the implementation phase took place in December 2020, with over 30 participants from headquarter units, regional bureaux and country offices. As

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<sup>2</sup> These modalities can include direct purchases from smallholders and their organizations or indirect purchases through conditional/mandate contracts with traders that buy food from smallholders at fair prices.

an outcome of these interactions, three regional bureaux came forward with an interest to pilot the operationalization of the policy in their regions: Regional Bureau for Latin America and the Caribbean, Regional Bureau for Eastern Africa and Regional Bureau for Southern Africa.

43. Each of these regional bureaux pre-selected pilot countries in their respective regions, which led to a total of 11 pilot countries: El Salvador, Guatemala, Honduras, and Nicaragua; Ethiopia, Uganda, and the Sudan; United-Republic of Tanzania, Mozambique, Zambia, Zimbabwe.
44. *An interim implementation guidance* has been finalized by the headquarter teams and shared with the regional bureaux and country offices that will implement pilot initiatives to operationalize the policy. The guidance provides information on how to: a) conduct value chain analysis; b) develop a ToC articulating pathways that leverage local and regional food procurement for development purposes; c) identify and offer to regional bureaux/country offices the right M&E indicators; d) clarify the traceability elements foreseen investments and challenges; e) inform regional bureaux and country offices on how to use the new indirect pro-smallholder procurement contracts.
45. Headquarter units (Food Systems and Smallholder Support Unit (PROF) and SCOP) and regional bureaux developed workplans and budgets for their specific activities for 2021 and part of 2022. The total plan is estimated to cost around USD 4.5 million, supporting investments around capacity strengthening in the field and headquarters, research initiatives and studies to inform systems and tools development (like traceability, VC analysis, use of innovative contracts). To date, the budget has been resourced at 60 percent through internal resources (Strategic Resource Allocation Committee) and extra-budgetary contributions.
46. PROF and SCOP units in headquarters will focus on developing further corporate tools and systems: a) value chain analysis; b) traceability solutions; c) ToC and M&E framework; d) produce normative guidance and provide support to the field.
47. Regional bureaux will focus on operationalizing the policy in selected countries in their regions, as highlighted below, leveraging current local procurement efforts. Country offices and related regional bureaux will also test new tools and systems based on the interim guidance provided by headquarters.
48. **Regional Bureau for Eastern Africa.** In the Sudan, WFP purchases large volumes of food for operations in the region, and there are plans to continue this in the coming years. The country office is testing a methodology for value chain analysis. Also, between October 2020 and March 2021, an headquarter-led mission assessed the sorghum value chain to identify structural problems affecting the performance and assess the procurement channels used by WFP. The analysis is helping WFP to engage with key stakeholders and identify solutions to address the identified bottlenecks.
49. In Uganda, the country office has been piloting innovative indirect contract modalities in the framework of local and regional procurement, and explored traceability options in a partnership research program with Mastercard. The objective of the research is the design of the right business requirements for traceability of price transmission between actors along the chain until the origin, what are the operational challenges in the field to implement digital traceability, and what solution (digital and non-digital) could be pursued by WFP to develop the right system.
50. In Ethiopia, the country office has held discussions with traders about the SHF conditionality clause and plan to go ahead immediately with a trial on one or two tenders.



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51. **Regional Bureau for Southern Africa.** The regional bureau is supporting Mozambique, United-Republic of Tanzania, Zambia and Zimbabwe country offices to pilot forward contracting modalities linked to GCMF's envelope established to support purchasing from smallholder farmers globally for anticipatory action responses.
  52. Forward contracts have been signed with producer organizations before planting season in Mozambique (5,900 mt), Zambia (680 mt for a value of USD 680,000) and United-Republic of Tanzania (9,300 mt for a value of USD 3,8 million) for the 2021 harvest. Furthermore, new procurement plans will be developed in advance of the 2021/2022 planting season to continue support forward contracting modalities in the four countries, thus stimulating production investments.
  53. The objective is to pilot innovative forward contract models to support and promote production of climate smart crops (cowpeas, sorghum) in the region, compiling and sharing lessons learned for replication by partners and government institutional procurement.
  54. This initiative also incorporates value chain analysis, innovative M&E methodologies, and traceability of commodities. It also forms the basis on anticipatory action responses that leverage procurement investment for programmatic outcomes.
  55. **Regional Bureau for Latin America and the Caribbean.** Value chain assessments are currently underway in El Salvador, Guatemala, Honduras and Nicaragua, as part of the LRFP policy pilot in collaboration with the International Center for Tropical Agriculture and local research centres. The studies will inform the selection of potential pilot partners, the setting of procurement targets, the choice of contract modalities, and the prioritization of interventions aimed at addressing value chain bottlenecks, inefficiencies, and weaknesses. Furthermore, the value chain assessments will provide valuable baseline data for the evaluation of outcomes and impacts from procurement and other chain interventions and innovations.
  56. In addition to the value chain analysis, in all four countries, a ToC, a M&E framework and traceability systems will be developed by the end of 2022. Guidelines and normative will be piloted in Honduras and Nicaragua, while risk analysis will be conducted in Guatemala
  57. The implementation strategy in the region entails the use of WFP's own procurement for learning and for generating evidence that will be further leveraged to promote the policy principles beyond our procurement footprint. Pilot counties in the region are looking at opportunities such as the retailer's networks for cash-based transfers, national public procurement schemes and service provision to governments.
  58. A series of regional and national webinars/workshops will be held over the course of 2021/2022. Collaborative design of pilot interventions and activities, with strong partners involvement, is planned to start in late 2021. This work will generate an annual activity plan for each pilot country in the Central America region, as well as resource gap estimates for 2022 and beyond.
  59. **Food systems summit.** The leveraging of local food procurement schemes for local development purposes has been also debated in the framework of the summit. Local food procurement (by public institutions and private sector) and the related use of demand side solutions (such as pro-smallholder contracts) are one of the priorities of the Resilient Local Food Supply Chains Alliance, one of the coalitions that emerged as outcome of the food systems summit. The alliance's priority areas are drawn from Member States, stakeholders and outcomes of the national dialogues. Local food procurement along with local production for local consumption and strengthened local supply chains are central to the Alliance.

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**Mainstream and sustain (2023-2027)**

60. Once the tools, systems and processes described above are assessed as effective, efficient, and ready for roll out, WFP will develop a “baseline” area of work for corporate investment in the following areas.
61. **Leadership and institutional set-up and processes.** Ownership, direction, and support by WFP leaders at the global, regional, and country levels are essential for the operationalization of the policy. Leaders in regional bureaux and country offices will need to promote and guide their teams in operationalizing the policy, ensuring that the right profiles are recruited, build partnership with relevant entities, and strengthen capacities.
62. **Planning and programming: systems, tools, and processes.** The operationalization of the policy at scale will require upfront investments to support analysis and assessments of the value chains used for local and regional food procurement, to inform CSPs preparation and/or integration in existing ones. Upfront investments will also be required for monitoring and evaluation baselines, traceability systems and other key pillars of the procurement process. Funding for programmatic and supply chain interventions, based on the findings of the value chain assessments, that will complement the procurement schemes will not be part of this budget due to their variable size and scope, but rather included in the CSP budgets.
63. **Capacity development.** Staff at all levels need a shared understanding of the implementation framework, and related systems, tools, and processes. Upfront investments will therefore be required on capacity development, training, and surge in capacities in the field.
64. **Partnerships and accountability.** Partnerships with other development actors and entities such as non-governmental organizations, local community organizations, host governments and sister United Nations agencies (such as the Rome-based agencies as priority partners) are essential for achieving the policy outcomes and forging specific cooperation frameworks around complementary interventions (e.g. the Food and Agriculture Organization of the United Nations support to climate smart/conservation agriculture, the International Fund for Agricultural Development investments in agriculture hubs and rural market infrastructure, access to inputs, etc). Partnerships may be limited to certain areas, such as strategic planning, or be more comprehensive, as in the case of joint programming between partners.

## Investment forecast 2020-2027

Phase	Key result	Output/Activity	Timeline (adjusted annually during the preparation of the management plan)	Total (USD) (5 years)
Transition (2020-2022)	1. Planning and programming: systems, tools, and processes - transition	Internal methodology for long-term <b>demand and supply analysis</b> is developed, with the aim to identify local and regional supply opportunities across regions	2021/2022	50 000
		Development of a complete methodology for <b>value chain assessment</b> , structured around thematic modules	2021/2022	100 000
		Development of country-level <b>theory of changes</b> and overarching corporate theory of change, in collaboration with country offices, regional bureaux and partner research institution	2022	160 000
		Development of a <b>monitoring and evaluation</b> framework, in collaboration with country offices, regional bureaux and partner research institution	2022	250 000
		Update of current <b>business process model</b> to incorporate new principles and parameters, including purchases above import parity price, taking into consideration delegation of authority and accountability	2021/2022	50 000
		Detailed methodology to conduct operational, programmatic, and reputational <b>risks analysis</b> are developed	2022	120 000
		Develop updated <b>guidelines</b> , forms, and tools, for the use of new indirect food procurement contracts	2021/2022	90 000
		Research in partnership with Mastercard to explore feasibility of <b>traceability</b> digital systems to support local and regional food procurement schemes, and required follow up actions	2021/2022	150 000
		Testing of new framework, systems, and tools in pilot regional bureaux and country offices	2021-2023	3 500 000

Phase	Key result	Output/Activity	Timeline (adjusted annually during the preparation of the management plan)	Total (USD) (5 years)	
<b>Mainstream and sustain (2023-2027)</b>	<b>2. Leadership and institutional set-up and processes</b>	WFP leadership demonstrates that it is promoting the objectives and value proposition of the policy to ensure food system-strengthening results	Progressive realization over the next five years strategic plan cycle	N/A	
		Leaders in regional bureaux and country offices promote and support the undertaking of local and regional food procurement schemes in accordance with the new implementation framework, and have the required resources for the needy investments	2023 - 2027	4 500 000	
	<b>3. Planning and programming: systems and tools - mainstream</b>	Systems and tools are built or updated, tested, and adapted on a continuous basis	2023-2027	4 000 000	
		A research and learning agenda of qualitative and impact-related studies is developed and undertaken in partnership with relevant academics and research institutes	2023-2027	4 000 000	
		CSP development: support to country offices to design and develop local and regional food procurement schemes	CSP development timeline	4 000 000	
		Local and regional food procurement policy venture capital for implementing relevant programmatic and procurement activities in country offices (e.g. post-harvest losses, food safety and quality etc.)	CSP development timeline	7 000 000	
	<b>4. Capacity development</b>	Employees at all level have the necessary skills and capacities to operationalize the policy	2023-2027	3 000 000	
		Capacity to undertake value chain analysis is built in headquarters, regional bureaux and country offices, and assessment are conducted when required	2023-2027	4 000 000	
	<b>5. Partnerships and accountability</b>	Partnership with relevant entities (governments, private sector, United Nations agencies, etc.) is developed at country office, regional bureau and headquarter levels for holistic solutions that leverage WFP food procurement efforts	2023-2027	2 500 000	
		<b>Grand total (2020-2027)</b>			<b>37 470 000</b>

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## Acronyms

BPM	Business process model
CSP	country strategic plan
GCMF	Global Commodity Management Facility
M&E	monitoring and evaluation
PRO	Programme – Humanitarian and Development Division
PROF	Food Systems and Smallholder Support Unit
SCO	Supply Chain Operations Division
SCOP	Procurement Division
SHF	smallholder farmer
ToC	theory of change