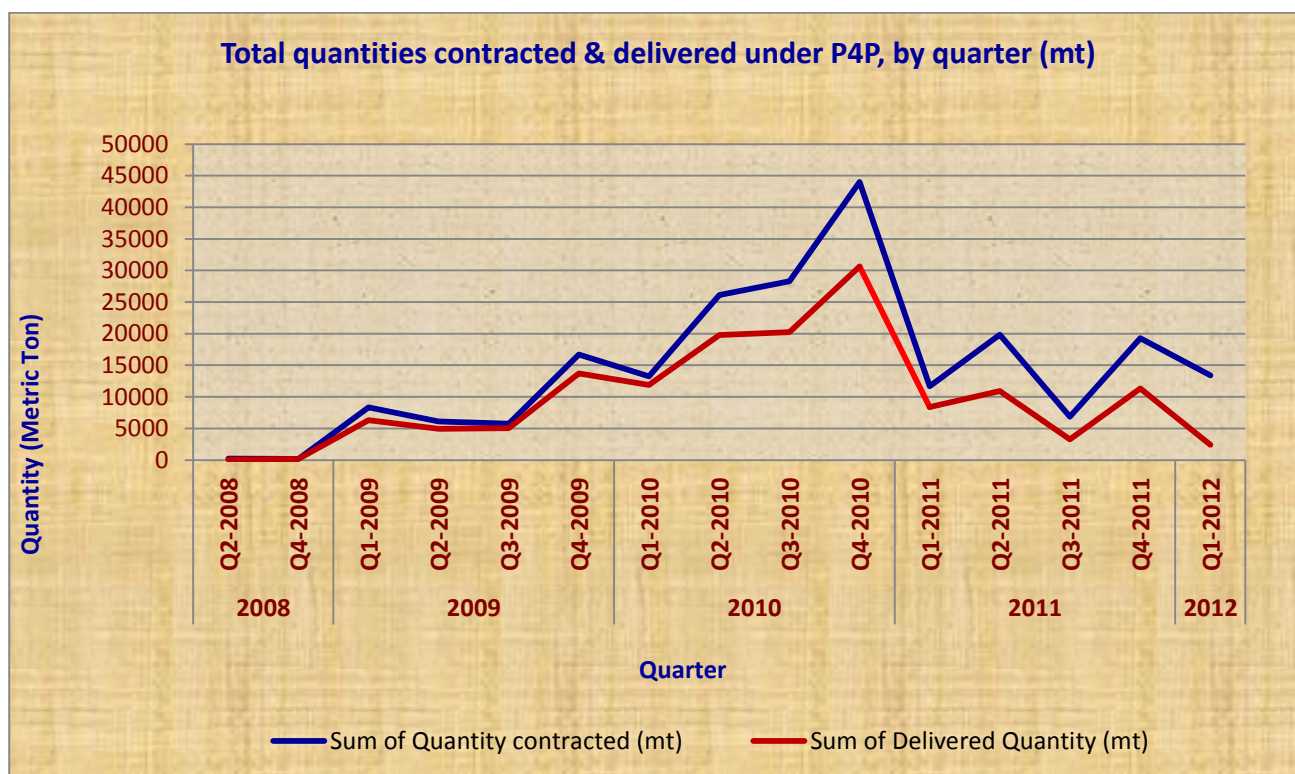


SUMMARY P4P PROCUREMENT REPORT: SEPT 2008 – March 2012
- Updated May 2012 -

HIGHLIGHTS – GLOBAL OVERVIEW

Since the launch of the P4P pilot in September 2008, through 31 March 2012, **219,968 metric tons (mt)** of commodities 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, over **149,000mt (68%)** has been **delivered** to WFP (and hence paid for – around **US\$56 million** more directly in the pockets of smallholder farmers and small and medium traders). At the time of this analysis, **20,204mt (9%)** were still to be delivered, while **50,660mt** were confirmed **defaulted**. Defaults amount to 23% of total quantity contracted to date (which includes contracts still open with pending deliveries), but rises to 26% if one considers only closed/finalized contracts.

In general, this default level is not alarming and may be anticipated for a pilot programme working with low capacity suppliers with limited or no experience in selling to formal markets, although there are important country level differences (pages 14-18).



Purchases under P4P increased significantly between 2009 and 2010, as more countries began implementation, and also due to the relatively good harvests in most of the P4P countries in 2010. In 2009, 14 pilot countries contracted almost 37,000mt (and delivered 30,000mt or 81%), while in 2010, 20 pilot countries contracted 111,641mt (and delivered 82,567mt or 73%). It has to be noted that figures changed slightly compared to the last quarter report due to updates on deliveries by country offices (e.g. Ethiopia CO updated delivery of 5,050Mt from ECX on the 1st quarter of 2012). The **share of P4P purchases** as a percentage of total local purchases by WFP in the pilot countries increased from 9% in 2009 to **13%** in 2010.

There was a significant drop in the **2011 P4P purchases in almost all countries**: overall, only 58,000mt were contracted in 20 countries under P4P, and only 34,500mt were delivered by the end of December. However, it doesn't mean that the remaining balance has been defaulted; part of the contracted quantities has been delivered in the 1st quarter of 2012. The adverse weather conditions (drought in the Horn of Africa and floods in Central America, with the resulting high price fluctuation), as well as the massive intervention of the Food Reserve Agency in Zambia, are primary reasons for this downward trend, which affected not only the P4P purchases but also the standard (non P4P) purchases in the P4P pilot countries.

As indicated in the chart above, purchases in the 1st quarter of 2012 showed a good start as compared to the same periods in previous years in terms of total quantity contracted (almost similar to the 2010, 1st quarter purchase). Maize took the largest share and accounts for 69% of the total contracted quantity. Mozambique, Mali, Uganda, Ghana and Honduras are the main countries contributing to the statistics; and Mozambique (the only country to do so in the 1st quarter) signed forward delivery contracts for the purchase of 2,160mt of maize in the 1st quarter.

Commodities (1st Quarter 2012)	Quantity contracted (mt)
Beans	1,415.85
Cassava Flour	30
High Energy Biscuits	50
Maize	9,204.08
Rice	2,692.5
Total	13,392.43
Activities (1st Quarter 2012)	Quantity contracted (mt)
P4P - Activity 1 (Competitive Tendering)	6,235.73
P4P - Activity 2 (Direct Purchasing)	4,946.7
P4P - Activity 3 (Contracting for Risk Reduction)	2,160
P4P - Activity 4 (Processing)	50
Total	13,392.43

Introduction

This report aims to provide a snapshot analysis of P4P-specific data extracted from WFP's Procurement Database (covering the period Sept. 2008- 31 March 2012), complemented by a global procurement analysis (P4P versus non-P4P) from WINGS2 database, covering 1st January 2010 up to 31st March 2012.

Of the 21 P4P pilot Countries,¹ **20** have now purchased under P4P pro-smallholder modalities.

The detailed procurement data includes information on contracted amounts, on quantities actually delivered and defaulted by country, by P4P procurement modality, by vendor typology and by commodity. The report contains the following information:

¹ **Laos** has not yet submitted Quarterly reports as P4P has not yet started in Laos. Laos conducted a P4P assessment in early 2010 with funding from Luxembourg, but is still seeking for funds for P4P implementation. The Country Implementation Plan has been approved.

GLOBAL PROCUREMENT ANALYSIS [pages 3-6]

1. P4P purchases as a percentage of total purchases in P4P countries (P4P/non-P4P) [2010, 2011, and 2012 - WINGS]
2. Total P4P contracted & delivered amounts by origin & destination countries (Sept 2008-Mar 2012)
3. P4P contracted and delivered amounts (Sept 2008 – Mar 2012) by year, quarter and metric tons

ANALYSIS OF P4P CONTRACTS BREAKDOWN [pages 6-13]

Cumulative P4P contacts (Sept 2008 – 31 March 2012)

1. by P4P activity or procurement modality
2. by vendor typology
3. by commodity

ANALYSIS OF DEFAULT & DELIVERY DELAYS [pages 13-19]

Default and Deliveries delays (Sept 2008 – 31 March 2012)

1. default by country
2. default by P4P activity or procurement modality
3. default by vendor typology
4. delivery delays in P4P countries

ANALYSIS OF COSTS WITH RESPECT TO IMPORT PARITY PRICE [pages 19-21]

I. GLOBAL PROCUREMENT ANALYSIS

1. P4P purchases as a percentage of total purchases in P4P countries - 2010, 2011 & 2012 [WINGS2 data]

P4P Countries	2010				2011				1 st quarter 2012			
	Regular Local Purchases	P4P Purchases	In-country Total Purchases	% P4P	Regular Local Purchases	P4P Purchases	In-country Total Purchases	% P4P	Regular Local Purchases	P4P Purchases	In-country Total Purchases	% P4P
AFGHANISTAN	13,220	4,385	17,605	25%	22,251	1,184	23,435	5%	51	50	101	49%
BURKINA FASO	18,307	2,682	20,989	13%	6,697	57	6,755	1%	2,541	210	2,751	8%
DRC	14,872	5	14,877	0%	4,923	55	4,978	1%	3,152	-	3,152	0%
EL SALVADOR	4,855	2,454	7,310	34%	3,204	643	3,847	17%	985	453	1,438	32%
ETHIOPIA	234,252	16,074	250,326	6%	82,773	2,520	85,293	3%	13,222	1,020	14,242	7%
GHANA	11,225	1,024	12,249	8%	6,710	-	6,710	0%	2,350	1,162	3,512	33%
GUATEMALA	10,036	5,676	15,712	36%	8,073	2,001	10,073	20%	1,276	814	2,090	39%
HONDURAS	14,281	4,663	18,943	25%	22,285	7,518	29,803	25%	2,651	1,165	3,816	31%
KENYA	57,578	4,215	61,794	7%	52,974	3,592	56,566	6%	10,583	391	10,974	4%
LIBERIA	-	584	584	100%	-	150	150	100%	2,545	668	3,213	21%
MALAWI	28,894	11,635	40,530	29%	90,208	12,522	102,731	12%	2,277	-	2,277	0%
MALI	10,845	4,911	15,756	31%	14,002	4,804	18,805	26%	10,054	1,657	11,711	14%
MOZAMBIQUE	17,915	2,247	20,162	11%	28,944	2,492	31,436	8%	-	2,160	2,160	100%
NICARAGUA	3,636	1,629	5,265	31%	2,007	93	2,100	4%	1,105	260	1,365	19%
RWANDA	6,956	2,940	9,896	30%	6,076	3,026	9,102	33%	2,350	675	3,025	22%
SIERRA LEONE	100	207	307	67%	65	148	213	69%	-	398	398	100%
SOUTH SUDAN		58	58	100%		509	509	100%		325	325	100%
TANZANIA	29,804	3,616	33,420	11%	60,560	4,300	64,860	7%	51,886	530	52,416	1%
UGANDA	113,483	3,224	116,706	3%	38,283	1,772	40,055	4%	6,051	190	6,242	3%
ZAMBIA	4,686	17,095	21,781	78%	30,718	745	31,464	2%	11,833		11,833	0%
Grand Total	594,946	89,323	684,269	13%	480,753	48,132	528,885	9%	124,913	12,128	137,041	9%

Note: source is WINGS2 for 2010, 2011 & 2012; data for P4P in 2009 are not complete in WINGS 2, as the P4P flag was only introduced in late 2009. It must also be noted that there are minor changes on the statistics of the 2009, 2010 and 2011 data since defaults have now been excluded from the WINGS database.

The initial target of the P4P pilot programme was to purchase at least 10% of total food procurement in each pilot country through P4P modalities in the first year of implementation. This percentage was expected to increase gradually as targeted farmers' organizations (FOs) and small and medium-scale traders build their capacities to respond to the WFP market (and other quality buyers) with adequate quantity & quality.

- While the increase 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, the initiation of P4P purchase through the Malawi Agriculture Commodity Exchange (ACE), and to a generally "good" harvest year, the **significant drop in P4P purchases in 2011** was mainly due to:
 - The **drought in the Horn of Africa**, which triggered scarcities of cereals in the region amid price volatility, making local purchases difficult (and not recommended so as not to drive up 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 19,374mt in Ethiopia and almost 13,000mt in Kenya in 2010, to just 4,000mt and 5,879mt respectively in 2011. And on smaller quantities contracted, an important share was defaulted due to price volatility.
 - **Government intervention on grain markets**, particularly the massive purchases from the Zambian Food Reserve Agency (FRA) at above market prices prior to the elections. This literally halted P4P purchases in Zambia in 2011 (Zambia had contracted and delivered 11,651mt of commodities in 2010, mainly through the Commodity Exchange, but managed to contract only 745mt in 2011), since FRA was holding all stocks, and only limited trade continued through the Commodity Exchange.

2. Total P4P contracted and delivered amounts by origin and destination countries (Sept 2008-Mar 2012)

Row Labels	Destination Country	Total Quantity contracted (mt)	Total Delivered Quantity (mt)
Afghanistan	Afghanistan	5,619	4,800
Burkina Faso	Burkina Faso	4,498	3,682
DRC	DRC	227	60
El Salvador	El Salvador	4,106	4,105
Ethiopia	Ethiopia	24,234	17,193
Ghana	Ghana	2,186	1,024
Guatemala	Guatemala	17,203	9,505
Honduras	Honduras	19,385	12,590
Kenya	Kenya	20,441	8,331
Liberia	Liberia	1,725	649
Malawi	Malawi	20,002	17,247
	Mozambique	3,775	3,759
	Zambia	379	354
Mali	Cote d'Ivoire	2,168	2,168
	Mali	9,650	7,845
	Niger	1,000	1,000
Mozambique	Mozambique	15,488	7,588
Nicaragua	Nicaragua	2,532	2,022
Rwanda	Rwanda	6,846	3,142
Sierra Leone	Sierra Leone	1,599	506
South Sudan	South Sudan	1,774	382
Tanzania	Tanzania	14,918	7,007
Uganda	Uganda	17,463	11,446
Zambia	DRC	6,579	6,579
	Zambia	14,760	14,711
	Zimbabwe	1,411	1,411
Grand Total		219,968	149,104

Commodities purchased through P4P modalities are mostly used for WFP operations within the same country, such as school feeding, food-for-work, nutrition programmes or refugee rations. In some cases, commodities purchased through P4P modalities have been exported for WFP operations in neighbouring countries. This is the case of purchases through the Zambia and Malawi Commodity Exchanges, which are increasingly being used for regional purchases, and of purchases from a high capacity farmers' federation in Mali (Faso Jigi), which has been contracted for the Niger emergency in 2010 and for the Cote d'Ivoire emergency in 2011.

TRENDS IN CONTRACTED & DELIVERED AMOUNTS, 2008-2012 [Procurement Tracking System]

3. P4P contracted and delivered quantities (Sept 2008 – Mar 2012) by year, metric tons

Countries	Sept. 2008 - Dec 2011		2012		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	5,569	4,800	50	0	5,619	4,800
Burkina Faso	4,288	3,472	210	210	4,498	3,682
DRC	227	60			227	60
El Salvador	3,087	3,086	1,019	1,019	4,106	4,105
Ethiopia	23,414	17,193	820	0	24,234	17,193
Ghana	1,024	1,024	1,162	0	2,186	1,024
Guatemala	16,363	9,480	839	25	17,203	9,505
Honduras	18,220	12,590	1,165	0	19,385	12,590
Kenya	20,050	7,996	391	335	20,441	8,331
Liberia	1,057	649	668	0	1,725	649
Malawi	24,156	21,359			24,156	21,359
Mali	11,161	10,338	1,657	675	12,818	11,013
Mozambique	13,328	7,588	2,160	0	15,488	7,588
Nicaragua	2,317	1,972	215	50	2,532	2,022
Rwanda	6,540	3,142	306	0	6,846	3,142
Sierra Leone	1,201	506	398	0	1,599	506
South Sudan	1,474	382	300	0	1,774	382
Tanzania	14,388	7,007	530	0	14,918	7,007
Uganda	15,960	11,355	1,502	90	17,463	11,446
Zambia	22,750	22,701			22,750	22,701
Total	206,575	146,700	13,392	2,404	219,968	149,104

Source: data extracted from the Procurement Tracking System Database on 5th May 2012 and cleared by ODPF

NOTE: 2 main sources of discrepancies between WINGS and Food Procurement Tracking System:

- i. **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 local purchase), while in the 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 Procurement Tracking System). While this divergence on dates should not affect the cumulated amounts over a long period of time, it does affect purchases towards the end of the year.

- ii. WINGS shows the **outstanding contracts** at the time the data are extracted, while the 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 to 80 because the vendor is unable to provide the full amount, only 80 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, and will show 20mt as default. The WINGS database “loses” the information on defaults, while the Procurement tracking systems shows the original contract, and tracks the actual deliveries and defaults.

Since the launch of the P4P pilot initiative in September 2008 through 31 March 2012, **220,000 metric tons** (mt) of commodities have been contracted. Maize, beans, sorghum, maize meal, rice, wheat and CSB are the first top seven commodities purchased that constitute 99% of the total purchase from FOs, small and medium-scale traders, food manufacturers, Commodity Exchanges and WRS in the 20 P4P pilot countries. There are also smaller amounts of high energy biscuits, high energy supplements, cassava flour and vegetable oil that have been **contracted** under P4P.

Out of 219,968mt contracted, as of 31 March 2012, **149,104mt have been delivered** to WFP.

Commodities	Total Quantity contracted (mt)	Cumulative %
Maize	154,840	70.4%
Beans	20,558	9.3%
Maize Meal	12,811	5.8%
Rice	9,126	4.1%
Sorghum	7,982	3.6%
Millet	4,862	2.2%
Wheat	4,702	2.1%
Corn Soya Blend (CSB)	3,072	1.4%
Processed Food	1,575	0.7%
Milk-UHT	351	0.2%
Cassava Flour	50	0.0%
Vegetable Oil	40	0.0%
Total	219,969	100.0%

Note: Processed Food includes: High Energy Biscuits, High Energy Supplements and Cassava Flour

II. ANALYSIS OF P4P CONTRACT BREAKDOWN

Note: The tables below report the contracted amount, not the actual delivered amount from P4P vendors: contracts are signed usually a couple of months 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.

1. Cumulative P4P Contracts by P4P activity (Sept 2008 – 31 March 2012)

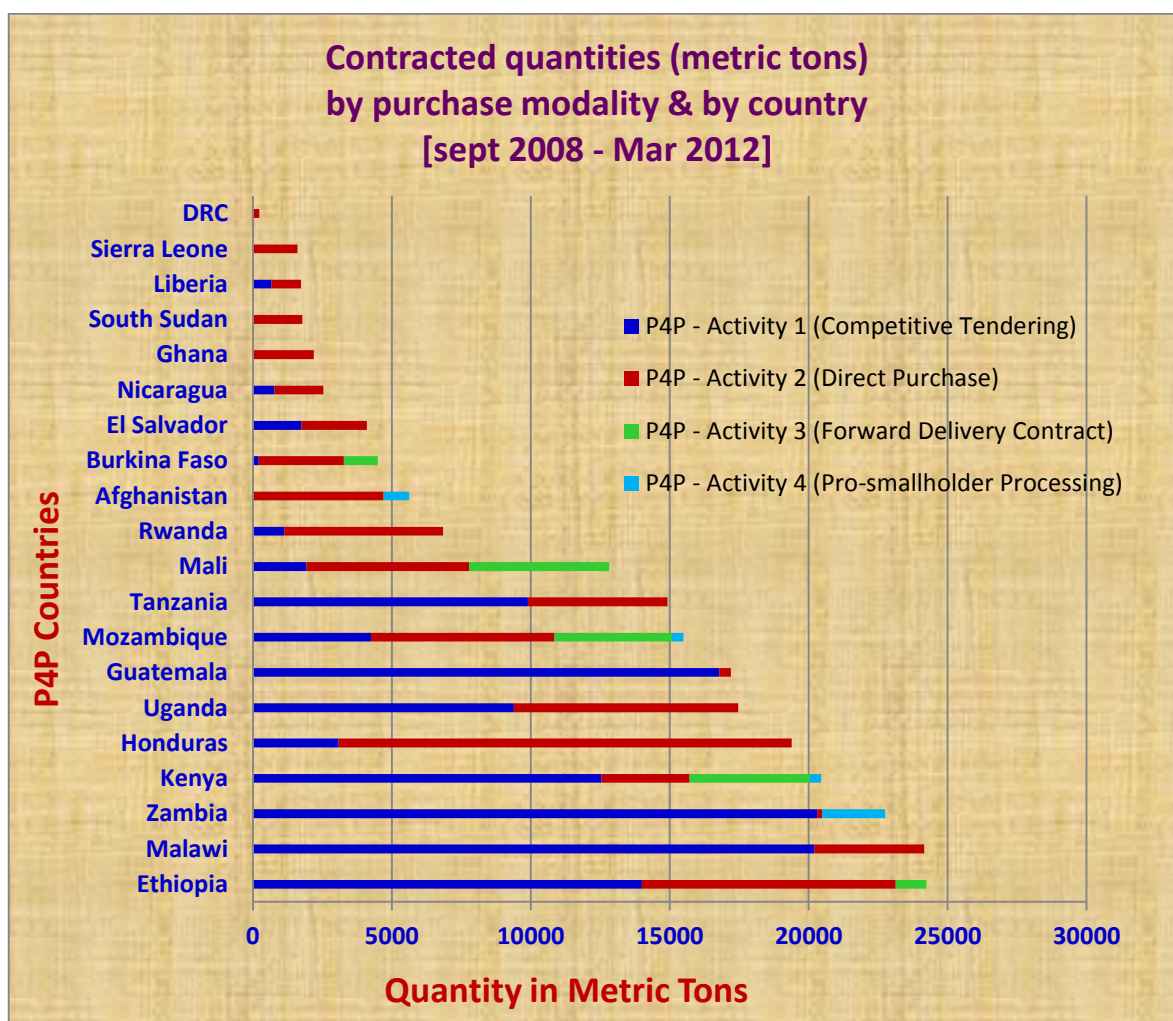
Region	Origin Country	P4P - Activity 1 (Competition)	P4P - Activity 2 (Direct Contract)	P4P - Activity 3 (Forward Contract)	P4P - Activity 4 (Processing Option)	Grand Total	% by Countries
Asia	Afghanistan		4,702		917	5,619	2.6%
Asia Total			4,702		917	5,619	2.6%
Central America	El Salvador	1,756	2,350			4,106	1.9%
	Guatemala	16,784	418			17,203	7.8%
	Honduras	3,076	16,310			19,385	8.8%
	Nicaragua	775	1,756			2,532	1.2%
Central America Total		22,391	20,834			43,226	19.7%
East & Southern Africa	DRC		227			227	0.1%
	Ethiopia	13,994	9,140	1,100		24,234	11.0%
	Kenya	12,547	3,166	4,335	393	20,441	9.3%
	Malawi	20,201	3,954			24,156	11.0%
	Mozambique	4,255	6,591	4,230	412	15,488	7.0%
	Rwanda	1,131	5,715			6,846	3.1%
	South Sudan		1,774			1,774	0.8%
	Tanzania	9,899	5,019			14,918	6.8%
	Uganda	9,394	8,069			17,463	7.9%
Zambia	20,319	166		2,265	22,750	10.3%	
Eastern & Southern Africa Total		91,741	43,822	9,665	3,070	148,298	67.4%
West Africa	Burkina Faso	210	3,061	1,226		4,498	2.0%
	Ghana		2,186			2,186	1.0%
	Liberia	668	1,057			1,725	0.8%
	Mali	1,923	5,851	5,044		12,818	5.8%
	Sierra Leone		1,599			1,599	0.7%
West Africa Total		2,801	13,754	6,270		22,826	10.4%
Grand Total		116,933	83,112	15,935	3,987	219,968	100.0%
% by Activity		53.2%	37.8%	7.2%	1.8%	100.0%	

Source: data extracted from the Procurement Tracking System Database on 5th May 2012 and cleared by ODPF

Breakdown by region and country

- 67% was contracted in Eastern and Southern Africa, followed by the Central America region (20%), West Africa (10%) and Asia (Afghanistan, 3%).
- In Eastern and Southern Africa, **Ethiopia, Malawi, and Zambia** are the top three countries in terms of tonnages contracted, followed by **Kenya and Uganda**.
 - **Ethiopia** comes first with 24,234mt (11.2% of the total contracts);
 - **Malawi** comes second with 24,156mt (of which 20,153mt or 83% through the Agricultural Commodity Exchange for Africa), (11% of total P4P contracts);
 - **Zambia** comes third (22,750mt or 10.3% of total contracts). Zambia ranked first in terms of tonnages in 2009 and 2010 (due to substantial purchases through the Commodity Exchange), but Zambia has been surpassed by Ethiopia and Malawi in 2011 & 1st quarter of 2012 as Zambia reduced purchases substantially due to the Food Reserve Agency (FRA) intervention in the maize market.
 - **Kenya** comes fourth (20,441mt or 9.3% of total contracts), although 56% has been defaulted.
 - **Uganda** comes fifth in the region, with 17,463mt that constitutes 8% of total contracts. As in the case of Zambia, P4P purchases in **Uganda** have been significantly decreasing since 2009. In terms of contracted quantity, **Zambia** and **Uganda** were first and second in 2009 respectively.

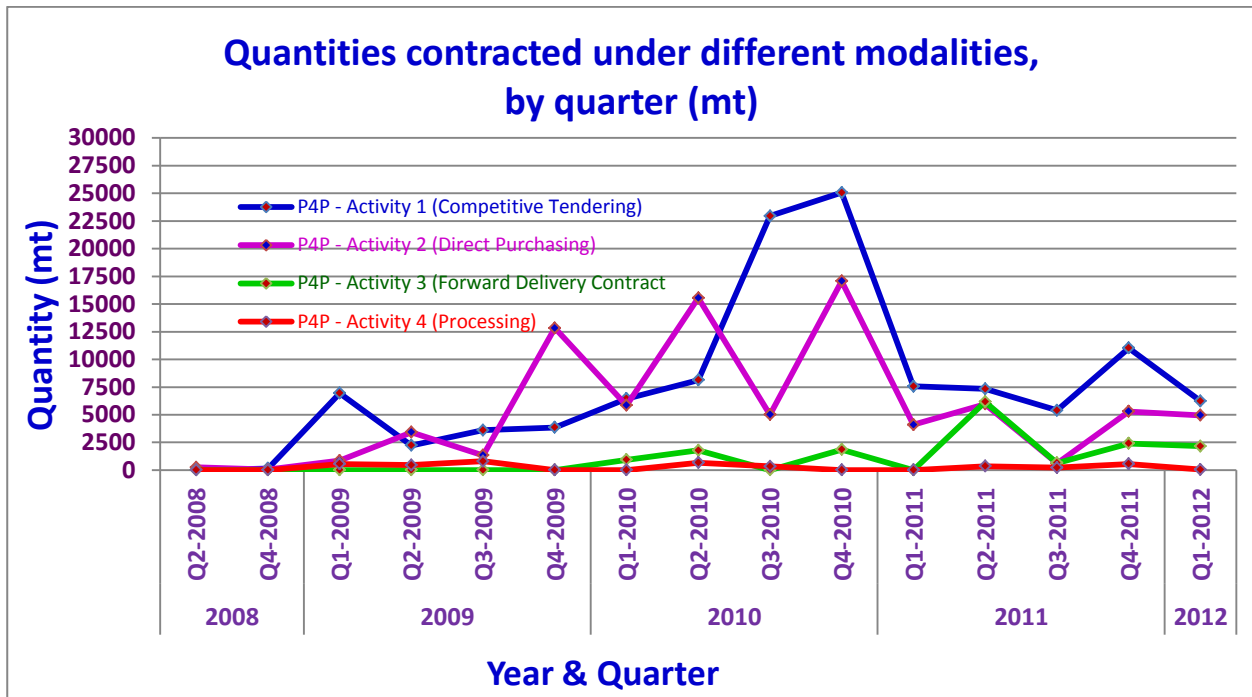
- In Central America, **Honduras** has substantially increased tonnages purchased in the course of 1st quarter 2012 (most of it for the National School Feeding Programme), and ranks first in the region with 19,385mt contracted (8.8% of all P4P contracts), followed by **Guatemala** with 17,203mt or 7.8% of total contracts. El Salvador and Nicaragua each account for 1.6% and 1.2% of the total P4P contracts respectively.
- In West Africa, **Mali** continues to be the first country in terms of tonnages contracted (and delivered), with 12,818mt contracted that accounts for 5.8% of the total, followed by **Burkina Faso** (4,498mt or 2% of total P4P contracts). The other countries in West Africa have purchased very small amounts. Having only one purchasing season in the year and the challenging post-conflict environment in Liberia and Sierra Leone have greatly constrained local purchase activities.



Breakdown by P4P activity

- Of total quantity, 53% (116,933mt) was contracted through **competitive processes** (mainly “pro-smallholder competition”). Most countries have, to a different extent, used the soft tendering modality, although five countries (Afghanistan, DRC, Ghana, S. Sudan and Sierra Leone) have not used this modality.
- 38% (83,112mt) was contracted through **direct contracts**, mainly from FOs, but in some instances from Agents/agro-dealers (Kenya, Mozambique and Sierra Leone) and NGOs (DRC, Zambia). All 20 P4P countries have (to various extents) employed the direct contracting modality, mostly with FOs.

- 7% (15,935mt) was contracted through **forward delivery contracts** in Burkina Faso, Kenya, Mali, Mozambique and Ethiopia. The use of this modality increased in 2011, with Ethiopia starting to implement. The use of this modality is expected to expand during 2012 as Ethiopia plans to sign FDC for the purchase of 30,000mt of maize in the 2nd quarter, 2012 for delivery in early 2013.
- 2% (3,987mt) were purchases of **processed foods** (supporting pro-smallholder processing options) including high energy supplements (Zambia), high energy biscuits (Afghanistan), maize meal and corn soya blend in Kenya, Mozambique and Zambia².



At the beginning of P4P (early 2009), pilot countries 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 quickly over-taken by the direct contracting modality in 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.

The use of competitive modalities (soft tenders) has increased 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 a reflection of an increase in capacities of most of the P4P FOs. The increase in competitive tendering didn’t affect the use of direct contracts which remained stable throughout.

In 2011, there has been an increase in the use of forward delivery contracting (contracting for risk reduction), as more countries are experimenting with this new modality, and expected to increase in the year 2012 as countries like Ethiopia are working closely with the Government and partners to scale it up.

² When the purchase of processed commodities occur through Commodity Exchanges (rather than directly through manufacturers/processors), the purchase is classified as “P4P/Activity 1- Competitive processes” and hence does not appear in this classification. Maize Meal purchased through ZAMACE in Zambia and ACE in Malawi, appears under “activity 1” rather than under “activity 4”.

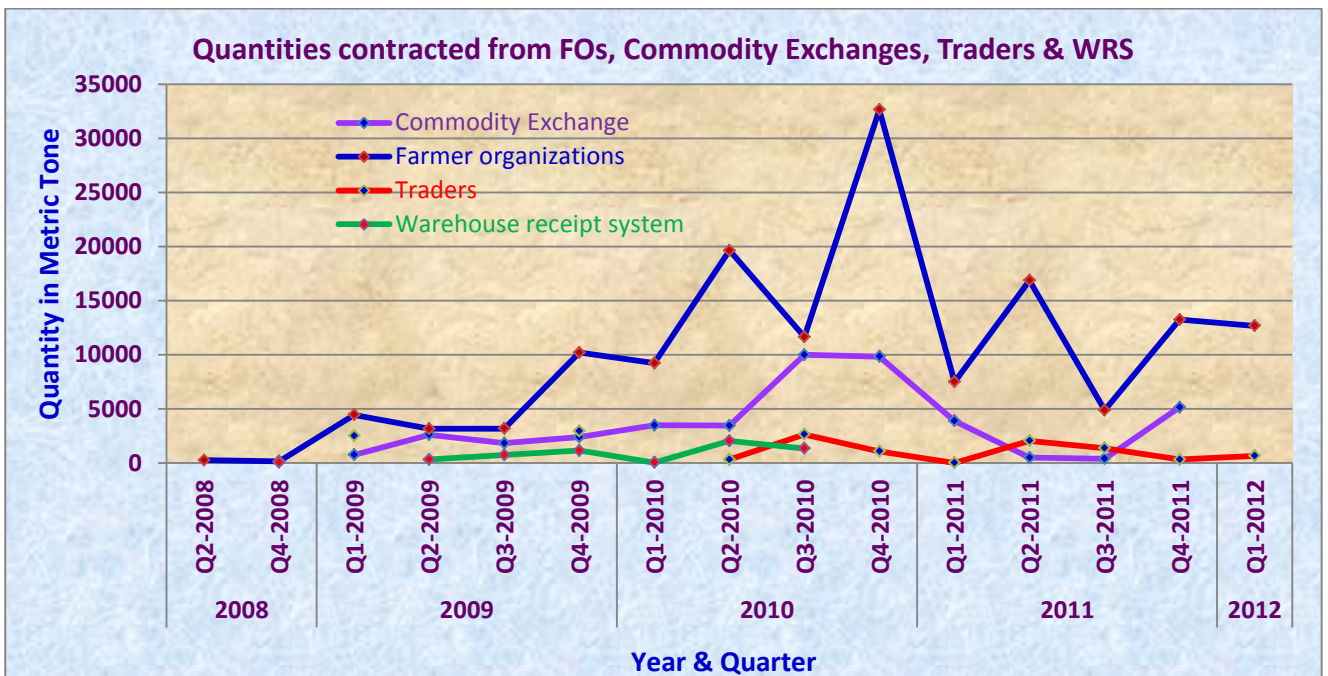
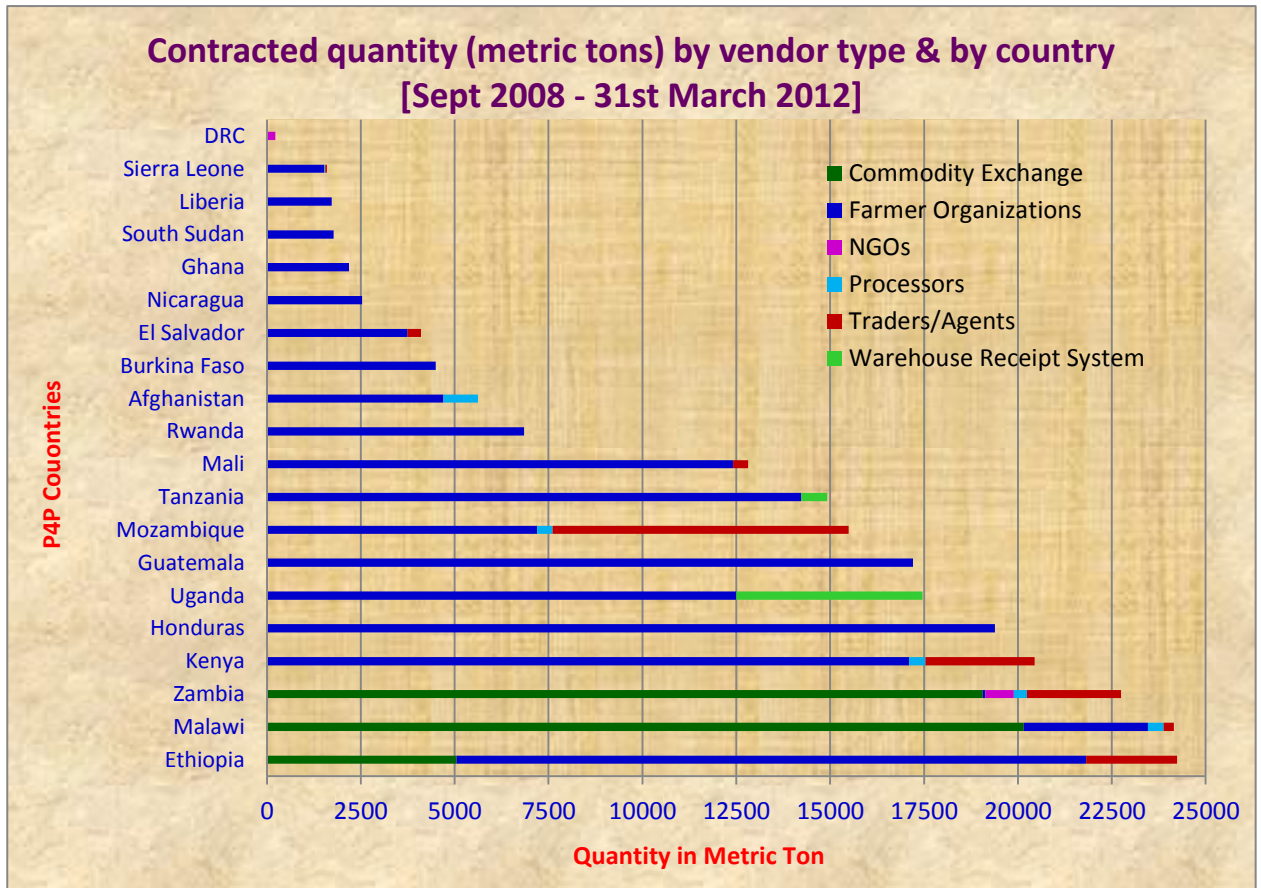
2. Total P4P contracts by Vendor typology (Sept 2008 – 31st March 2012)

Origin Countries	Origin Country	Commodity Exchange	Farmer organizations	NGOs	Processors/Manufacturers	Traders /Agents	Warehouse receipt system	Grand Total
Asia	Afghanistan		4,702		917			5,619
Asia Total			4,702		917			5,619
Central America	El Salvador		3,743			363		4,106
	Guatemala		17,203					17,203
	Honduras		19,385					19,385
	Nicaragua		2,532					2,532
Central America Total			42,863			363		43,226
East & Southern Africa	DRC			227				227
	Ethiopia	5,051	16,763			2,420		24,234
	Kenya		17,101		433	2,907		20,441
	Malawi	20,153	3,307		419	276		24,156
	Mozambique		7,197		412	7,879		15,488
	Rwanda		6,846					6,846
	South Sudan		1,774					1,774
	Tanzania		14,231				687	14,918
	Uganda		12,499				4,963	17,463
Zambia	19,062	66	758	351	2,513		22,750	
East & Southern Africa Total		44,266	79,786	985	1,615	15,995	5,650	148,298
West Africa	Burkina Faso		4,498					4,498
	Ghana		2,186					2,186
	Liberia		1,725					1,725
	Mali		12,418			400		12,818
	Sierra Leone		1,529		25	45		1,599
West Africa Total			22,356		25	445		22,826
Grand Total		44,266	149,706	985	2,557	16,803	5,650	219,968
% by Activity		20.1%	68.1%	0.4%	1.2%	7.6%	2.6%	100%

Source: data extracted from the Procurement Tracking System Database on 5th May 2012 and cleared by ODPF

Breakdown by vendor type or procurement platform

- 68% (149,706mt) was contracted with **Farmers' Organizations (FOs)**, whether through tendering, direct or forward delivery contracts, across all pilot countries. For some countries (Guatemala, Honduras, Nicaragua, Burkina Faso, Ghana, Liberia, South Sudan and Rwanda), FOs are the only entry point, while it is the main entry point for many countries.
- 20% (44,266mt) was contracted through **Commodity Exchanges** in Ethiopia (5,051mt), Malawi (20,153mt) and Zambia (19,062mt). Purchases through the Ethiopia and Zambia Commodity Exchanges ceased in 2011 (due to the drought in the Horn of Africa and massive purchases from the National Food Reserve Agency at above market price in the case of Zambia, which crowded out all private traders), while they have increased through the Malawi Commodity Exchange.
- 8% (16,803mt) was contracted through **small & medium traders and agents** such as agro-dealers, mainly in Mozambique (7,879), Kenya (2,907mt), Zambia (2,513mt), and Ethiopia (2,420mt). Small-scale Traders represent a key entry point in the P4P country strategies in these four countries.
- 3% (5,650mt) was contracted through different forms of **warehouse receipt systems** in Uganda (4,963mt) and Tanzania (687mt). Malawi and Zambia are also working towards establishing warehouse receipt systems. Ethiopia has already established a WRS which is operated by the Ethiopian Commodity Exchange (ECX) but P4P targeted groups have not yet started using it.
- 0.4% has been procured through **NGOs** (DRC & Zambia) and 1.2% directly from **processors** (purchase of high energy biscuits in Afghanistan, CSB in Kenya, Malawi & Mozambique, & cassava flour in Sierra Leone).



As shown on the chart, farmers' organizations, commodity exchanges, small & medium scale traders, and warehouse receipt systems are the first four top suppliers of commodities (contracted quantity) under P4P that constitute 68%, 20%, 6% and 3% respectively

3. Cumulative P4P contracts by commodity (Sept 2008-31st March 2012)

Country	Maize	Pulse	Rice	Other Cereals (Sorghum, millet, wheat)	Blended Foods (CSB, HEB, HES) ³	Processed Foods (flours, UHT milk, veg oil) ⁴	Grand Total
Afghanistan				4,702	917		5,619
Burkina Faso	1,397	645		2,456			4,498
DRC	227						227
El Salvador	4,032	74					4,106
Ethiopia	21,893	2,341					24,234
Ghana	2,186						2,186
Guatemala	16,722	481					17,203
Honduras	14,486	4,899					19,385
Kenya	14,956	1,499	40	3,553	393		20,441
Liberia			1,725				1,725
Malawi	15,383	2,708			2,242	3,823	24,156
Mali		184	5,857	6,777			12,818
Mozambique	11,608	3,468			412		15,488
Nicaragua	2,512		20				2,532
Rwanda	5,579	1,267					6,846
Sierra Leone			1,484		25	90	1,599
South Sudan	1,716			58			1,774
Tanzania	12,915	2,003					14,918
Uganda	16,777	686					17,463
Zambia	12,450	303			658	9,339	22,750
Grand Total	154,840	20,558	9,126	17,545	4,647	13,252	219,968
% by Commodity	70%	9%	4%	8%	2%	6%	100%

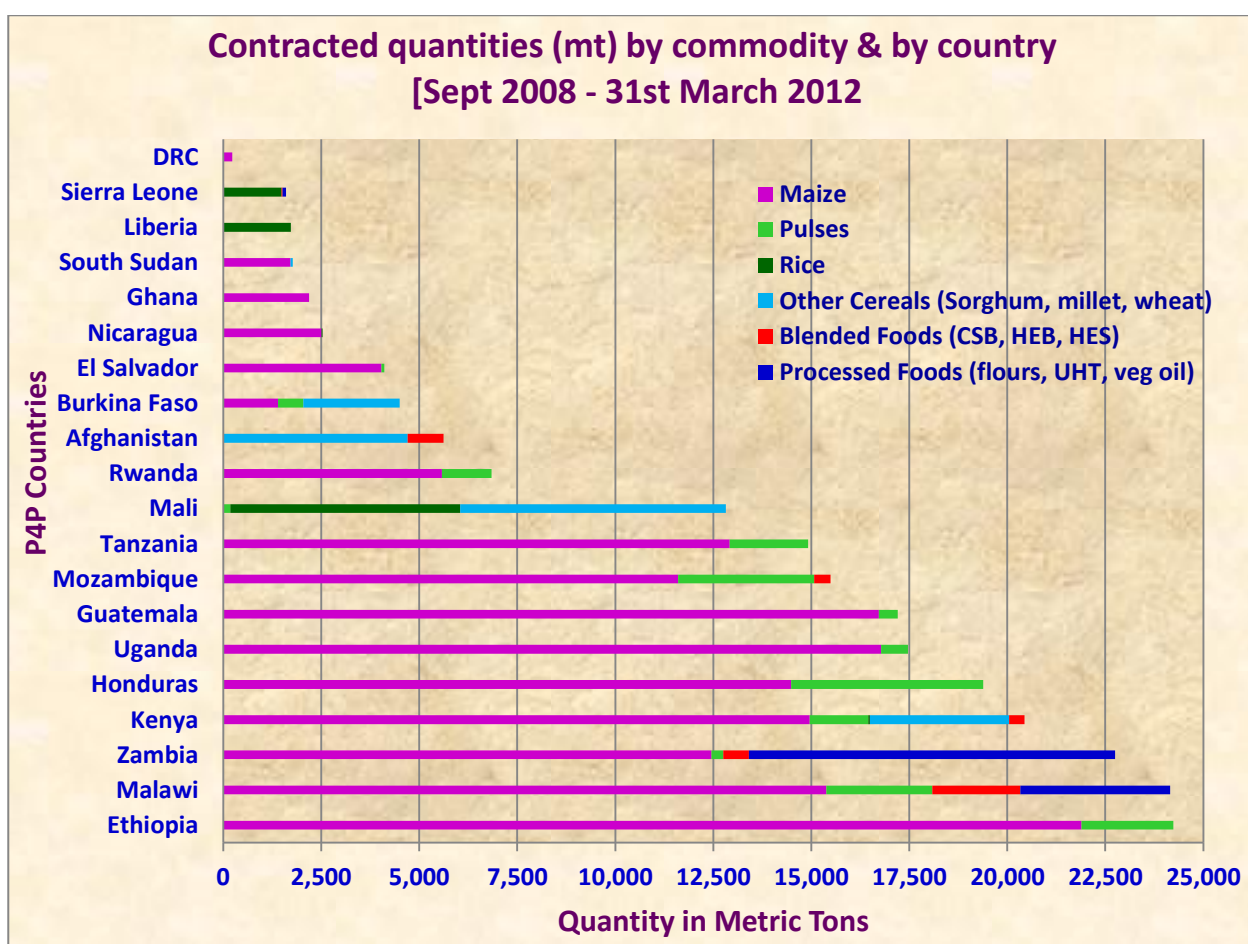
Source: data extracted from the Procurement Tracking System Database on 5th May 2012 and cleared by ODPF

Breakdown by commodity

- The commodities purchased under P4P have been diversifying since the start of P4P, although maize remains the primary commodity purchased. In 2009 fortified commodities represented less than 700mt; fortified commodities now represent more than 4,500mt (or 2% of total purchases) which indicates that the capacities of FOs have been increasing. Small amounts of new commodities have been purchased in 2011 which include cassava flour and vegetable oil in Sierra Leone, and UHT milk in Zambia.
- **Maize grain** still accounts for 70% of all P4P contracts (154,840mt), and if we include **Maize Meal** (12,811mt), maize accounts for 76% of all P4P contracts. Maize grain has been purchased in most countries, except Afghanistan, Liberia, Mali, and Sierra Leone.
- Afghanistan purchases **wheat & high energy biscuits (HEB)**, while **sorghum & Millet** are purchased mainly in Burkina Faso, Kenya, Mali and South Sudan.
- **Pulses** (beans, red beans, white beans, peas, cowpeas) account for 9% of total P4P contracts (19,142mt), and the relative share is slowly increasing. Most of the pulses are procured in Eastern and Southern Africa, while purchases of pulses have been constrained by high prices (above Import Parity) in the Central American region, and availability in the Eastern & Southern African countries (in 2011 they bought only 68% of what they bought in 2010).
- **Fortified commodities and blended foods** including Corn Soya Blend (CSB), High energy Supplements (HESs) and High Energy Biscuits (HEBs) together represent 2% of total P4P contracts as of 31st March 2012 (4,647mt), and were procured in Afghanistan, Kenya, Malawi, Mozambique and Zambia. **CSB+** was procured in Sierra Leone.

³ CSB – Corn Soya Blend, HEB – High Energy Biscuits, and HES – High Energy Supplements

⁴ UHT - Ultra High Temperature Milk, and Veg. Oil – Vegetable Oil



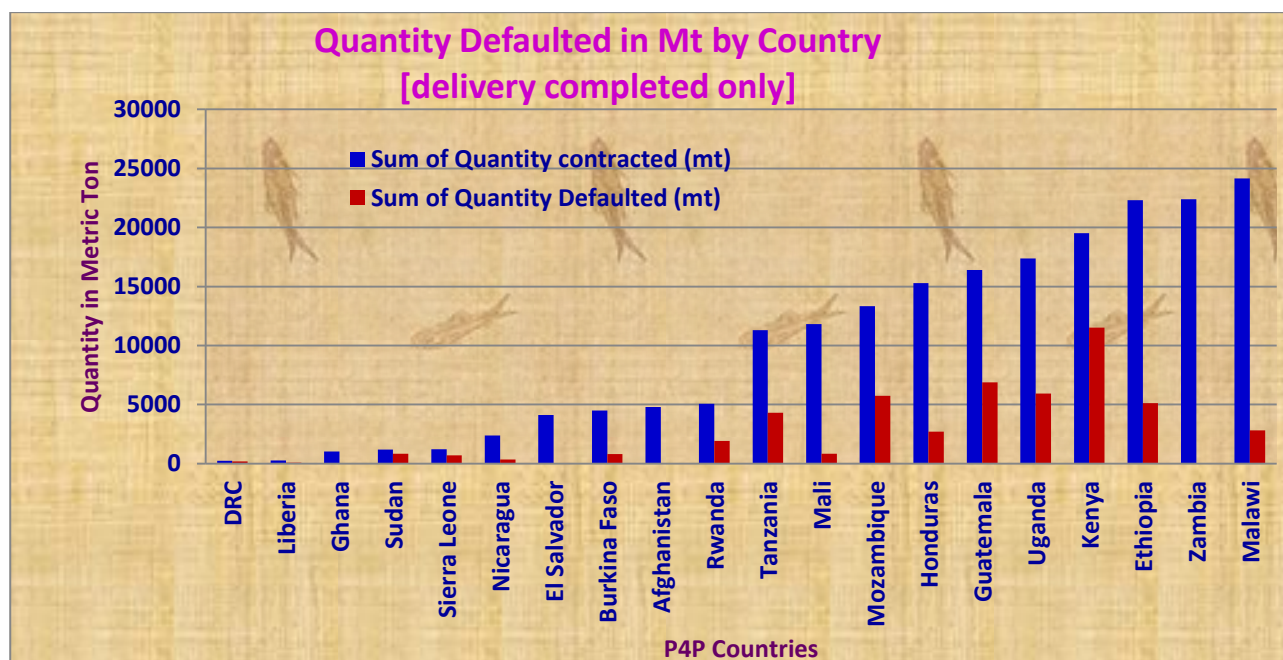
III. ANALYSIS OF DEFAULTS

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

1. Deliveries and defaults by country (delivery completed), (Sept 2008 – 31 March 2012)

Row Labels	Sum of Quantity contracted (mt)	Sum of Quantity Defaulted (mt)	% Confirmed Default
DRC	227	167	74%
Liberia	257	65	25%
Ghana	1,024	0	0%
South Sudan	1,174	831	71%
Sierra Leone	1,221	695	57%
Nicaragua	2,372	344	15%
El Salvador	4,106	1	0%
Burkina Faso	4,498	816	18%
Afghanistan	4,802	1	0%
Rwanda	5,068	1,925	38%
Tanzania	11,299	4,292	38%
Mali	11,804	840	7%
Mozambique	13,328	5,740	43%
Honduras	15,282	2,692	18%
Guatemala	16,388	6,883	42%

Uganda	17,363	5,917	34%
Kenya	19,510	11,507	59%
Ethiopia	22,314	5,120	23%
Zambia	22,399	25	0%
Malawi	24,156	2,797	12%
Grand Total	198,592	50,660	26%



2. Deliveries and defaults by P4P activity (delivery completed), (Sept 2008 – 31 March 2012)

Row Labels	Total Quantity contracted (mt)	Total Delivered Quantity (mt)	Total Quantity Defaulted (mt)	% Confirmed Default
P4P - Activity 1 (Competitive Tendering)	110,718	80,900	29,811	27%
P4P - Activity 2 (Direct Purchasing)	73,287	54,857	18,410	25%
P4P - Activity 3 (Forward Delivery Contract)	11,769	9,379	2,438	21%
P4P - Activity 4 (Processing)	2,819	2,818	1	0%
Grand Total	198,592	147,954	50,660	26%

3. Deliveries and defaults by vendor typology (delivery completed), (Sept 2008 – 31 March 2012)

Row Labels	Total Quantity contracted (mt)	Total Delivered Quantity (mt)	Total Quantity Defaulted (mt)	% Confirmed Default
Agents	2,907	915	1,992	69%
Commodity Exchange	44,266	43,261	1,003	2%
Farmer organizations	129,798	87,747	42,073	32%
NGOs	985	818	167	17%
Processors	1,389	1,388	1	0%
Traders	13,596	9,788	3,808	28%
Warehouse receipts system	5,650	4,036	1,614	29%
Grand Total	198,592	147,954	50,660	26%

Source: data extracted from the Procurement Tracking System Database on 5th May 2012 and cleared by ODPF

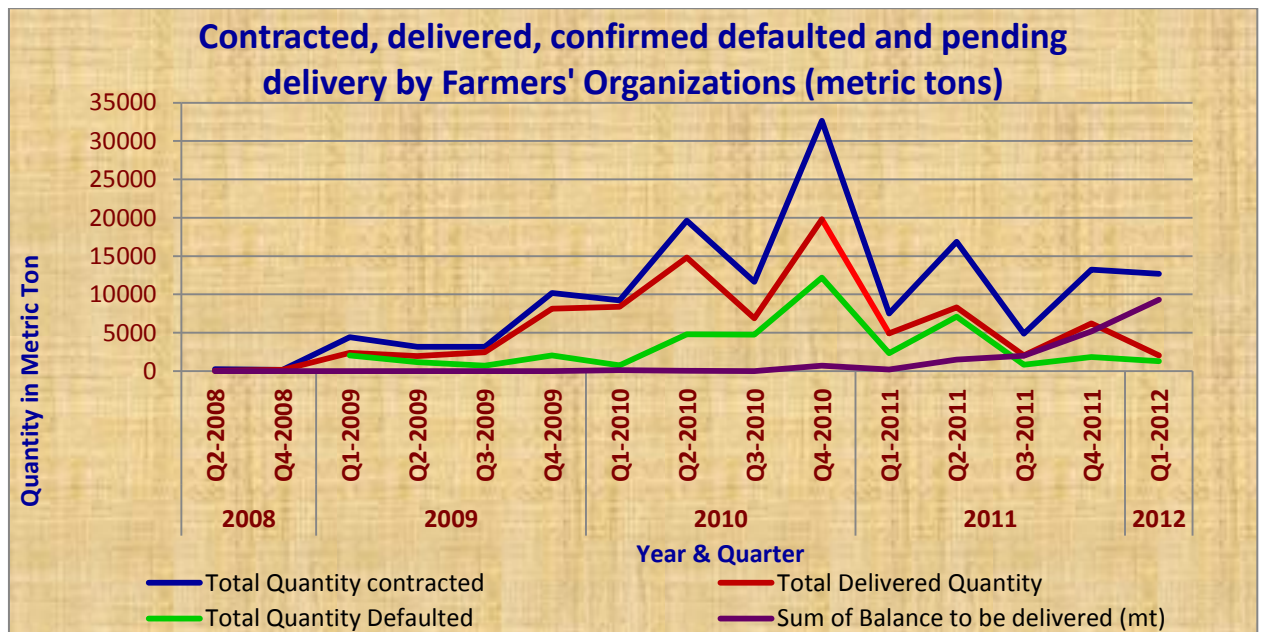
- Of the 219,968mt of food contracted since September 2008, **149,104mt** (68%) was delivered, **50,660mt (23%)** was **confirmed defaulted**, and the remaining **20,204mt** (9%) is still to be delivered.
- The drought in the Horn of Africa in 2011 has greatly reduced available surpluses in **Kenya and Ethiopia**. This led to rapid increase in the market price of maize after most contracts had been signed. As a result, many FOs were not able to bulk the required quantities as many farmers decided to sell individually to traders at higher prevailing market prices rather than through their organizations.
- In absolute terms, **Kenya, Guatemala, Uganda, Mozambique, Ethiopia, and Tanzania** have had the highest volumes defaulted over 11,500mt, 6,800mt, 5,900mt, 5,700mt, 5000mt and 4,400mt respectively. 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, DRC, South Sudan, Kenya, Sierra Leone, Mozambique and Guatemala are the first six countries with 74%, 71%, 59%, 57%, 43% and 42% of default respectively.
 - **Kenya, Mozambique and Guatemala** have high default rates in both absolute and relative terms: they contract a lot, default a lot, and have consistently defaulted a lot throughout the 3 years of P4P implementation.
 - **South Sudan and Sierra Leone** have high default rates in relative terms; they have managed to contract very little due to challenging post-conflict environment, but the little they contracted was affected by significant defaults.
 - In **DRC**, the very high defaults reflect the fact that FOs under the P4P plan to sell 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 P4P FOs to traders, while WFP acts as buyer of last resort – only buying if there are surpluses unsold after the trading season).

In terms of P4P activities (procurement modalities –sub-table 2):

- Defaults are slightly higher with **soft/adjusted tenders** (27% of all soft tenders) than with **direct contracts to date** (25%).
- 21% of the **forward delivery contracts** have been defaulted, which is interesting as some Country Offices introduced this particular modality to manage price fluctuations, and to enable better planning on both the supplier and the WFP side. Defaults of forward delivery contracts mean that, at the time of delivery and renegotiation of the price, market prices have increased above the estimated increase, and therefore the vendors had the option to sell elsewhere as WFP was not able/willing to increase the price above a certain ceiling, or farmers preferred to sell for immediate cash, or it was impossible to aggregate the contracted quantity due to poor yields and/or individual sale as opposed to collective marketing.
- There were no defaults on purchases of **processed foods** (usually from processors- activity 4).

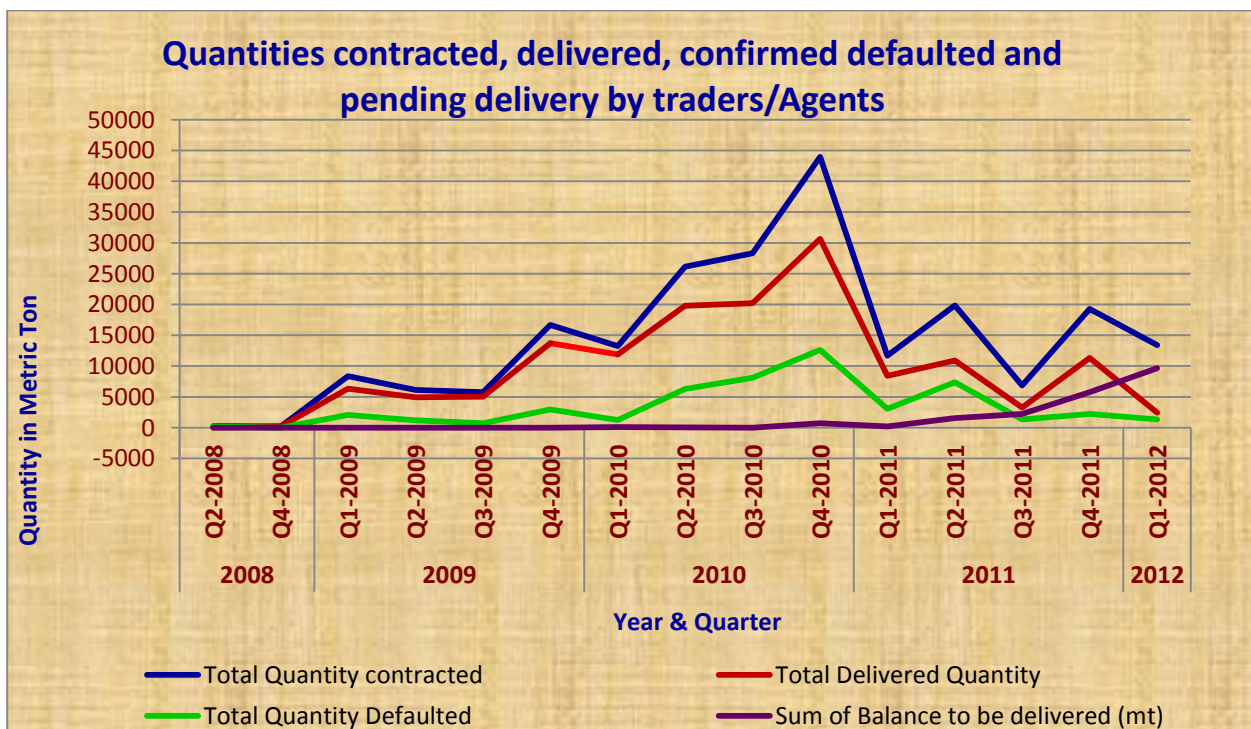
In terms of vendor typology/procurement platform (sub-table 3):

- 35% of contracted quantities with **traders/agents** have been defaulted, followed by 32% of the contracted quantities with **FOs**. This proves that it is not necessarily more risky to purchase from FOs than from individual traders/agents: what drives the risk is not so much the nature of the vendor (FO, trader etc...), but rather the capacity of the supplier to bulk the required quantities quickly and efficiently, and grade the commodity to WFP standards, something that is acquired through experience in marketing in “formal”/“high quality” markets.
- 29% of the contracted quantities with **Warehouse Receipt Systems (WRS)** (Uganda and Tanzania) were defaulted, followed by 17% of the contracted quantities with **NGOs**. These refer mainly to the DRC and South Sudan P4P purchases, where the contract is signed with the NGOs representing the farmers’ groups. Defaults when purchasing through WRS is of concern, since WRS should precisely guarantee quantity and quality.
- Comparatively, purchases from **Commodity Exchanges** and **Processors** have had almost nil default rates.

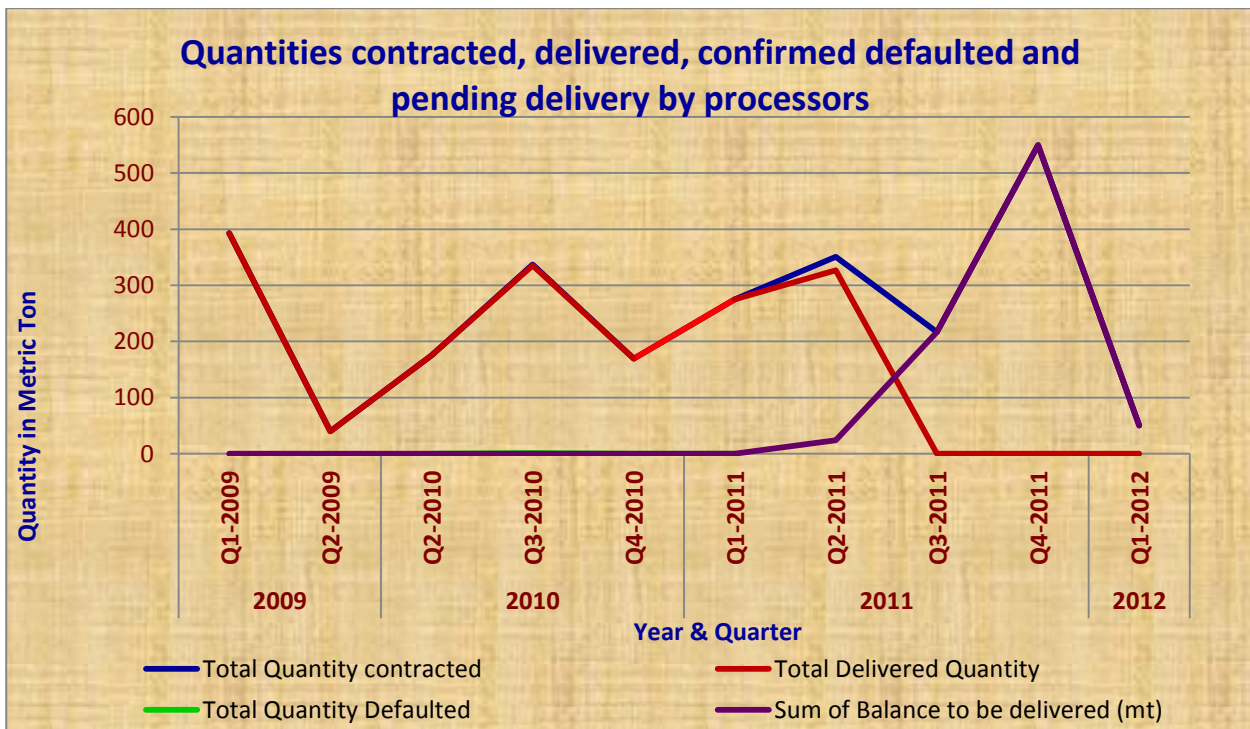


Quantities **contracted** steadily increased from 2009, reached a peak in late 2010, and reduced drastically in 2011 as a result of the climatic events and related high prices and government interventions. Quantities **defaulted** have usually followed the same trend, with a peak in defaults (in absolute terms) at the end of 2010. In 2011, defaults have remained high in relative terms, as the few contracts have suffered significant defaults largely due to price increase and volatility.

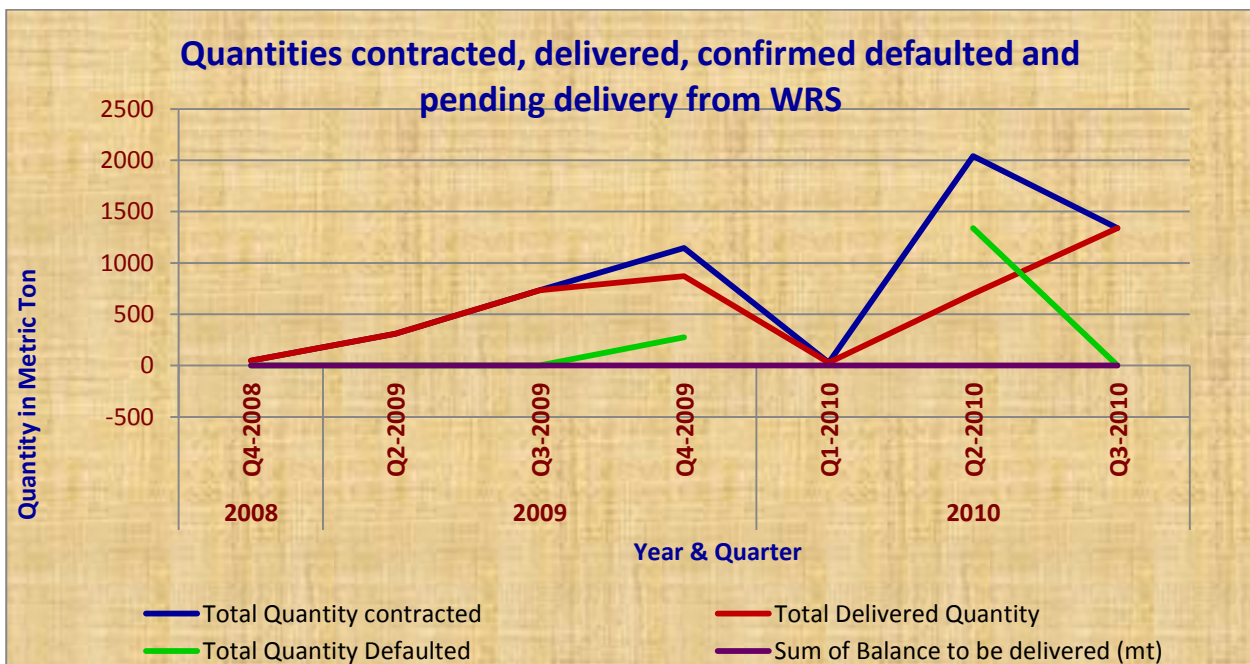
Most of the quantities contracted before the 4th quarter 2011 have been delivered except the forward delivery contracts. The increase on the “balance to be delivered” is mainly because of the effect of 4th quarter 2011 and 1st quarter 2012 contracts. The 1st quarter 2012 contracts accounts for almost 50% of the total balance still to be delivered



P4P has contracted from small and medium **traders** since 2009, and especially in 2010, but many were defaulted in 2010 (except in Ethiopia). In 2011, traders appear to have performed relatively better.



As it can be seen from the above chart, almost all quantities contracted with processors have been delivered. Most of the quantities contracted in the 4th quarter 2011 and 1st quarter 2012 are still to be delivered.



Purchases through WRS should be reliable but substantial defaults have been encountered in Uganda and Tanzania in the last quarter of 2009 and second quarter of 2010. However, purchases through WRS have happened in two P4P countries only which are not enough to generalize regarding the longer-term potential of the platform. There were no purchases from WRS since the 3rd quarter of 2010.



Purchases through Commodity Exchanges are usually quite reliable, with just a few defaults from the Malawi and Zambia Commodity Exchanges in the 2nd quarter 2010 and 1st quarter 2011.

4. Delivery delays in P4P countries

There have been substantial delays encountered when considering the planned and actual delivery dates especially by medium and small capacity farmers' organizations owing to reasons such as: lack of experience to execute WFP contracts, recurrent appearance of live insects, lack of experience on re-bagging activity, shortage of storage space, high moisture content, etc

Delays encountered by Farmer Organizations, by country		
Country Office	# of Tender	Average # of days of delay per contract
Afghanistan	3	63
Burkina Faso	16	17
El Salvador	14	43
Ethiopia	17	63
Ghana	1	47
Guatemala	26	40
Honduras	22	30
Kenya	74	96
Liberia	1	217
Malawi	8	39
Mali	34	25
Mozambique	32	77
Nicaragua	1	19
Rwanda	6	171
Sierra Leone	10	31
South Sudan	5	53
Tanzania	24	60
Uganda	18	74
Grand Total	312	62

Source: data extracted from the Procurement Tracking System Database on 5th May 2012 and cleared by ODPF

The average delay by FOs ranges from a minimum of 17 days (Burkina Faso) up to a maximum of 217 days (Liberia – they decided to keep the contract open for the next harvesting season instead of declaring default). In general, P4P FOs have delayed contracts for 62 days on average worldwide. Country Offices, in collaboration with partners, have been exerting utmost effort to address this issue.

5. Frequency of default reasons.

P4P Coordination Unit & Procurement Division at HQ level are currently working on an adjustment of the Food Purchase Tracking System (FPTS) to capture standard default reasons for purchases under P4P. Hence, the next quarter report will include a detailed analysis of defaults.

IV. ANALYSIS OF LOCAL PURCHASE COSTS WITH RESPECT TO IMPORT PARITY

6. Costs with respect to Import Parity, by country & commodity [Sept 2008 – 31 March 2012]

Countries	Name of Commodity	Quantity Contracted	Total value of contract International Price (USD)	Total Value of contract Local Price (USD)	Savings on total quantity contracted (USD)
Afghanistan	H.E. Biscuits	917	1,379,761	1,335,435	44,326
	Wheat	4,702	2,010,900	1,880,417	130,483
Burkina Faso	Maize	1,397	721,428	494,803	226,625
	Pulse	645	500,279	286,562	213,717
	Sorghum	2,456	1,206,836	779,625	427,211
DRC	Maize	227	107,635	41,836	65,799
El Salvador	Maize	4,032	1,913,948	1,709,745	204,203
	Pulse	74	76,329	109,155	- 32,826
Ethiopia	Maize	21,893	9,491,423	5,789,323	4,239,916
	Pulse	2,341	2,234,391	1,245,210	989,181
Ghana	Maize	2,186	429,056	1,014,755	65,536
Guatemala	Maize	16,722	9,326,147	7,360,544	1,965,603
	Pulse	481	497,239	520,446	- 23,206
Honduras	Maize	14,486	7,351,208	5,741,937	1,609,271
	Pulse	4,899	6,023,128	6,982,091	- 958,963
Kenya	CSB	393	211,198	259,313	- 48,115
	Maize	14,956	6,797,488	3,627,019	3,170,469
	Pulse	1,499	1,578,689	801,015	777,673
	Rice	40	19,605	34,270	- 14,665
	Sorghum	3,553	1,558,325	839,766	718,559
Liberia	Rice	1,725	1,280,138	943,390	336,748
Malawi	CSB	2,242	1,283,389	1,133,939	452,674
	Maize	15,383	5,956,437	3,707,430	2,421,959
	Maize Meal	3,823	2,024,498	1,302,230	722,268
	Pulse	2,708	1,414,202	1,375,344	364,915
Mali	Pulse	184	169,680	124,144	45,536
	Rice	5,857	3,806,010	3,721,661	84,349
	Sorghum	6,777	3,173,521	2,390,521	453,000
Mozambique	CSB	412	263,501	206,660	56,841
	Maize	11,608	5,151,576	3,367,319	1,166,224
	Pulse	3,468	2,184,936	1,636,750	548,187
Nicaragua	Maize	2,512	1,070,135	960,745	109,390
	Rice	20	14,680	17,420	- 2,740
Rwanda	Maize	5,579	2,967,267	1,497,889	1,469,378
	Pulse	1,267	1,334,484	652,256	682,228

Countries	Name of Commodity	Quantity Contracted	Total value of contract International Price (USD)	Total Value of contract Local Price (USD)	Savings on total quantity contracted (USD)
Sierra Leone	Cassava Flour	50	3,455	19,949	1,325
	CSB	25	20,475	24,000	- 3,525
	Rice	1,484	876,021	877,538	- 1,517
	Vegetable Oil	40	61,200	58,000	3,200
South Sudan	Maize	1,716	1,178,638	658,096	520,542
	Sorghum	58	28,340	28,750	- 410
Tanzania	Maize	12,915	4,983,277	3,854,387	1,400,600
	Pulse	2,003	1,495,214	1,377,985	136,263
Uganda	Maize	16,777	8,942,091	5,227,408	3,714,683
	Pulse	686	727,450	384,315	343,135
Zambia	H.E. Supplement	658	400,646	315,060	85,586
	Maize	12,450	4,904,964	3,538,787	1,366,176
	Maize Meal	8,988	4,653,002	2,383,985	2,269,017
	Milk-UHT	351	655,668	491,400	164,268
	Pulse	303	273,056	219,890	53,166
Grand Total		219,968	114,732,962	83,350,515	32,734,262

Source: data extracted from the Procurement Tracking System Database on 12 March 2012 and cleared by ODPF

219,968mt of food commodities have been contracted through P4P procurement modalities in 20 countries from September 2008 up to 31st March 2012 with a total value of US\$ 83.3 million. Of these, as of 31st March 2012, **149,104mt (68%)** were delivered (50,660mt defaulted and 20,204mt still to be delivered), corresponding to an estimated **US\$ 56 million paid by WFP** (equivalent to 68% of contracted value) to P4P vendors. In sum, US\$ 56 million have been put more directly in the pockets of smallholder farmers and small and medium traders as a result of P4P purchases.

Overall, by procuring locally through P4P modalities, and in comparison with the price value of importing the same commodities, WFP has realized savings of approximately **US\$ 30 million** (savings with respect to import parity price, considering the total quantity contracted)⁵.

Generally, almost all P4P contracts have been below import parity (i.e, local prices are below the import parity price), therefore respecting WFP's principle of "cost efficient procurement", and realizing cost savings with respect to importation, with a few exceptions:

- **Beans in Central America**, usually purchased above IPP. This is especially the case in **Honduras**, where WFP has purchased (with funds from the Government of Honduras) 4,000mt of beans above IPP, paying **US\$ 1,3 million of Government of Honduras funds in excess** of what it would have cost importing the beans. This is being allowed in Honduras because the Government has explicitly asked WFP to procure locally the beans for its National School Feeding Programme, regardless of the price, using government funds.
- Small quantities of **rice and CSB** were procured in Kenya at above IPP at the very beginning of P4P (in 2009), but not since then. Also, a one off purchase of 20mt of rice in Nicaragua was procured at above IPP
- **CSB and rice** in Sierra Leone were purchased at above IPP in 2011, as well as small quantities of sorghum in South Sudan. Purchases in these post-conflict countries have sometimes been at above calculated IPP, but have represented very small quantities.

⁵ It should be noted though that these savings refer to savings realized by the mere fact of procuring locally instead of importing the same commodity. Savings to WFP are even larger if compared to all local food procurement (both P4P and regular local procurement from large scale traders).