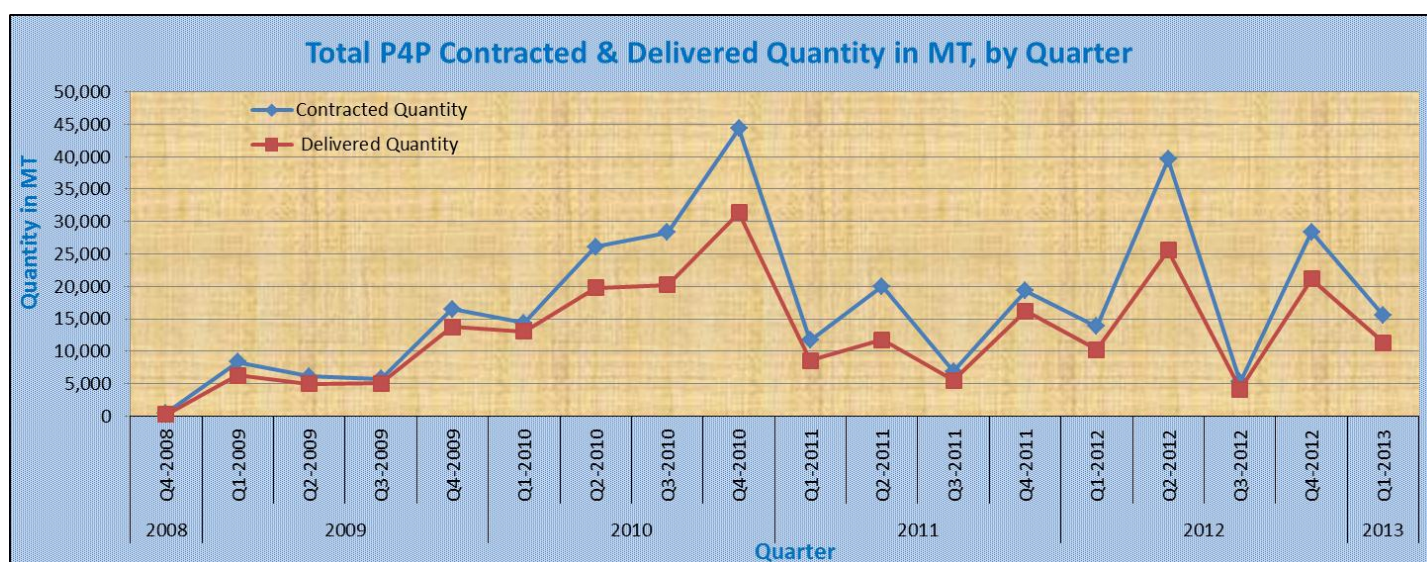


SUMMARY P4P PROCUREMENT REPORT: September 2008 – March 2013

GLOBAL OVERVIEW – HIGHLIGHTS

- Since the launch of the P4P pilot initiative in September 2008, through 31 March 2013, **310,651 metric tons (mt)** of commodities at a value exceeding **US\$121 million** have been contracted from farmers' organizations (FOs), small and medium-scale traders, food processors, Commodity Exchanges and Warehouse Receipt Systems (WRS) in 20 P4P pilot countries. Of this, **229,152 mt (74%)** has been **delivered** to WFP (and hence paid for – **US\$92 million** more directly in the pockets of smallholder farmers). At the time of this analysis, **19,387 mt (6%)** were still to be delivered while **62,112 mt** were confirmed **defaulted**. Defaults decreased to **22%** of all completed contracts which amount to a total volume of **279,261 mt**.¹
- **Smallholder farmers have not only sold to WFP but also to other buyers.** As the overarching objective of P4P is to connect smallholder farmers to markets, this is a positive outcome of the pilot. According to data collected to date in 12 countries, commodities sold to markets beyond WFP total over 150,000 mt. Data collection is ongoing as a key component of the Global Learning Agenda. In addition, P4P and the WFP Procurement Division are collaborating with other market stakeholders across the 20 pilot countries to study other potential quality markets.



- **A study by Michigan State University reveals limited effects of WFP local and regional procurement on prices within African food markets, but notes improvements in food quality.** The study was undertaken on specific commodities in Ethiopia (beans and processed nutrition products), Malawi (processed nutrition products), Mozambique (maize) and Uganda (maize). According to preliminary findings, market price and welfare effects have been limited, while a spill-over effect of practices enhancing food quality due to WFP's high procurement standards was noted.
- **Purchases through P4P modalities increased significantly between 2009 and 2010**, as more countries began implementation, and also due to the relatively good harvests in most of the pilot countries in 2010. In 2009, 14 pilot countries contracted 37,000 mt and delivered 82%. In 2010, six new pilot countries began to purchase through smallholder modalities and the contracted quantity tripled, of which 75% was delivered. **In 2011, there was a significant drop in P4P purchases** across almost all countries; overall only 58,000 mt were contracted, of which 73% was delivered. **In 2012, P4P contracts across 20 pilot countries rose notably**, amounting to 87,000 mt, largely due to significant quantities contracted through Forward

¹ Defaults calculated as percentage of total quantity contracted remain at 20%.

Delivery Contracts in Ethiopia and an increase in purchases through the Agricultural Commodity Exchange for Africa (ACE) in Malawi. Deliveries for 2012 contracts are on-going, with 70% delivered as of end-June.

- The **share of P4P purchases as a percentage of total local purchases** by WFP in the pilot countries rose from 8% in 2009 to 12% in 2010 and declined to 8% in 2011. Deliveries to date on 2012 contracts indicate a **considerable increase of the P4P share to 13%**.
- Over the past year, **procurement of pulses was doubled** relative to 2010 and 2011. This can be linked to the P4P gender strategy, as one means to empower women is to increase procurement of pulses which is considered a “women’s crop” in most traditional settings. During the first quarter of 2013, pulses accounted for 24% of contracted commodities.
- While the original tonnage to be procured through the **Ethiopia Forward Delivery Contracts** from 16 Cooperative Unions was 28,200 mt, the final tonnage was adjusted post-harvest to 26,700 mt. This change was due to one Cooperative Union being unable to secure credit from the Commercial Bank of Ethiopia. The reduction was compensated by a direct purchase from two small traders. As of 6 July, **18,071 mt** had been delivered which is **68%** out of the total contracted. The default rate stood at **7,130 mt (26%)** and **1,545 mt (6%)** remained outstanding

2013 WFP/P4P Contracts and Deliveries (to date)

Commodities (1 st Quarter 2013)	Quantity Contracted (mt)	Quantity Delivered (mt)
Maize	8,739	7,851
Wheat	3,000	0
Beans	2,284	2,075
Peas	1,362	1,362
Rice	110	0
Total	15,494	11,288

Activities (1 st Quarter 2013)	Quantity Contracted (mt)	Quantity Delivered (mt)
P4P - Activity 1 (Competitive Tendering)	13,008	9,190
P4P - Activity 2 (Direct Purchasing)	2,486	2,098
P4P - Activity 3 (Forward Delivery Contracts)	0	0
P4P - Activity 4 (Processing)	0	0
Total	15,494	11,288

Introduction

This report seeks to provide a snapshot analysis of P4P-specific data extracted from WFP's Procurement Database (covering the period 1 September 2008 – 31 March 2013), complemented by a global procurement analysis (P4P versus non-P4P) from WINGS1 and 2 corporate databases.

All 20 P4P pilot countries have purchased through P4P pro-smallholder modalities. The detailed procurement data includes information on contracted amounts, on quantities delivered and defaulted by country, by P4P procurement modality, by vendor typology and by commodity.

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1. GLOBAL PROCUREMENT ANALYSIS

1.1 Total P4P quantity contracted and delivered tonnage by origin and destination country (Sept. 2008 – March 2013)

Origin Country	Destination Country	Sum of Quantity contracted (mt)	Sum of Delivered Quantity (mt)
Afghanistan	Afghanistan	9,502	6,501
Burkina Faso	Burkina Faso	4,863	4,113
DRC*	DRC	264	94
El Salvador	El Salvador	4,905	4,904
Ethiopia	Ethiopia	58,544	40,470
Ghana	Ghana	2,913	2,913
Guatemala	Guatemala	20,126	13,153
Honduras	Honduras	26,602	23,379
Kenya	Kenya	22,682	9,830
Liberia	Liberia	2,198	973
Malawi	Malawi	42,501	35,315
	Mozambique	3,775	3,759
	Zambia	379	354
Mali	Cote d'Ivoire	2,168	2,168
	Mali	14,186	11,939
	Niger	1,000	1,000
Mozambique	Mozambique	17,051	10,005
Nicaragua	Nicaragua	2,779	2,366
Rwanda	Rwanda	7,768	5,158
Sierra Leone	Sierra Leone	1,984	1,074
South Sudan	South Sudan	2,668	1,100
Tanzania	Tanzania	17,635	11,522
Uganda	Uganda	19,566	12,686
Zambia	Zambia	15,442	15,225
	Zimbabwe	1,411	1,411
	DRC	7,741	7,741
Grand Total		310,651	229,152

* P4P's stated objective in DRC is to connect smallholder farmers to small traders, with WFP acting only as buyer of last resort.

Commodities purchased through P4P modalities are mostly used for WFP operations within the same country, such as school feeding, food-for-assets, nutrition programmes, assistance to refugees or general food assistance for vulnerable groups. In some cases, commodities purchased through P4P modalities have been exported to support WFP operations in neighbouring countries. Commodity Exchanges in Zambia and Malawi have been increasingly used for regional purchases. In Mali, a high capacity farmers' organisation, Faso Jigi, was contracted to supply the Niger emergency operation in 2010 and the Cote d'Ivoire emergency operation in 2011.

1.2 Trends in P4P contracted and delivered quantities (Sept. 2008 – March 2013) by year and metric tons

Countries	Sept 2008 – Dec 2012		Jan – Mar 2013		Grand Total of Quantity contracted (mt)	Grand Total of Delivered Quantity (mt)
	Total Quantity contracted (mt)	Total Delivered Quantity (mt)	Total Quantity contracted (mt)	Total Delivered Quantity (mt)		
Afghanistan	6,502	6,501	3,000	0	9,502	6,501
Burkina Faso	4,863	4,113	0	0	4,863	4,113
DRC	264	94	0	0	264	94
El Salvador	4,905	4,904	0	0	4,905	4,904
Ethiopia	58,444	40,370	100	100	58,544	40,470
Ghana	2,186	2,186	727	727	2,913	2,913
Guatemala	20,072	13,135	54	18	20,126	13,153
Honduras	23,425	20,202	3,177	3,177	26,602	23,379
Kenya	21,459	9,225	1,223	605	22,682	9,830
Liberia	2,088	973	110	0	2,198	973
Malawi	39,840	32,887	6,814	6,541	46,654	39,428
Mali	17,354	15,107	0	0	17,354	15,107
Mozambique	16,931	9,885	120	120	17,051	10,005
Nicaragua	2,779	2,366	0	0	2,779	2,366
Rwanda	7,768	5,158	0	0	7,768	5,158
Sierra Leone	1,984	1,074	0	0	1,984	1,074
South Sudan	2,499	1,100	169	0	2,668	1,100
Tanzania	17,635	11,522	0	0	17,635	11,522
Uganda	19,566	12,686	0	0	19,566	12,686
Zambia	24,594	24,377	0	0	24,594	24,377
Total	295,158	217,865	15,494	11,288	310,651	229,152

Source: Data extracted from the Food Procurement Tracking System Database on 1st July 2013 and cleared by OSPF

Since the launch of the P4P pilot initiative in September 2008 through 31 March 2013, **310,651 mt** of commodities have been contracted. During the 1st quarter 2013, 10 pilot countries have signed contracts for close to **15,500 mt**. Maize, beans, peas, maize meal, rice, sorghum, wheat, millet and Supercereal² are the top eight commodities purchased that constitute 99% of the total purchase from FOs, small and medium-scale traders, food processors, Commodity Exchanges and WRS across the 20 P4P pilot countries. There are also smaller amounts of high energy biscuits, ultra-high temperature (UHT) milk, cassava flour and vegetable oil that have been contracted under P4P.

Out of **310,651 mt contracted** until the end of March 2013, **229,152 mt have been delivered** to WFP as of 30 June 2013.

² Supercereal was formerly called Corn-Soya Blend (CSB).

Commodities	Quantity Contracted (mt)	% of Total Quantity Contracted (All Commodities)	Quantity Delivered (mt)	% of Total Quantity Delivered (All Commodities)
Maize	217,548	70.03%	156,119	68.13%
Beans	20,092	6.47%	17,311	7.55%
Peas	17,477	5.63%	10,605	4.63%
Maize Meal	13,973	4.50%	13,973	6.10%
Rice	10,879	3.50%	7,759	3.39%
Sorghum	10,146	3.27%	6,495	2.83%
Millet	7,702	2.48%	4,702	2.05%
Wheat	6,700	2.16%	6,072	2.65%
Supercereal (CSB)	3,841	1.24%	3,831	1.67%
High-Energy Biscuits	1,800	0.58%	1,799	0.79%
UHT Milk	351	0.11%	351	0.15%
Cassava Flour	103	0.03%	95	0.04%
Veg. Oil	40	0.01%	40	0.02%
Total	310,651	100.00%	229,152	100.00%

1.3 P4P deliveries as a percentage of overall quantity procured locally (including non-P4P local and regional purchases) in P4P countries

DELIVERED QTY	2009			2010			2011			2012			2013 to date			
	P4P Countries	non-P4P	P4P	P4P % of Total	non-P4P	P4P	P4P % of Total	non-P4P	P4P	P4P % of Total	non-P4P	P4P	P4P % of Total	non-P4P	P4P	P4P % of Total
Afghanistan				0%	13,220	4,383	25%	22,634	1,184	5%	51	933	95%			0%
Burkina Faso	15,559	732		4%	18,305	1,996	10%	6,697	743	10%	10,895	642	6%	8,881		0%
DRC	6,404			0%	14,860	5	0%	4,851	55	1%	13,251	33	0%	2,024		0%
El Salvador	4,489	555		11%	4,855	2,454	34%	3,204	77	2%	1,598	1,818	53%	265		0%
Ethiopia	77,127			0%	232,714	16,073	6%	82,773	2,220	3%	76,374	22,077	22%	29,917	100	0%
Ghana	4,950			0%	11,224	1,024	8%	6,710		0%	6,327	1,162	16%	458	727	61%
Guatemala	9,528	2,201		19%	10,033	5,334	35%	8,071	1,945	19%	4,352	3,655	46%	1,419	18	1%
Honduras	10,695	2,414		18%	14,280	5,331	27%	22,243	7,518	25%	17,673	4,940	22%	2,287	3,177	58%
Kenya	27,024	639		2%	57,578	4,199	7%	52,931	3,316	6%	36,205	1,072	3%	7,430	605	8%
Liberia	171	192		53%		456	100%		40	100%	2,545	284	10%		0	0%
Malawi	19,237	41		0%	28,887	11,765	29%	89,730	9,553	10%	17,814	11,517	39%	10,298	6,552	39%
Mali	1,199	500		29%	10,845	4,911	31%	14,001	4,852	26%	11,345	4,745	29%	11,581		0%
Mozambique	11,769	3,604		23%	17,896	2,292	11%	28,937	1,632	5%	9,886	2,297	19%	2,117	120	5%
Nicaragua	4,452	200		4%	3,604	1,629	31%	2,007	93	4%	1,905	394	17%			0%
Rwanda	9,724			0%	6,956	2,939	30%	6,025	1,248	17%	20,897	971	4%	2,474		0%
Sierra Leone	110	162		59%	80	197	71%	65	148	69%		568	100%			0%
South Sudan				0%		44	100%		384	100%		672	100%			0%
Tanzania	15,476	2,080		12%	29,947	3,364	10%	60,560	4,551	7%	74,604	1,526	2%	951		0%
Uganda	112,722	6,311		5%	113,472	3,223	3%	38,248	1,772	4%	31,743	1,331	4%	3,360		0%
Zambia	4,448	10,354		70%	4,686	12,813	73%	30,669	720	2%	65,453	489	1%	6,718		0%
Grand Total	335,083	29,985		8%	593,444	84,434	12%	480,355	42,050	8%	402,919	61,126	13%	90,178	11,299	11%

Note: Data is subject to change as deliveries for 2012 are still on-going. Data has been consolidated from WINGS1 and WINGS2 for non-P4P. Source for P4P data is FPTS. Information on discrepancies between WINGS and the Food Procurement Tracking System is provided in the annex of this report.

- **The initial target of the P4P pilot programme** was to purchase at least 10% of local food procurement in each pilot country through P4P modalities. This percentage was anticipated to increase gradually as targeted farmers' organizations (FOs) and small and medium-scale traders built their capacities to respond to the WFP market (and other quality buyers) with adequate quantity and quality.
- **The increase in P4P purchases from 2009 to 2010** was largely due to the increased number of P4P pilot countries starting implementation, especially "large" countries such as Ethiopia which started implementation only in 2010, as well as the initiation of P4P purchases through the Agricultural Commodity Exchange for Africa (ACE) in Malawi and to a generally good harvest year. However, **in 2011 P4P purchases showed a significant drop** which was mainly due to:
 - **Drought in the Horn of Africa and the Sahel**, which triggered a scarcity of cereals in the region amid price volatility, making local purchases difficult (as well as not recommended to avoid inflating local prices where supplies were scarce), and triggering defaults on existing contracts as individual farmers decided to sell individually at higher prices instead of selling through their organizations. Contracted amounts dropped from 19,400 mt in Ethiopia and almost 13,000 mt in Kenya in 2010, to just 4,000 mt and 5,800 mt respectively in 2011. Burkina Faso experienced a reduction in contracted commodities from 2,026 mt to 843 mt.
 - **Government intervention on grain markets**, particularly sizable purchases by the Zambian Food Reserve Agency (FRA) prior to the 2011 elections, constrained P4P purchases in Zambia in 2011 (Zambia had contracted and delivered more than 11,600 mt of commodities in 2010, mainly through the Commodity Exchange, but contracted only 750 mt in 2011).
- **Compared to 2011, P4P successfully increased the quantity contracted in 2012.** Deliveries for contracts signed in 2012 are still on-going, with a current outstanding balance of 14,989 mt. To date, **P4P purchases out of total local and regional purchases show a significant increase** compared to 2011, having risen from 8% to 13%.
 - **Some 40% of the total 2012 quantity was contracted by Ethiopia.** This includes Forward Delivery Contracts which following final negotiations at harvest were signed for 26,700 mt and have to date been over 50% delivered. **Malawi contracted the second largest amount**, increasing its P4P procurement through the Agricultural Commodity Exchange for Africa (ACE) by 38% compared to 2011.
 - **Kenya and Tanzania both decreased contracted quantities.** Following a default rate of over 40% in 2011, Kenya had to readjust the contracted amount to the capacity of the suppliers. WFP Tanzania's procurement strategy in 2012 largely centered on purchases from the National Food Reserve Agency (NFRA) to provide food for the emergency operation in South Sudan and fulfil food requirements in Kenya. Furthermore, purchases through this national mechanism were increased in anticipation of the signing of a Memorandum of Understanding with the Government. In 2013, WFP also aims to assist NFRA to improve its purchasing practices from smallholder farmers, starting with P4P-participating farmer organizations.
- **Ten countries have signed contracts for 15,494 mt in the first quarter of 2013**, of which **73%** has to date been delivered. Malawi, Honduras, Afghanistan and Kenya have together signed contracts for over 90% of all commodities contracted in the first quarter 2013.
- **In addition to the quantities smallholder farmers have sold to WFP, they have also reported sales to markets beyond WFP.** Although this might reduce the overall quantity sold to WFP, it can be regarded as a positive effect of the pilot in line with the overarching objective of P4P to connect smallholder farmers to markets. Data on FO sales to other buyers collected in 12 countries to date indicate sales of over 150,000 mt. Furthermore, P4P and the WFP Procurement Division are working with other market stakeholders to study other potential quality markets in the 20 pilot countries.

2. ANALYSIS OF P4P CONTRACT BREAKDOWN

Note: The tables below report the contracted amount, not the actual delivered amount from P4P vendors: contracts are usually signed some time prior to the expected delivery to allow vendors to bulk and grade the commodities according to WFP standards. The commodities are purchased by WFP (and paid for) only when WFP uplifts the commodities, after the clearance from the independent superintendent company charged with certifying the quality of the commodity, and all documents are received by WFP to process payment.

2.1 Cumulative P4P Contracts by P4P activity (Sept. 2008 – March 2013)

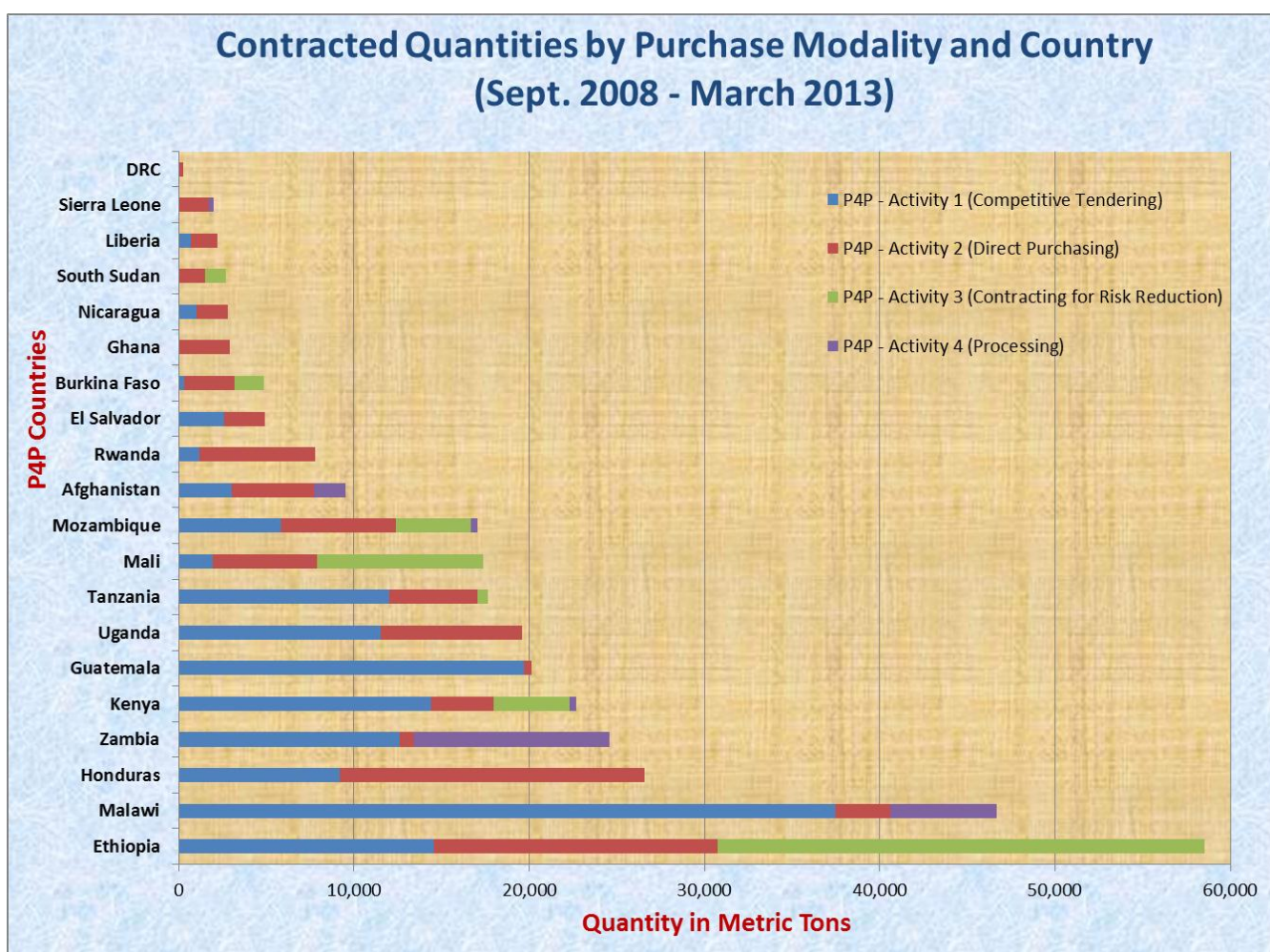
Region	Origin Country	P4P - Activity 1 (Competition)	P4P - Activity 2 (Direct Contract)	P4P - Activity 3 (Forward Contract)	P4P - Activity 4 (Processing Option)	Total	% by Country
Asia	Afghanistan	3,000	4,702		1,800	9,502	3%
Asia Total		3,000	4,702		1,800	9,502	3%
Central America	El Salvador	2,555	2,350			4,905	2%
	Guatemala	19,708	418			20,126	6%
	Honduras	9,167	17,435			26,602	9%
	Nicaragua	1,022	1,756			2,779	1%
Central America Total		32,452	21,959			54,412	18%
East & Southern Africa	DRC		264			264	0%
	Ethiopia	14,554	16,190	27,800		58,544	19%
	Kenya	14,405	3,549	4,335	393	22,682	7%
	Malawi	37,450	3,129		6,076	46,654	15%
	Mozambique	5,818	6,591	4,230	412	17,051	5%
	Rwanda	1,156	6,611			7,768	3%
	South Sudan		1,502	1,166		2,668	1%
	Tanzania	12,015	5,019	600		17,635	6%
	Uganda	11,497	8,069			19,566	6%
	Zambia	12,587	848		11,159	24,594	8%
East & Southern Africa Total		109,482	51,772	38,131	18,040	217,425	70%
West Africa	Burkina Faso	315	2,865	1,683		4,863	2%
	Ghana		2,913			2,913	1%
	Liberia	668	1,530			2,198	1%
	Mali	1,923	5,961	9,470		17,354	6%
	Sierra Leone		1,716		268	1,984	1%
West Africa Total		2,906	14,986	11,153	268	2,906	9%
Grand Total		147,841	93,419	49,284	20,108	310,651	100%
% by activity		48%	30%	16%	6%	100%	

Source: Data extracted from the Food Procurement Tracking System Database on 1st July 2013 and cleared by OSPF

Breakdown by region and country:

- More than 70% was contracted in Eastern and Southern Africa, followed by the Central America region (18%), West Africa (9%) and Asia (3%).
- In **Eastern and Southern Africa**, **Ethiopia and Malawi** remain the top three countries in terms of tonnage contracted, followed by **Zambia, Kenya and Uganda**.
 - **Ethiopia** contracted the highest quantity, including 47% through Forward Delivery Contracts.
 - **Malawi** contracted the second highest quantity; out of this 90% through the Agricultural Commodity Exchange for Africa.

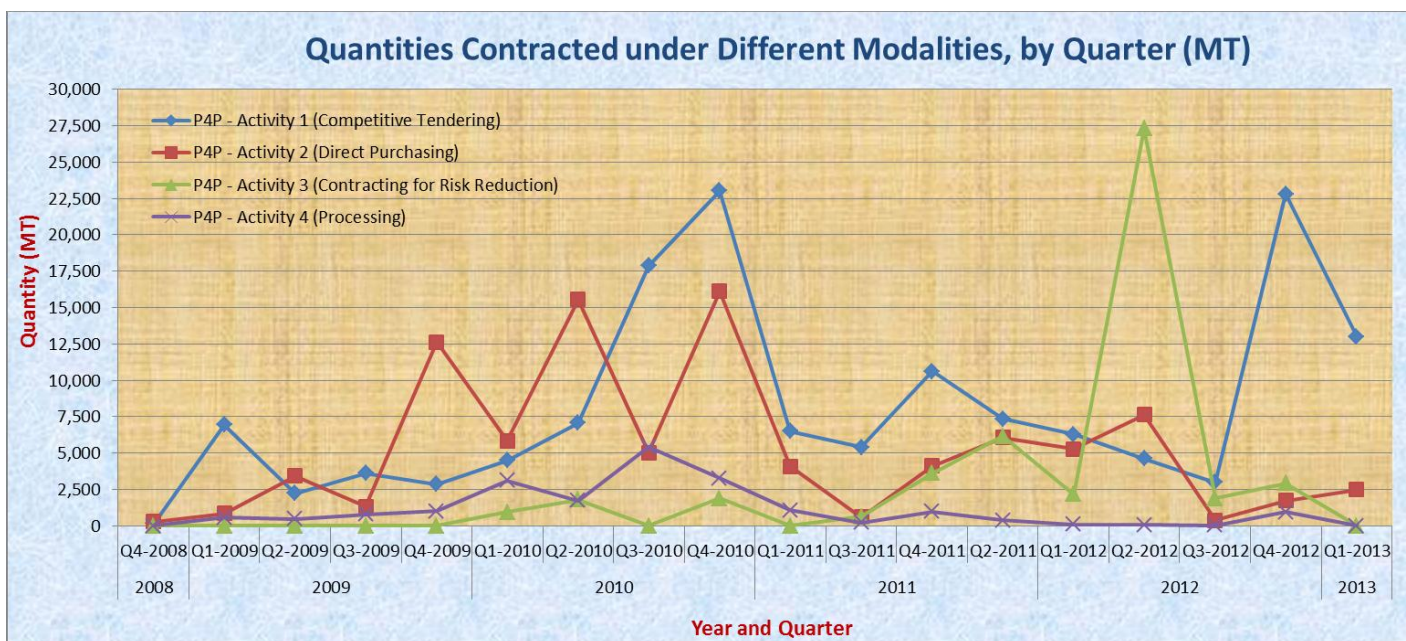
- **Zambia** follows with the third highest quantity. Zambia ranked first in terms of tonnage in 2009 and 2010 (due to substantial purchases through the Commodity Exchange), but has been surpassed by **Ethiopia** and **Malawi** since 2011 as Zambia reduced purchases substantially due to the Food Reserve Agency (FRA) intervention in the maize market.
 - **Kenya** contracted the fourth highest quantity but experienced high defaults at 56%.
 - **Uganda** contracted the fifth highest quantity in the region. As in the case of Zambia, P4P purchases in **Uganda** have been significantly decreasing since 2009. In terms of contracted quantity, **Zambia** and **Uganda** had the highest quantities contracted in 2009.
- In **Central America**, **Honduras** has substantially increased tonnages purchased (most of this for the National School Feeding Programme), and ranks first in the region, followed by **Guatemala**.
 - In **West Africa**, despite the recent outbreak of conflict, **Mali** continues to be the country with the highest tonnage contracted (and delivered), followed by **Burkina Faso**. The other countries in West Africa have purchased small amounts. **Ghana**, which started P4P implementation in late 2010, is the only country to have a 100% delivery rate. The availability of only one purchasing season in the year, a challenging post-conflict environment and low-capacity farmers' organisations in **Liberia** and **Sierra Leone** have constrained local purchase activities in these two countries.



Breakdown by P4P activity:

- Of the total quantity, **48% was contracted through competitive processes**. Most countries have used the soft tendering modality, except four, DRC, Ghana, South Sudan and Sierra Leone. Afghanistan has for the first time launched a tender in this quarter, signing a contract for 3,000 mt of wheat with a farmers' organisation. More than half of commodities procured through this modality were contracted with farmers' organisations, while over one third was contracted through Commodity Exchanges.

- A total of **30% was contracted through direct contracts**. All 20 P4P pilot countries have to various extents employed the direct contracting modality, mostly with farmers' organisations (88%). Ethiopia and Honduras have contracted the largest amounts under this modality. Warehouse receipt systems (WRS) and very limited procurement from small traders and agents were also reported. Some 7% out of the total quantity was directly purchased through WRS in Tanzania and Uganda, while 5% was directly contracted with small traders and agents in Kenya and Mozambique. To a lesser extent, country offices have also concluded direct contracts with NGOs, as well as processors and manufacturers.
- **The use of forward delivery contracts remains at 16%**, which is to a large extent the result of the modality being implemented on a growing scale in Ethiopia and Mali. Burkina Faso, Kenya, Mozambique, South Sudan and Tanzania have also experimented with this modality, although on a smaller scale. The majority of these contracts were concluded with farmers' organisations while Kenya and Mali also procured small amounts from small traders and agents.
- **A total of 6% contracted were processed commodities** supporting pro-smallholder processing options. The main objective of this modality is to develop the local food processing capacity and link it with smallholder farmers to supply the staple commodities required as raw materials. Processed commodities purchased by WFP include high energy biscuits, Supercereal (CSB), cassava flour, maize meal, UHT milk and vegetable oil. Some 78% of processed food was contracted through competitive tendering while direct contracts were signed for the remaining 22%. Not all food processed under this modality is bought by WFP, such as in Afghanistan where fortified flour was also sold to other buyers.



At the beginning of P4P, pilot countries primarily used pro-smallholder **competitive modalities (soft tendering)** rather than the other modalities, which were “new” in the WFP business process, and guidance had not yet been issued (particularly for forward delivery contracts – activity 3). Through the “writeshop” process, it became apparent that WFP offices were more comfortable with the more familiar and less time consuming competitive processes as opposed to the “new” procurement modalities.

This was subsequently over-taken by the **direct contracting modality** during the second half of 2009 and first half of 2010, as more countries started implementation and started purchasing from low capacity FOs, for which the competitive modalities were not deemed appropriate.

However, the use of **competitive modalities (soft tenders)** has increased further over time (particularly during 2010), which is consistent with the expectation that P4P vendors should “transition” to competitive modalities as they build their capacities to respond to the WFP market. Nevertheless, this increase in weight of “competitive modalities” is more a reflection of an increase in purchases through Commodity Exchanges in Zambia, and more recently in Malawi (which are competitive by definition), rather than necessarily a reflection of an increase in the

capacity of most of the P4P FOs. Compared to the large increase in **competitive tendering**, **direct contracting** has declined over the past two years. After it more than doubled in 2010, it decreased by about half in 2011 and further declined in 2012. **Competitive tendering** remained the main contracting modality through 2012, though closely followed by **forward delivery contracts**. In the first quarter of 2013, the majority of commodities continued to be contracted through competitive tendering.

Forward delivery contracting (contracting for risk reduction) was first employed in 2010. Its use doubled in 2011 as more countries experimented with this new modality. In 2012, Ethiopia has particularly scaled up its procurement under the forward delivery contract modality.

2.2 Cumulative P4P contracts by vendor typology (Sept. 2008 – March 2013)

Origin Countries	Origin Country	Commodity Exchange	Farmers' Organizations/ Cooperatives	NGOs	Processors/ Manufacturers	Traders/ Agents	Warehouse Receipt System	Grand Total
Asia	Afghanistan		7,702		1,800			9,502
Asia Total			7,702		1,800			9,502
Central America	El Salvador		4,905					4,905
	Guatemala		20,126					20,126
	Honduras		26,602					26,602
	Nicaragua		2,779					2,779
Central America Total			54,412				54,412	
Eastern, Southern & Central Africa	DRC		36	227				264
	Ethiopia	5,051	50,513			2,980		58,544
	Kenya		17,820		40	4,823		22,682
	Malawi	42,532	3,416		419	287		46,654
	Mozambique		7,197		412	9,442		17,051
	Rwanda		7,768					7,768
	South Sudan		2,668					2,668
	Tanzania		13,644				3,990	17,635
	Uganda		14,602				4,963	19,566
	Zambia	20,224	748	758	351	2,513		24,594
Eastern, Southern & Central Africa Total		67,807	118,412	985	1,222	20,044	8,954	217,425
West Africa	Burkina Faso		4,863					4,863
	Ghana		2,913					2,913
	Liberia		2,198					2,198
	Mali		15,854			1,500		17,354
	Sierra Leone		1,714		205	65		1,984
West Africa Total			27,542		205	1,565		29,312
Grand Total		67,807	208,068	985	3,228	21,609	8,954	310,651
% by activity		22%	67%	0.3%	1%	7%	3%	100%

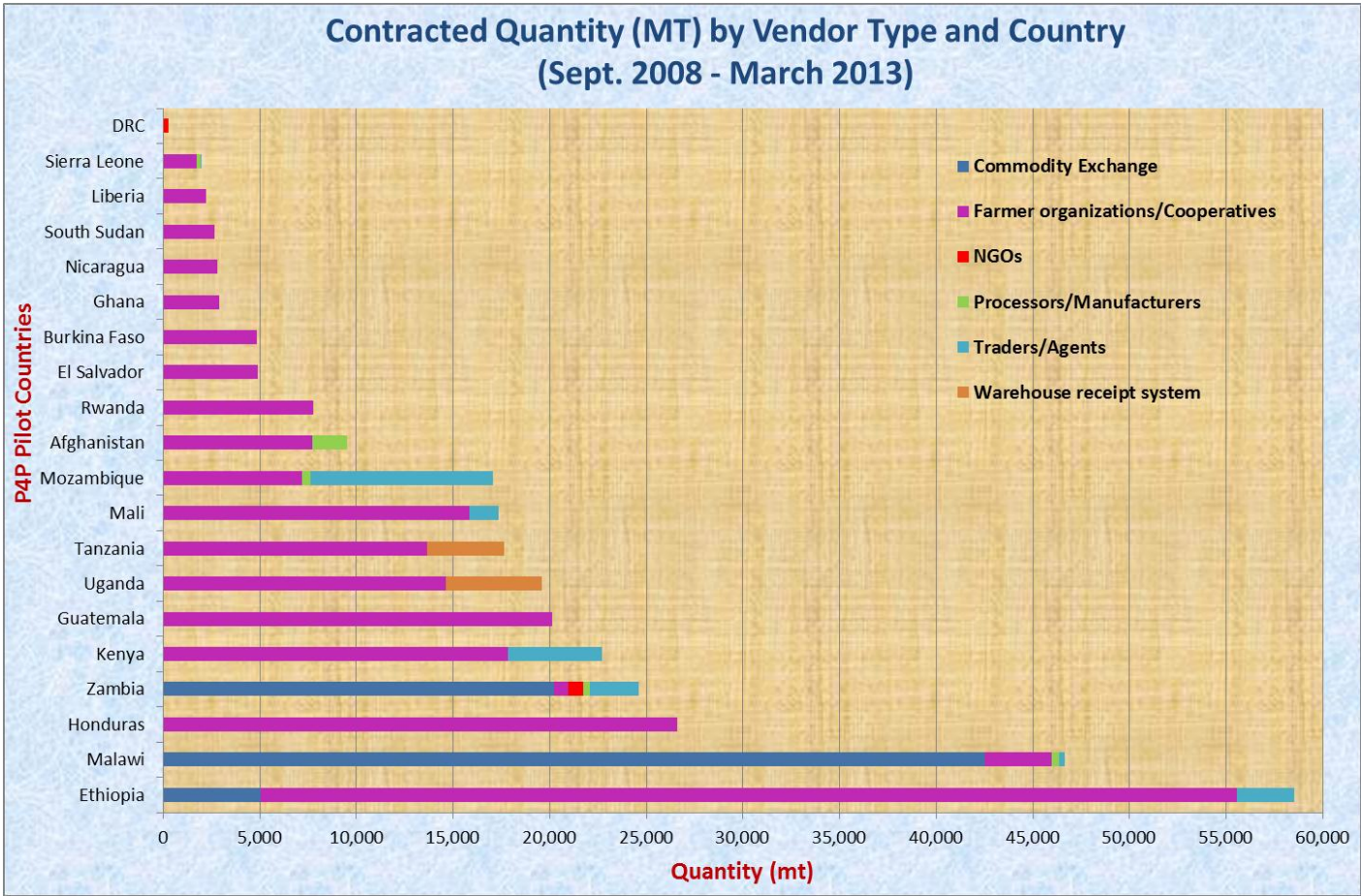
Source: Data extracted from the Food Procurement Tracking System Database on 1st July 2013 and cleared by ODPF

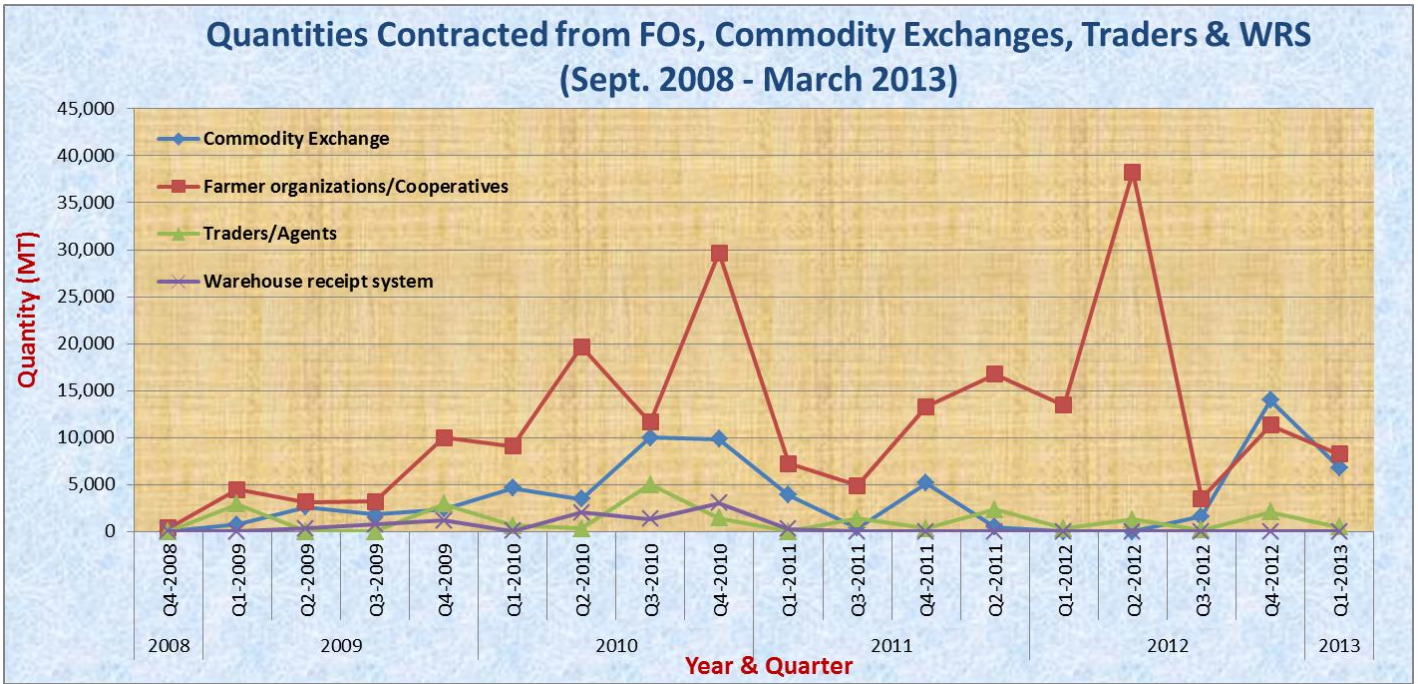
Breakdown by vendor type or procurement platform (contracted quantity):

- A total of 67% was contracted from **Farmers' Organizations (FOs)**, whether through tendering, direct or forward delivery contracts, across all pilot countries. For nine countries, FOs are the only entry point (El Salvador, Guatemala, Honduras, Nicaragua, Burkina Faso, Ghana, Liberia, South Sudan and Rwanda).
- A total of 22% was contracted through **Commodity Exchanges** in Ethiopia, Malawi and Zambia. Purchases through the Ethiopia and Zambia Commodity Exchanges ceased in 2011 due to the drought in the Horn of Africa and massive purchases by the Zambian National Food Reserve Agency at above market price which crowded out private sector trade. In Malawi, however, purchases through the Agricultural Commodity Exchange for Africa (ACE) have successfully increased. The objective of WFP's purchases through the ACE is to encourage other market actors to participate and to support WRS and Commodity Exchanges as a viable marketing platform as well as to catalyse partners' efforts to support smallholder farmers on the supply side. In Malawi, the majority of purchases to date were not made directly from farmers' organisations but

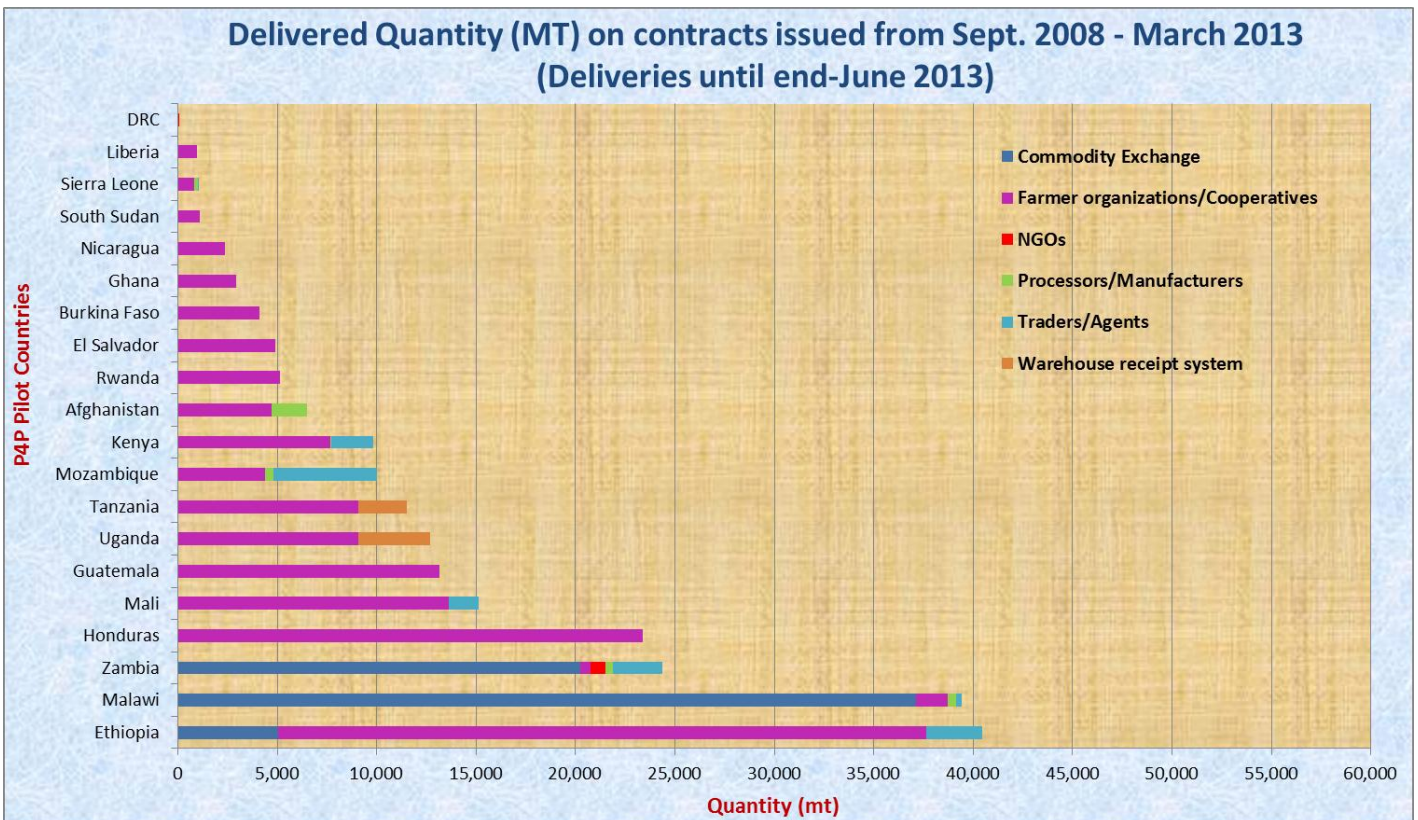
from traders who in turn purchase from smallholder farmers. Participation from both, farmers' organisations and small traders has increased significantly during the past year.

- Contracts for 7% of commodities were signed with **small & medium traders and agents** such as agro-dealers, mainly in Mozambique, Kenya, Zambia, and Ethiopia. Small-scale traders represent a key entry point in the P4P country strategies in these four countries.
- A total of 3% was contracted through different forms of **warehouse receipt systems (WRS)** in Uganda and Tanzania. Malawi and Zambia are also working towards establishing WRS, linked to a Commodity Exchange. Ethiopia has established a WRS which is operated by the Ethiopian Commodity Exchange (ECX) but P4P targeted Cooperative Unions have not yet started using this platform.
- A total of 0.3% has been procured through **NGOs** in DRC and Zambia while 1% was contracted from **processors** such as the purchase of high energy biscuits in Afghanistan, Supercereal (CSB) in Kenya, Malawi, Sierra Leone and Mozambique, maize meal in Malawi and UHT milk in Zambia.





As shown on the chart, **farmers' organizations** are the top suppliers of commodities (contracted quantity) under P4P, with **67%** procured from farmers' organisations. The second largest source of commodities of total contracted quantity has been **commodity exchanges** which account for **22%**.



Breakdown by vendor type or procurement platform (delivered quantity):

- Of the total 229,152 mt of **commodities delivered**, **62%** was purchased from **Farmers' Organisations**. Honduras, Ethiopia, Guatemala and Mali account for the largest quantities delivered by farmers' organisations. To date, 68% of total tonnage contracted with farmers' organisations has been delivered.
- Some **27%** of delivered tonnage was bought through **Commodity Exchanges** in Malawi, Zambia and Ethiopia. Of all commodities contracted through these marketing platforms, 92% has been delivered.
- A total of **6%** of delivered commodities was purchased from **small and medium traders and agents**. Some 67% of the total commodities contracted from traders and agents was delivered, the majority in Ethiopia, Kenya, Mozambique and Zambia.
- Some **3%** of delivered tonnage was procured through **warehouse receipt systems** in Uganda and Tanzania. Overall, 68% of commodities contracted through this marketing platform has been delivered.
- A total of **1%** of delivered commodities was purchased from **processors and manufacturers**. These vendors have delivered 99% of the total commodities contracted, with the majority in Afghanistan. Out of the total quantity contracted through **local NGOs** in DRC and Zambia (accounting for only **0.4%** of the total quantity delivered), 83% has been delivered.

2.3 Cumulative P4P contracts by commodity (Sept. 2008 – March 2013)

Countries	Maize	Rice	Pulses (peas and beans)	Other Cereals (sorghum, millet, wheat)	Processed Food (flours, UHT-milk, veg. oil, Supercereal - CSB, HEBs) ³	Grand Total
Afghanistan				7,702	1,800	9,502
Burkina Faso	1,768		640	2,456		4,863
DR Congo	264					264
El Salvador	4,620		285			4,905
Ethiopia	56,203		2,341			58,544
Ghana	2,913					2,913
Guatemala	19,311		815			20,126
Honduras	18,328		8,274			26,602
Kenya	16,454	40	1,851	3,945	393	22,682
Liberia		2,198				2,198
Malawi	27,802		12,777		6,076	46,654
Mali		6,905	287	10,162		17,354
Mozambique	12,471		4,168		412	17,051
Nicaragua	2,759	20				2,779
Rwanda	6,081		1,686			7,768
Sierra Leone		1,716			268	1,984
South Sudan	2,385			283		2,668
Tanzania	14,930		2,705			17,635
Uganda	18,811		755			19,566
Zambia	12,450		985		11,159	24,594
Grand Total	217,548	10,879	37,569	24,547	20,108	310,651
% by commodity	70%	4%	12%	8%	6%	100%

Source: Data extracted from the Food Procurement Tracking System Database on 1 July 2013 and cleared by OSPF.

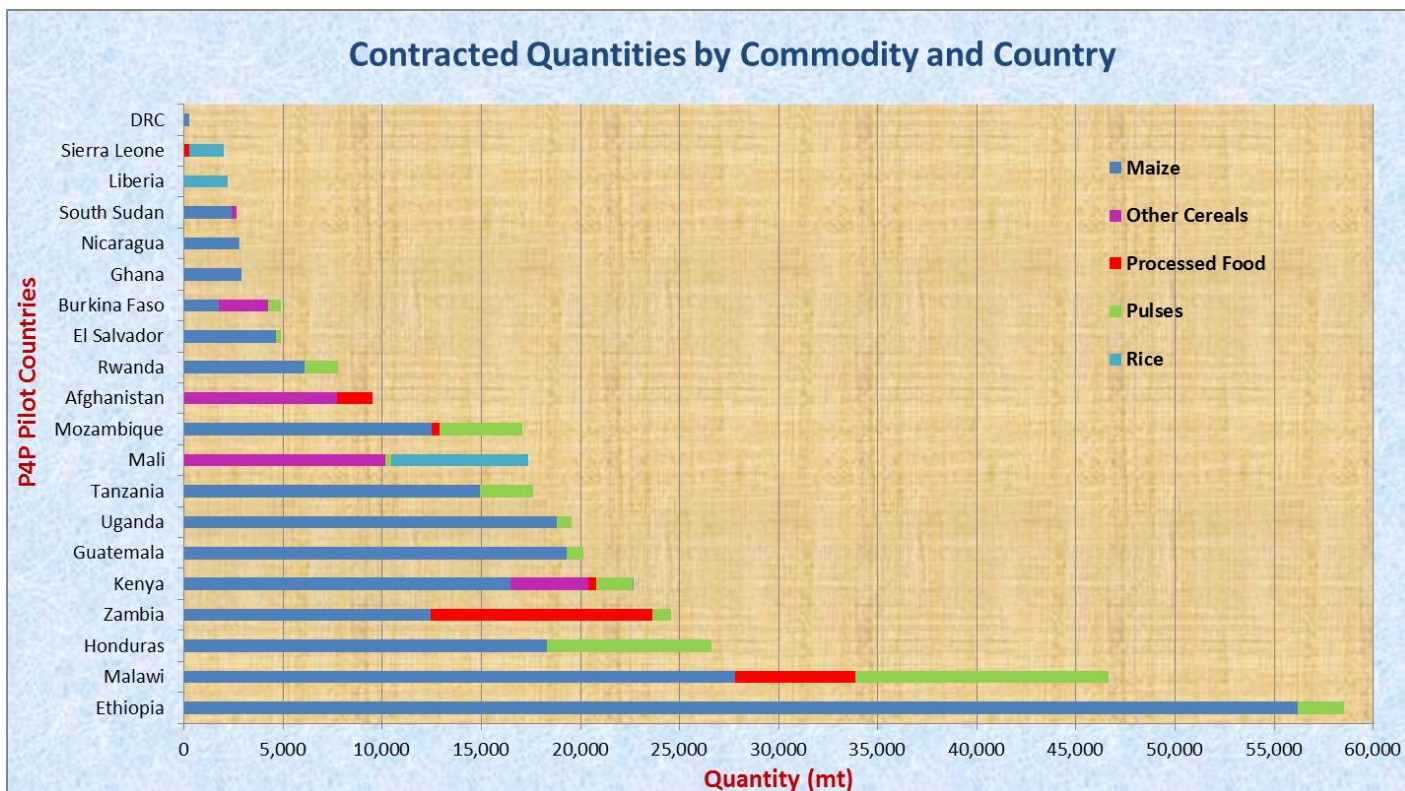
Breakdown by commodity:

- Commodities purchased under P4P modalities diversified since the start of P4P, although maize remains the primary commodity purchased. **Maize grain** accounts for 70% of all P4P contracts and if one includes **maize meal** (13,973 mt; categorised under processed food), maize accounts for 75% of all P4P contracts. Maize grain has been purchased in most countries (except Afghanistan, Liberia, Mali, and Sierra Leone). **Other cereals** account for 8% of all commodities procured under P4P. Afghanistan purchases **wheat**, while **sorghum & millet** have mainly been purchased in Burkina Faso, Kenya, Mali and South Sudan. **Rice** accounts for 4% (10,769 mt) of contracted commodities.
- Procurement of **pulses** (beans, red beans, white beans, peas, cowpeas, pigeon peas) has increased to 12% of total P4P contracts. P4P has stepped up its efforts to procure pulses under the P4P gender strategy as these are considered crops grown by women in many traditional settings. Most of the pulses have been procured in Eastern and Southern Africa, with purchases doubling in 2012 compared to the years before.

³ UHT - ultra high temperature milk, veg. oil – vegetable oil, flours – maize meal and cassava flour, HEBs – high-energy biscuits

In the Central American region, purchase of pulses has been constrained by high prices (above Import Parity).

- Processed food**, the majority of which is fortified, accounts for 6% of total contracted commodities. Six country offices have procured processed food commodities under P4P. Cassava flour, maize meal, UHT-milk and vegetable oil have been contracted in Malawi, Sierra Leone and Zambia. Specialised nutrition products include Supercereal (CSB) and High-Energy Biscuits (HEBs) which have been contracted in Afghanistan, Kenya, Malawi, Mozambique and Zambia. In Sierra Leone, WFP procured Sierra Mix, locally produced Supercereal with pigeon peas sourced from FOs. Afghanistan has increased the local procurement of High-Energy Biscuits, with a total of 1,800 mt contracted.

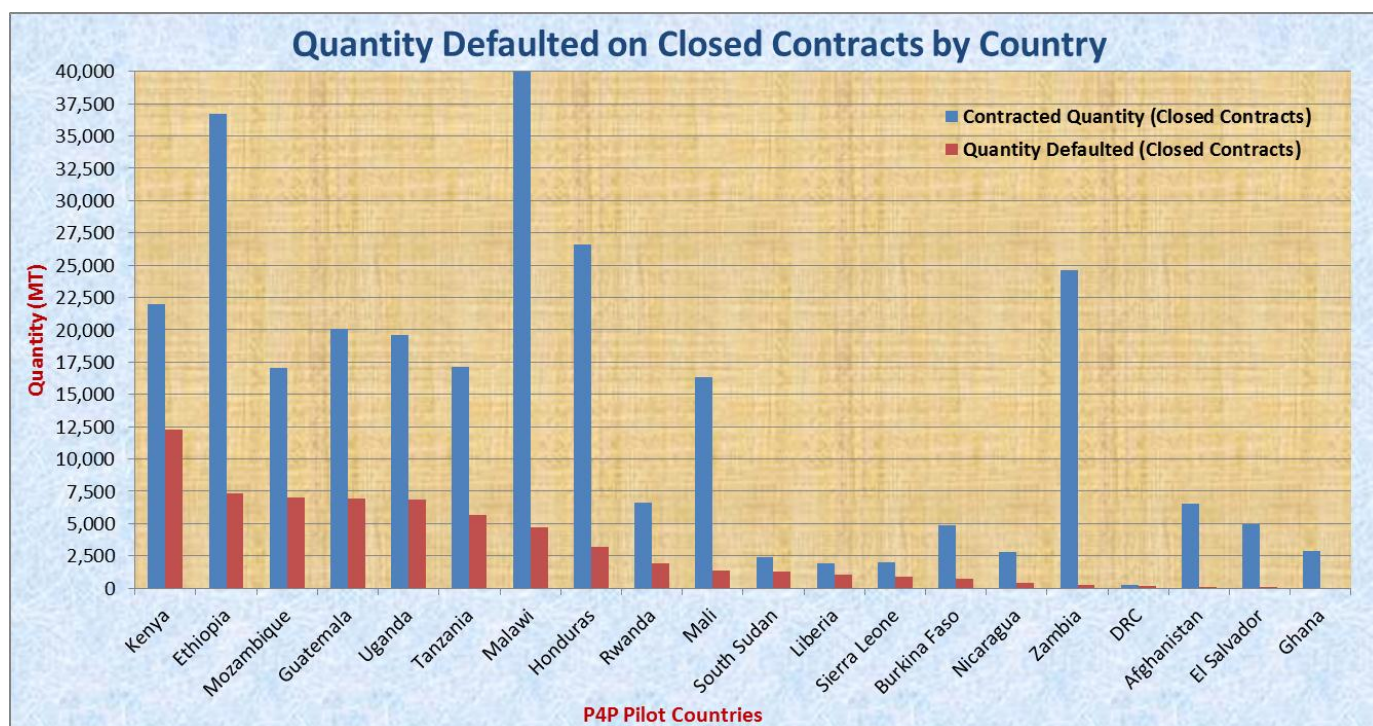


3. ANALYSIS OF DEFAULTS AND DELIVERIES

Note: The defaults analysis is performed only on contracts already finalized (i.e, without pending deliveries)

3.1 Default of completed deliveries by country (Sept. 2008 – March 2013)

Countries	Quantity contracted (mt) – closed contracts	Quantity defaulted (mt) – closed contracts	% Confirmed Defaulted
Afghanistan	6,502	1	0.02%
Burkina Faso	4,863	750	15%
DRC	264	170	65%
El Salvador	4,905	1	0%
Ethiopia	36,704	7,313	20%
Ghana	2,913	0	0%
Guatemala	20,072	6,937	35%
Honduras	26,602	3,223	12%
Kenya	22,017	12,294	56%
Liberia ⁴	1,888	1,026	54%
Malawi	44,024	4,687	11%
Mali	16,354	1,358	8%
Mozambique	17,051	7,046	41%
Nicaragua	2,779	412	15%
Rwanda	6,627	1,957	30%
Sierra Leone	1,984	910	46%
South Sudan	2,399	1,299	54%
Tanzania	17,153	5,632	33%
Uganda	19,566	6,879	35%
Zambia	24,594	218	1%
Grand Total	279,261	62,112	22%



⁴ The data for Liberia is under revision and the default rate may be increase.

3.2 Deliveries and defaults by P4P activity (Sept. 2008 – March 2013)

Activities	Contracted (mt)	Delivered (mt)	Defaulted (mt)*	Balance to be Delivered (mt)	% Confirmed Defaulted*
P4P - Activity 1 (Competitive Tendering)	147,841	105,831	35,353	6,658	25%
P4P - Activity 2 (Direct Purchasing)	93,419	73,006	19,332	1,081	21%
P4P - Activity 3 (Forward Delivery Contracts)	49,284	30,226	7,409	11,649	27%
P4P - Activity 4 (Processing)	20,108	20,090	18	0	0%
Grand Total	310,651	229,152	62,112	19,387	22%

*Calculated on closed contracts.

Source: Data extracted from the Procurement Tracking System Database on 01st July 2013 and cleared by OSPF

3.3 Deliveries and defaults of completed deliveries by vendor typology (Sept. 2008 – Mar. 2013)

Nature of Business	Contracted (mt)	Delivered (mt)	Defaulted (mt)*	Balance to be delivered (mt)	% Confirmed Defaulted*
Commodity Exchange	67,807	62,375	2,891	2,541	5%
Farmers' Organizations/Cooperatives	208,068	142,209	49,128	16,730	27%
NGOs	985	818	167	0	17%
Processors/Manufacturers	3,228	3,194	34	0	1%
Traders /Agents	21,609	14,502	6,991	116	33%
Warehouse Receipt System	8,954	6,054	2,900	0	32%
Grand Total	310,651	229,152	62,112	19,387	22%

*Calculated on closed contracts.

Source: Data extracted from the Procurement Tracking System Database on 01st July 2013 and cleared by OSPF

Of the **310,651 mt** of food contracted from September 2008 to March 2013, **229,152 mt (74%)** was delivered as of June 2013, **62,112 mt** was **confirmed defaulted**, and the remaining **19,387 mt** is still to be delivered.

- In absolute terms, **Kenya, Ethiopia, Mozambique, Guatemala, Uganda** and **Tanzania** have had the highest volumes defaulted. These are all countries where WFP is traditionally a large buyer, and where overall local procurement tonnages (both P4P & non-P4P) are high.
- In relative terms, if one considers the percentage of default as compared to the total quantity contracted, the highest defaults (excluding DRC) were experienced in **Kenya (56%), Liberia (54%), South Sudan (54%), Sierra Leone (46%)** and **Mozambique (41%)**. It is notable that three of these are low capacity post-conflict countries.
- **Kenya, Mozambique, Uganda, Guatemala and Tanzania** have high default rates in both absolute and relative terms. They contract relatively large quantities and have consistently defaulted more than other countries throughout the period of P4P implementation.
- **South Sudan, Sierra Leone and Liberia** have high default rates in relative terms; they have managed to contract relatively little due to challenging post-conflict environments, but the little they contracted was affected by significant defaults.
- In **DRC**, the high default rate of 65% reflects the fact that FOs under P4P sell primarily to small traders organized through P4P rather than to WFP, which is a positive outcome in itself given the particular P4P goal in DRC (re-establishing trader networks and linking FOs to traders; while WFP acts only as buyer of last resort – buying primarily if there are surpluses unsold after the trading season).

3.4 Delivery delays in P4P countries

Substantial delays have been encountered when considering the planned and actual delivery dates, especially by medium and low capacity farmers' organizations, due to reasons including: lack of experience to execute WFP contracts, recurrent appearance of live insects, lack of experience with re-bagging, shortage of storage space, high moisture content, etc.

Country	Average of Delivery Days (from start date as stipulated in contract to actual end date of delivery)	Average of Days Delivery was Delayed (from end date as stipulated in contract to actual end date of delivery)
Afghanistan	95	60
Burkina Faso	22	2
DRC	30	-12
El Salvador	37	26
Ethiopia	100	55
Ghana	34	5
Guatemala	48	16
Honduras	46	3
Kenya	103	66
Liberia	225	118
Malawi	52	30
Mali	37	5
Mozambique	95	8
Nicaragua	51	46
Rwanda	96	50
Sierra Leone	55	12
South Sudan	110	60
Tanzania	89	13
Uganda	85	38
Zambia	60	21
Grand Total	69	28

Source: Data extracted from the Food Procurement Tracking System Database on 1st July 2013 and cleared by OSPF. Data not available for all contracts. Data collection is on-going.

The average time frame for deliveries ranges from 225 days in Liberia to 22 days in Burkina Faso. Delays were experienced in 19 countries, up to a maximum of an average 118 days in Liberia, as they decided to keep contracts open for the next harvesting season, instead of declaring default. DRC was the only country where deliveries were completed on average 12 days prior to deadline. In general, P4P contracts have an average delay of 28 days. Country Offices, in collaboration with partners, have been exerting utmost effort to address this issue.

3.5 Frequency of default reasons

This section will be updated at a later stage due to a technical issue which is in the process of being addressed.

4. ANALYSIS OF LOCAL PURCHASE COSTS WITH RESPECT TO IMPORT PARITY PRICE (IPP)

This section will be updated at a later stage due to a technical issue which is in the process of being addressed.

5. ANNEX

There are two main sources of discrepancies between WINGS corporate database and the Food Procurement Tracking System:

- The dates linked to a particular contract are not the same: In WINGS the date is the Purchase Order (PO) creation date (and this may happen several days after receiving authorization from HQ to proceed with a local purchase), while in the Food Procurement Tracking System, the date is the “Approval date” (i.e, when the Country Office (CO) gets authorization to proceed with the local purchase), and more precisely, the date in which the CO ticks the “approved” box in the system (this may happen a few days after receiving authorization; whether it happens before or after the creation of the PO in WINGS depends on how thorough is the CO in updating the Food Procurement Tracking System). While this divergence on dates should not affect the cumulative amounts over a long period of time, it does affect purchases towards the end of the year.
- WINGS shows the outstanding contracts at the time the data are extracted, while the Food Procurement Tracking System shows the first contracted amount, even if the quantity has since then been revised downwards. Therefore, if a contract with a vendor X has been reduced from 100 mt to 80 mt because the vendor is unable to provide the full amount, only 80 mt will appear as the final outstanding contract with the vendor in WINGS, whereas the Procurement tracking system will show the initial contracted amount of 100 mt, and will show 20 mt as default. The WINGS database “loses” the information on defaults, while the Food Procurement Tracking System shows the original contract, and tracks the actual deliveries and defaults.