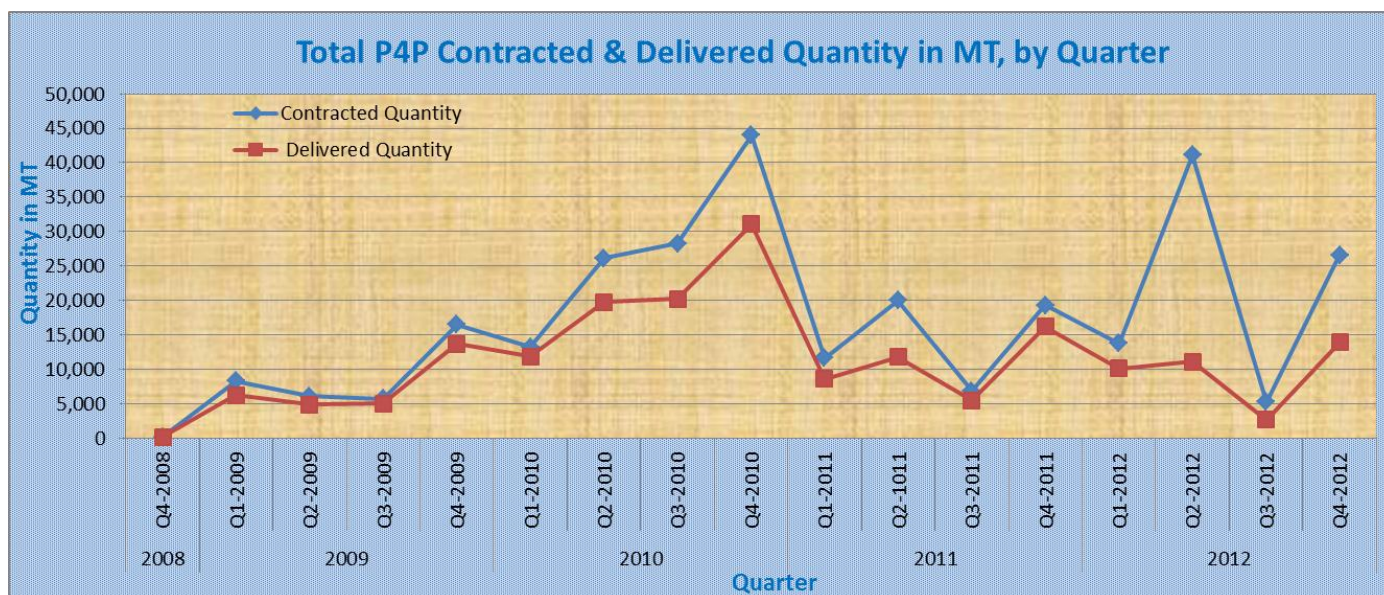


SUMMARY P4P PROCUREMENT REPORT: September 2008 – December 2012

GLOBAL OVERVIEW – HIGHLIGHTS

- Since the launch of the P4P pilot initiative in September 2008, through 31 December 2012, **293,369 metric tons (mt)** of commodities at a value exceeding **US\$113 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, **193,207 mt (66%)** has been **delivered** to WFP (and hence paid for – **US\$77 million** more directly in the pockets of smallholder farmers). At the time of this analysis, **41,423 mt (14%)** were still to be delivered while **58,739 mt** were confirmed **defaulted**. To date, defaults amount to **24%** of all completed contracts which amount to a total volume of **243,929 mt**. Defaults calculated as percentage of total quantity contracted amount to **20%**.

- **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 effect of the pilot. P4P has initiated data collection on these sales to markets beyond WFP and is conducting a study on quality markets in the 20 pilot countries.



- 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 pilot countries in 2010. In 2009, 14 pilot countries contracted 37,000 mt (and delivered 30,000 mt or 81%). In 2010, 20 pilot countries contracted 111,641 mt (and delivered 82,567 mt or 73%). In 2011 there was a significant drop in P4P purchases across almost all countries; overall only 58,000 mt were contracted and 34,500 mt delivered. **In 2012, P4P contracts in 20 pilot countries have again risen significantly, amounting to 86,761 mt (with 37,942 mt delivered and further deliveries on-going).** Some 42% was contracted in Ethiopia alone, including 28,200 mt through Forward Delivery Contracts. In Malawi, WFP significantly increased its P4P purchases through the Agricultural Commodity Exchange for Africa (ACE), with 15,300 mt or 18% of the total quantity contracted in 2012. During the past four years, Malawi has contracted a total of 35,455 mt through this competitive marketing platform, with 79% already delivered. In total, 13 pilot countries each contracted more than 1,000 mt in 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; down to 9% in 2011 and remained stable **at 9% in 2012**. However, this figure is skewed as it only takes delivered amounts into account and therefore excludes the Ethiopian Forward Delivery Contracts which account for one third of the total quantity contracted in 2012 and are only to be delivered in 2013.
- **Maize and pulses were the two primary commodities** WFP procured under P4P in 2012, making up 91 percent of the total. Compared to previous years, procurement of pulses particularly increased, with 14,627 mt contracted, which is about double the quantities procured in 2010 and 2011. This can be linked to the P4P gender strategy as one of its means to empower women is to increase procurement of pulses which is considered a “women’s crop” in most traditional settings. In Afghanistan and Sierra Leone, P4P also successfully enhanced its procurement of processed food. With over 900 mt of high-energy biscuits (HEBs) contracted in 2012, Afghanistan increased procurement of this specialised nutrition product to 1,800 mt in total. Sierra Leone quadrupled the procurement of cassava flour and corn-soya blend (CSB) in 2012.
- **El Salvador, Ghana, Mozambique and DRC have already closed all of their contracts issued in 2012**. El Salvador and Ghana report a 0% default rate. In Mozambique, 36% of commodities contracted in 2012 were defaulted due to lack of the supplier’s capacity and reasons related to the local environment which were outside of WFP’s and the suppliers’ control. In DRC, where WFP contracts very small amounts as it only acts as buyer of last resort, 9% of commodities contracted in 2012 defaulted.

2012 WFP/P4P Contracts and Deliveries (to date)

Commodities (2012)	Quantity Contracted (mt)	Quantity Delivered (mt) (to date)
Maize	64,379	26,102
Peas	9,797	5,663
Beans	4,830	3,695
Rice	4,138	2,019
Sorghum	1,672	338
High Energy Biscuits	933	50
Millet	830	0
CSB	100	25
Cassava Flour	83	50
Total	86,761	37,942

Activities (2012)	Quantity Contracted (mt)	Quantity Delivered (mt) (to date)
P4P - Activity 1 (Competitive Tendering)	36,435	22,689
P4P - Activity 2 (Direct Purchasing)	14,998	13,412
P4P - Activity 3 (Contracting for Risk Reduction; Forward Delivery Contracts)	34,213	1,715
P4P - Activity 4 (Processing)	1,116	125
Total	86,761	37,942

Introduction

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

All 20 P4P pilot countries have 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.

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1. GLOBAL PROCUREMENT ANALYSIS

1.1 Total P4P contracted and delivered amounts by origin and destination countries (Sept. 2008 – Dec. 2012)

Origin Country	Destination Country	Sum of Quantity contracted (mt)	Sum of Delivered Quantity (mt)
Afghanistan	Afghanistan	6,502	5,617
Burkina Faso	Burkina Faso	4,812	3,787
El Salvador	El Salvador	4,905	4,904
Ethiopia	Ethiopia	59,644	25,791
Ghana	Ghana	2,186	2,186
Guatemala	Guatemala	20,072	12,371
Honduras	Honduras	23,425	19,649
Kenya	Kenya	21,459	9,113
Liberia	Liberia	2,088	821
Malawi	Malawi	35,412	26,354
	Mozambique	3,775	3,759
	Zambia	379	354
Mali	Cote d'Ivoire	2,168	2,168
	Mali	12,686	8,962
	Niger	1,000	1,000
Mozambique	Mozambique	16,931	9,885
Nicaragua	Nicaragua	2,779	2,206
Rwanda	Rwanda	7,768	5,158
Sierra Leone	Sierra Leone	1,984	811
South Sudan	South Sudan	2,499	1,100
Tanzania	Tanzania	17,635	11,278
Uganda	Uganda	19,566	12,627
Zambia	Zambia	15,442	15,225
	Zimbabwe	1,411	1,411
	DRC	6,579	6,579
DRC*	DRC	264	94
Grand Total		293,369	193,207

* P4P's main aim in DRC is to connect smallholder farmers to traders, with WFP acting 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. Purchases from a high capacity farmers' federation in Mali (Faso Jigi) were contracted for the Niger emergency in 2010 and the Cote d'Ivoire emergency in 2011.

1.2 Trends in P4P contracted and delivered quantities (Sept. 2008 – Dec. 2012) by year and metric tons

Countries	Sept 2008 – Dec 2011		Jan – Dec 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	5,567	933	50	6,502	5,617
Burkina Faso	4,122	3,472	690	315	4,812	3,787
DRC	227	60	36	33	264	94
El Salvador	3,087	3,086	1,818	1,818	4,905	4,904
Ethiopia	23,414	17,993	36,230	7,798	59,644	25,791
Ghana	1,024	1,024	1,162	1,162	2,186	2,186
Guatemala	16,363	9,480	3,709	2,890	20,072	12,371
Honduras	18,220	15,262	5,205	4,387	23,425	19,649
Kenya	20,050	8,153	1,409	960	21,459	9,113
Liberia	1,207	689	881	132	2,088	821
Malawi	24,156	21,359	15,410	9,107	39,566	30,466
Mali	11,209	10,363	4,645	1,767	15,854	12,130
Mozambique	13,328	7,588	3,602	2,297	16,931	9,885
Nicaragua	2,317	1,972	462	233	2,779	2,206
Rwanda	6,540	4,187	1,227	971	7,768	5,158
Sierra Leone	1,201	506	783	305	1,984	811
South Sudan	1,474	428	1,025	672	2,499	1,100
Tanzania	14,388	9,995	3,246	1,283	17,635	11,278
Uganda	15,960	11,355	3,605	1,271	19,566	12,627
Zambia	22,750	22,725	682	489	23,432	23,215
Total	206,607	155,265	86,761	37,942	293,369	193,207

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

Since the launch of the P4P pilot initiative in September 2008 through 31 December 2012, **293,369 mt** of commodities have been contracted. Maize, pulses, maize meal, rice, sorghum, millet, wheat and corn-soya blend (CSB) 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 **293,369 mt contracted**, as of 31 December 2012, **193,207 mt have been delivered** to WFP.

Commodities	Total Quantity Contracted (mt)	% of Total Quantity Contracted	Total Quantity Delivered (mt)	% of Total Quantity Delivered
Maize	209,958	71.57%	129,678	67.12%
Beans	17,808	6.07%	14,880	7.70%
Peas	15,851	5.40%	8,865	4.59%
Maize Meal	12,811	4.37%	12,811	6.63%
Rice	10,769	3.67%	7,437	3.85%
Sorghum	9,636	3.28%	5,448	2.82%
Millet	5,710	1.95%	4,256	2.20%
Wheat	4,702	1.60%	4,702	2.43%
Corn-Soya Blend	3,830	1.31%	3,753	1.94%
High Energy Biscuits	1,800	0.61%	916	0.47%
UHT Milk	351	0.12%	351	0.18%
Cassava Flour	103	0.03%	70	0.04%
Veg. Oil	40	0.01%	40	0.02%
Total	293,369	100.00%	193,207	100.00%

1.3 P4P purchases as a percentage of total purchases in P4P countries – 2010, 2011 & 2012

P4P Countries	2010				2011				2012			
	Regular Local Purchase	P4P Purchases (delivered)	In-country Total Purchases	% P4P	Regular Local Purchases	P4P Purchases (delivered)	In-country Total Purchases	% P4P	Regular Local Purchase	P4P Purchases (delivered)	In-country Total Purchases	% P4P
AFGHANISTAN	13,220	4,385	17,605	25%	22,251	1,184	23,435	5%	434	50	484	10%
BURKINA FASO	18,307	2,682	20,989	13%	6,697	57	6,755	1%	10,395	315	10,710	3%
DRC	14,872	5	14,877	0%	4,923	55	4,978	1%	12,309	33	12,342	0%
EL SALVADOR	4,855	2,454	7,310	34%	3,204	643	3,847	17%	1,633	1,818	3,451	53%
ETHIOPIA	234,252	16,074	250,326	6%	82,773	2,520	85,293	3%	65,939	7,798	73,737	11%
GHANA	11,225	1,024	12,249	8%	6,710	-	6,710	0%	6,286	1,162	7,448	16%
GUATEMALA	10,036	5,676	15,712	36%	8,073	2,001	10,073	20%	4,917	2,890	7,807	37%
HONDURAS	14,281	4,663	18,943	25%	22,285	7,518	29,803	25%	17,979	4,387	22,366	20%
KENYA	57,578	4,215	61,794	7%	52,974	3,592	56,566	6%	31,568	960	32,528	3%
LIBERIA	-	584	584	100%	-	150	150	100%	2,545	132	2,677	5%
MALAWI	28,894	11,635	40,530	29%	90,208	12,522	102,731	12%	15,312	9,107	24,419	37%
MALI	10,845	4,911	15,756	31%	14,002	4,804	18,805	26%	11,345	1,767	13,112	13%
MOZAMBIQUE	17,915	2,247	20,162	11%	28,944	2,492	31,436	8%	6,448	2,297	8,745	26%
NICARAGUA	3,636	1,629	5,265	31%	2,007	93	2,100	4%	2,525	233	2,758	8%
RWANDA	6,956	2,940	9,896	30%	6,076	3,026	9,102	33%	16,666	971	17,637	6%
SIERRA LEONE	100	207	307	67%	65	148	213	69%	0	305	305	100%
SOUTH SUDAN		58	58	100%		509	509	100%	0	672	672	100%
TANZANIA	29,804	3,616	33,420	11%	60,560	4,300	64,860	7%	97,604	1,283	98,887	1%
UGANDA	113,483	3,224	116,706	3%	38,283	1,772	40,055	4%	30,424	1,271	31,695	4%
ZAMBIA	4,686	17,095	21,781	78%	30,718	745	31,464	2%	69,489	489	69,978	1%
Grand Total	594,946	89,323	684,269	13%	480,753	48,132	528,885	9%	403,820	37,942	441,762	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. Data is subject to change as Regular Local Purchase Figures figures for 2012 are still being compiled. **Information on discrepancies between WINGS and Food Procurement Tracking System are 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 in the first year of implementation. This percentage was expected 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 scarcities 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 19,400mt in Ethiopia and almost 13,000mt in Kenya in 2010, to just 4,000mt and 5,800mt respectively in 2011. Burkina Faso experienced a reduction in contracted commodities from 2,026mt to 843mt.
 - **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 11,600mt of commodities in 2010, mainly through the Commodity Exchange, but contracted only 750mt in 2011).
- **Compared to 2011, P4P successfully increased the amount contracted in 2012 although registering a decrease in deliveries. The main reason for this discrepancy between contracted and delivered quantities are the forward delivery contracts for 28,200 mt signed by the Ethiopia Country Office in 2012 but due to be delivered in 2013.** In total, 13 countries contracted more than 1,000 mt in 2013, including Ethiopia, Malawi, Honduras, Mali, Guatemala, Uganda, Mozambique, Tanzania, El Salvador, Kenya, Rwanda, Ghana and South Sudan.
 - **After Ethiopia, Malawi contracted the second largest amount**, increasing its P4P procurement from 11,000 mt in 2011 to more than 15,400 mt in 2012, of which 15,300 mt were procured through the Agricultural Commodity Exchange for Africa (ACE).
 - **Other significant increases compared to the year before were seen in El Salvador and Sierra Leone.** In El Salvador, WFP was able to procure 1,818 mt in 2011, up from 77 mt in 2012, as local food prices decreased after a spike seen in the year before. The food was used to provide assistance to vulnerable groups affected by natural disasters and other shocks in the region. Sierra Leone increased its P4P procurement from 236 mt in 2011 to 783 mt in 2012 following a diversification of its contracted commodities.
 - On the other hand, **Kenya and Tanzania experienced a decrease in contracted commodities.** Following a default rate of over 40% in 2011, Kenya had to readjust the contracted amount to the capacity of the suppliers and was only able to contract 1,409 mt in 2012 compared to 5,823 mt in 2011. In Tanzania, WFP only signed P4P contracts for 3,246 mt, which is about half of the commodities contracted in 2011. WFP Tanzania's procurement strategy in 2012 was largely centred on purchasing from the National Food Reserve Agency (NFRA) in order to rapidly 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 the NFRA to improve its purchasing practices from smallholder farmers, starting with WFP's registered P4P farmer organizations within this framework.
- **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 is currently under collection and will be shared as soon as available. Furthermore, P4P together with other relevant WFP units is preparing a study on 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 (Sep. 2008 – Dec. 2012)

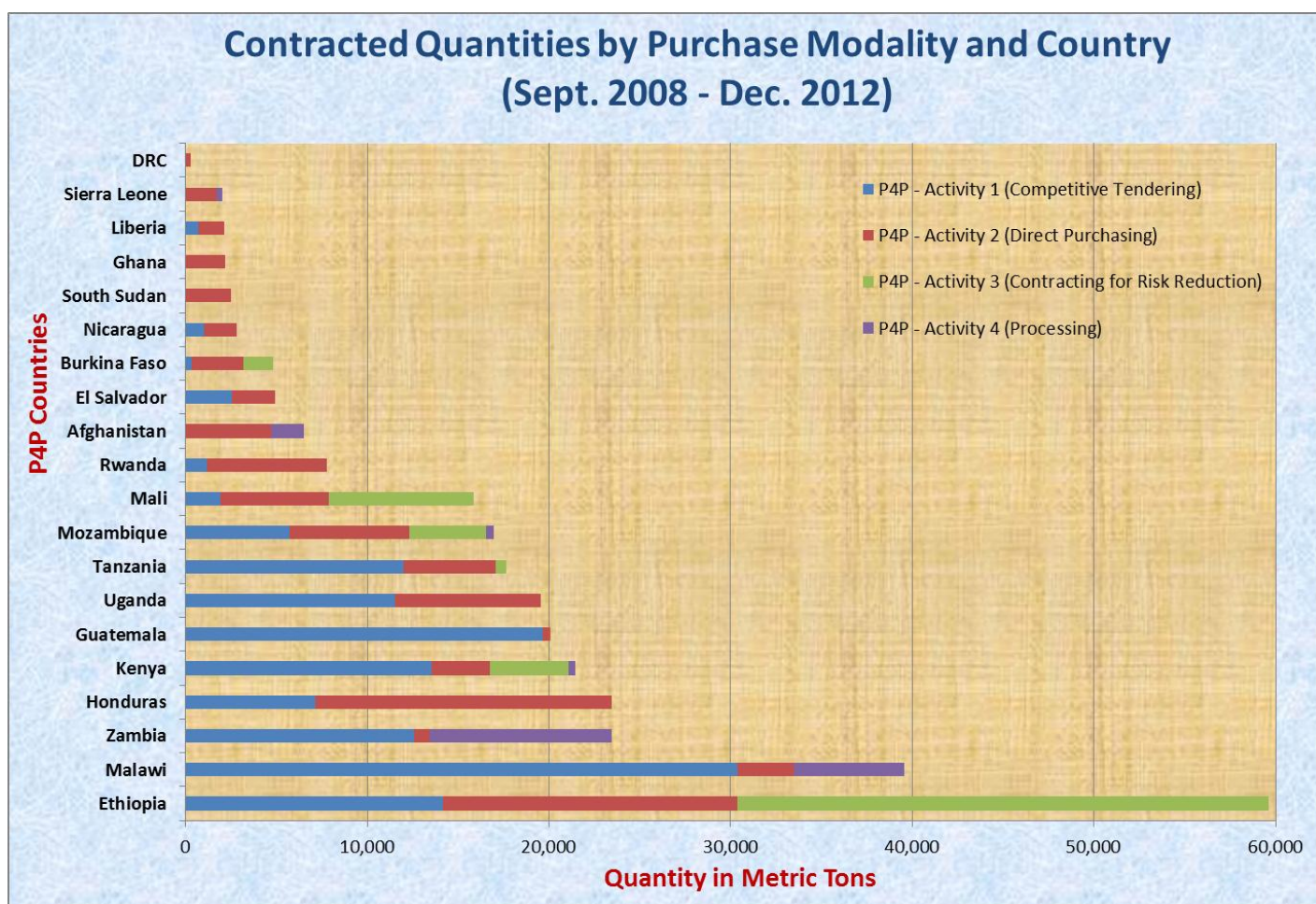
Region	Origin Country	P4P - Activity 1 (Competition)	P4P - Activity 2 (Direct Contract)	P4P - Activity 3 (Forward Contract)	P4P - Activity 4 (Processing Option)	Total	% by Country
Asia	Afghanistan		4,702		1,800	6,502	2%
Asia Total			4,702		1,800	6,502	2%
Central America	El Salvador	2,555	2,350			4,905	2%
	Guatemala	19,654	418			20,072	7%
	Honduras	7,115	16,310			23,425	8%
	Nicaragua	1,022	1,756			2,779	1%
Central America Total		30,346	20,834			51,181	17%
East & Southern Africa	DRC		264			264	0%
	Ethiopia	14,154	16,190	29,300		59,644	20%
	Kenya	13,537	3,194	4,335	393	21,459	7%
	Malawi	30,372	3,129		6,065	39,566	13%
	Mozambique	5,698	6,591	4,230	412	16,931	6%
	Rwanda	1,156	6,611			7,768	3%
	South Sudan		2,499			2,499	1%
	Tanzania	12,015	5,019	600		17,635	6%
	Uganda	11,497	8,069			19,566	7%
	Zambia	12,587	848		9,997	23,432	8%
East & Southern Africa Total		101,016	52,414	38,465	16,867	208,763	71%
West Africa	Burkina Faso	315	2,865	1,631		4,812	2%
	Ghana		2,186			2,186	1%
	Liberia	668	1,420			2,088	1%
	Mali	1,923	5,961	7,970		15,854	5%
	Sierra Leone		1,716		268	1,984	1%
West Africa Total		2,906	14,148	9,601	268	26,923	9%
Grand Total		134,269	92,099	48,066	18,935	293,369	100%
% by activity		46%	31%	16%	6%	100%	

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

Breakdown by region and country:

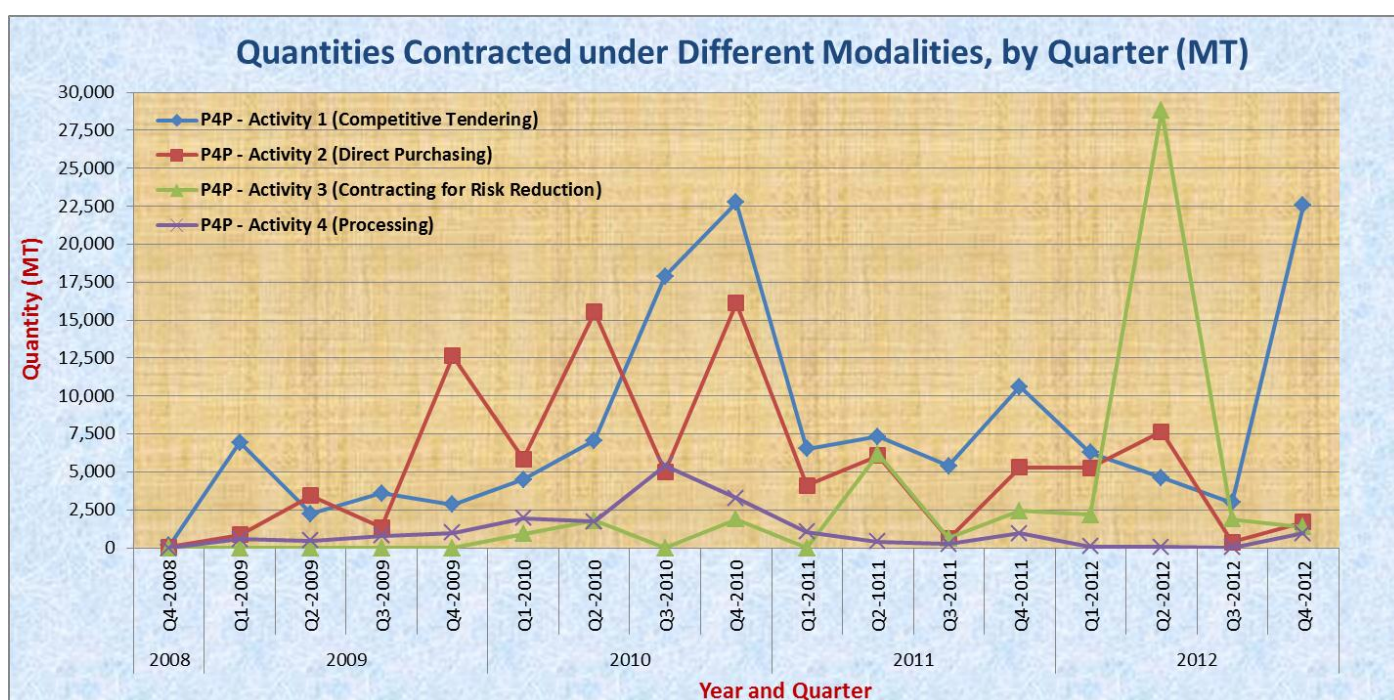
- More than 71% was contracted in Eastern and Southern Africa, followed by the Central America region (17%), West Africa (9%) and Asia (2%).
- In **Eastern and Southern Africa**, **Ethiopia, Malawi, and Zambia** are the top three countries in terms of tonnage contracted, followed by **Kenya and Uganda**.
 - **Ethiopia** contracted the highest quantity, with 59,644 mt (20% of the total contracts); out of this total 29,300 mt or 49% through Forward Delivery Contracts.

- **Malawi** contracted the second highest quantity with 39,566 mt (13% of total P4P contracts); out of this total 35,455 mt or 90% through the Agricultural Commodity Exchange for Africa;
- **Zambia** follows with the third highest quantity (23,432 mt or 8% of total contracts). 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 (21,459 mt or 7% of total contracts), although 57% has been defaulted.
- **Uganda** contracted the fifth highest quantity in the region, with 19,566 mt that constitutes 7% 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** had the highest quantities in 2009 and 2010 respectively.
- In **Central America**, **Honduras** has substantially increased tonnages purchased (most of this for the National School Feeding Programme), and ranks first in the region with 23,425 mt contracted (8% of all P4P contracts), followed by **Guatemala** with 20,072 mt or 7% of total contracts. **El Salvador** and **Nicaragua** account for 2% and 1% of the total P4P contracts respectively.
- In **West Africa**, despite the recent outbreak of conflict, **Mali** continues to be the country with the highest tonnage contracted (and delivered), with 15,854 mt contracted (5% of the total), followed by **Burkina Faso** (4,812 mt or 2% of total P4P contracts). 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 at 2,186 mt contracted and fully delivered. The availability of only one purchasing season in the year and a challenging post-conflict environment in **Liberia** and **Sierra Leone** have constrained local purchase activities in these two countries, remaining at 1% of the total.



Breakdown by P4P activity:

- Of the total quantity, 46% (134,269 mt) was contracted through **competitive processes**. Most countries have, to a different extent, used the soft tendering modality, although five countries (Afghanistan, DRC, Ghana, South Sudan and Sierra Leone) have not used this modality. More than half of commodities procured through this modality were contracted with farmers' organisations while over a third was contracted through Commodity Exchanges.
- A total of 31% (92,099 mt) was contracted through **direct contracts**. All 20 P4P pilot countries have to various extents employed the direct contracting modality, mostly with farmer organisations. Ethiopia and Honduras have each directly contracted over 16,000 mt. Warehouse receipt systems and procurement from small traders and agents has also played an important role, with 5,650mt (Tanzania and Uganda) and 4,334 mt (Kenya and Mozambique) procured respectively. 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** is at 16% (48,066 mt) which is to a large extent the result of the modality being implemented on a growing scale in Ethiopia (29,300mt). Mali has also increased P4P procurement under this modality to 7,970 mt. Burkina Faso, Kenya, Mozambique and Tanzania have also used this modality, but on a smaller scale (10,796 mt in total). The majority of these contracts were concluded with farmers' organisations while Kenya also procured 3,662 mt from small traders and agents.
- A total of 6% (18,935 mt) contracted were **processed commodities** supporting pro-smallholder processing options. This includes high energy biscuits, corn-soya blend, cassava flour, maize meal, UHT milk and vegetable oil. Some 68% (12,863mt) of processed food was contracted through the competitive tendering modality while direct purchasing was used for 6% (1,202 mt). The remaining 26% (4,870mt) was processed food contracted through P4P projects with the main objective of developing the local food processing capacity and linking it with smallholder farmers to supply the staple commodities required as raw materials.



At the beginning of P4P (early 2009), 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 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.

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 capacities 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 in 2012, though closely followed by **forward delivery contracts**.

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, contracting over 28,000 mt from 16 cooperative unions in close collaboration with the Government and supply side partners.

2.2 Cumulative P4P contracts by vendor typology (Sept. 2008 – Dec. 2012)

Origin Countries	Origin Country	Commodity Exchange	Farmers' Organizations/ Cooperatives	NGOs	Processors/ Manufacturers	Traders/ Agents	Warehouse Receipt System	Grand Total
Asia	Afghanistan		4,702		1,800			6,502
Asia Total			4,702		1,800			6,502
Central America	El Salvador		4,905					4,905
	Guatemala		20,072					20,072
	Honduras		23,425					23,425
	Nicaragua		2,779					2,779
Central America Total			51,181					51,181
Eastern, Southern & Central Africa	DRC		36	227				264
	Ethiopia	5,051	52,013			2,580		59,644
	Kenya		12,102		433	8,924		21,459
	Malawi	35,455	3,416		419	276		39,566
	Mozambique		7,197		412	9,322		16,931
	Rwanda		7,768					7,768
	South Sudan		2,499					2,499
	Tanzania		16,948				687	17,635
	Uganda		14,602				4,963	19,566
	Zambia	19,062	748	758	351	2,513		23,432
Eastern, Southern & Central Africa Total		59,567	117,329	985	1,615	23,615	5,650	208,763
West Africa	Burkina Faso		4,812					4,812
	Ghana		2,186					2,186
	Liberia		2,088					2,088
	Mali		15,854					15,854
	Sierra Leone		1,659		205	120		1,984
West Africa Total			26,598		205	120		26,923
Grand Total		59,567	199,810	985	3,621	23,735	5,650	293,369
% by activity		20%	68%	0.3%	1%	8%	2%	100%

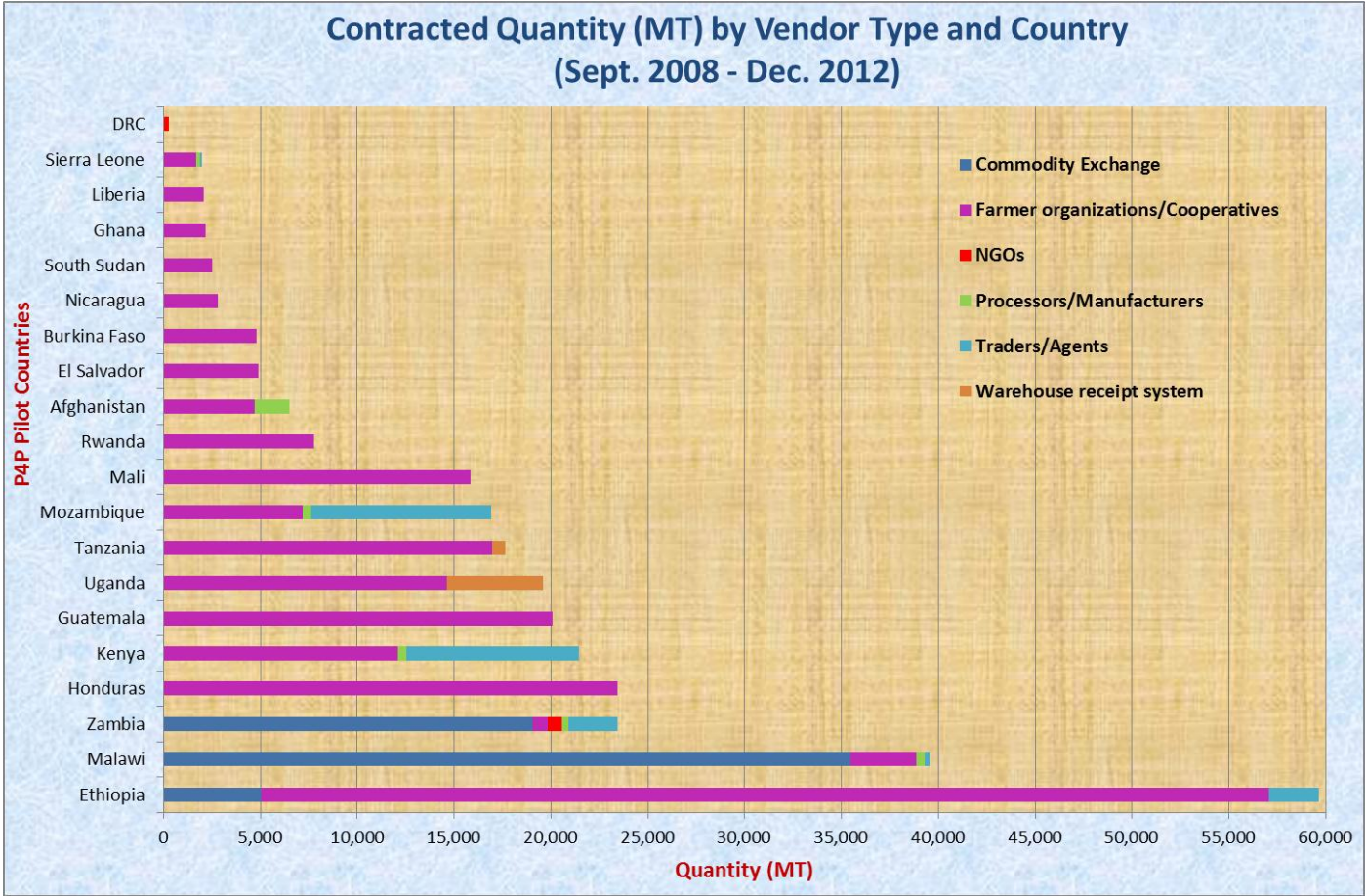
Source: Data extracted from the Procurement Tracking System Database on 1st February 2013 and cleared by ODPF

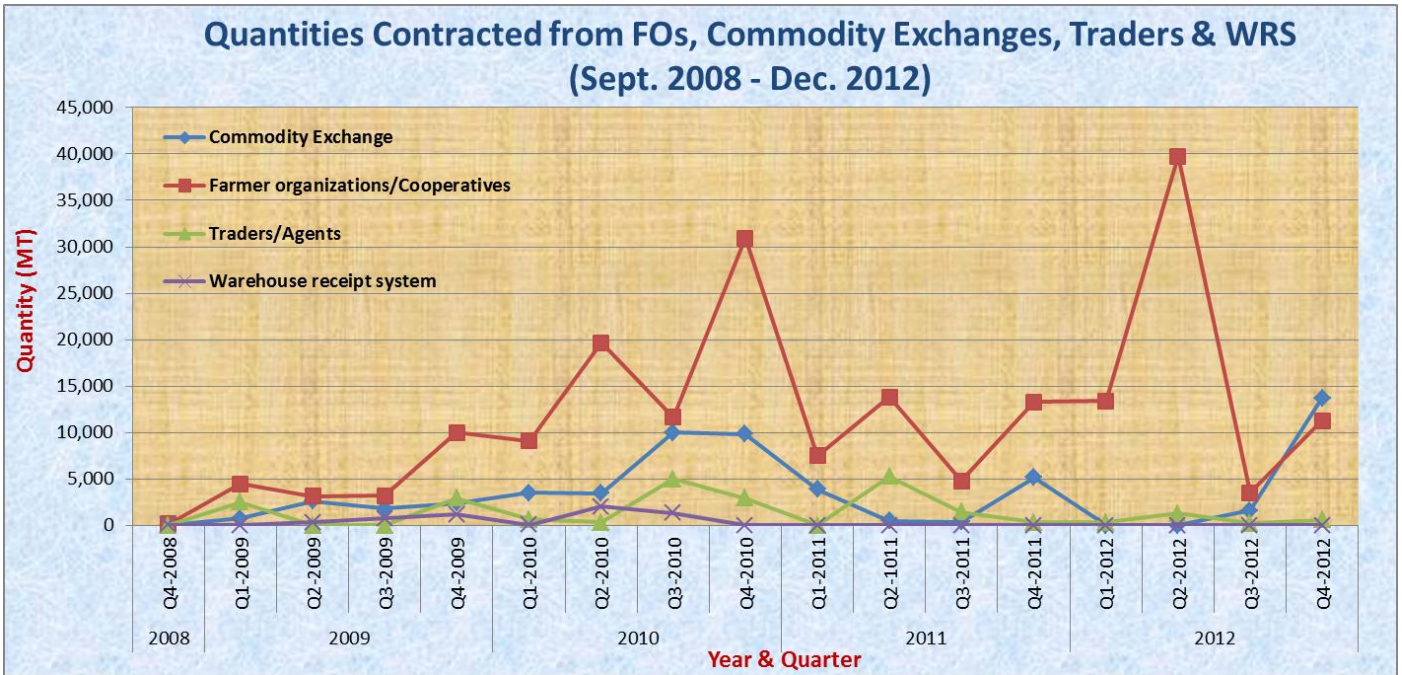
Breakdown by vendor type or procurement platform (contracted quantity):

- A total of 68% (199,810 mt) was contracted with **Farmers' Organizations** (FOs), whether through tendering, direct or forward delivery contracts, across all pilot countries. For some countries, FOs are the only entry point (El Salvador, Guatemala, Honduras, Nicaragua, Burkina Faso, Ghana, Liberia, Mali, South Sudan and Rwanda).
- A total of 20% (59,567 mt) was contracted through **Commodity Exchanges** in Ethiopia (5,051 mt), Malawi (35,455 mt) and Zambia (19,062 mt). 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 traders. 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 support it as a viable marketing platform as well as catalyse partners' efforts on supporting smallholder

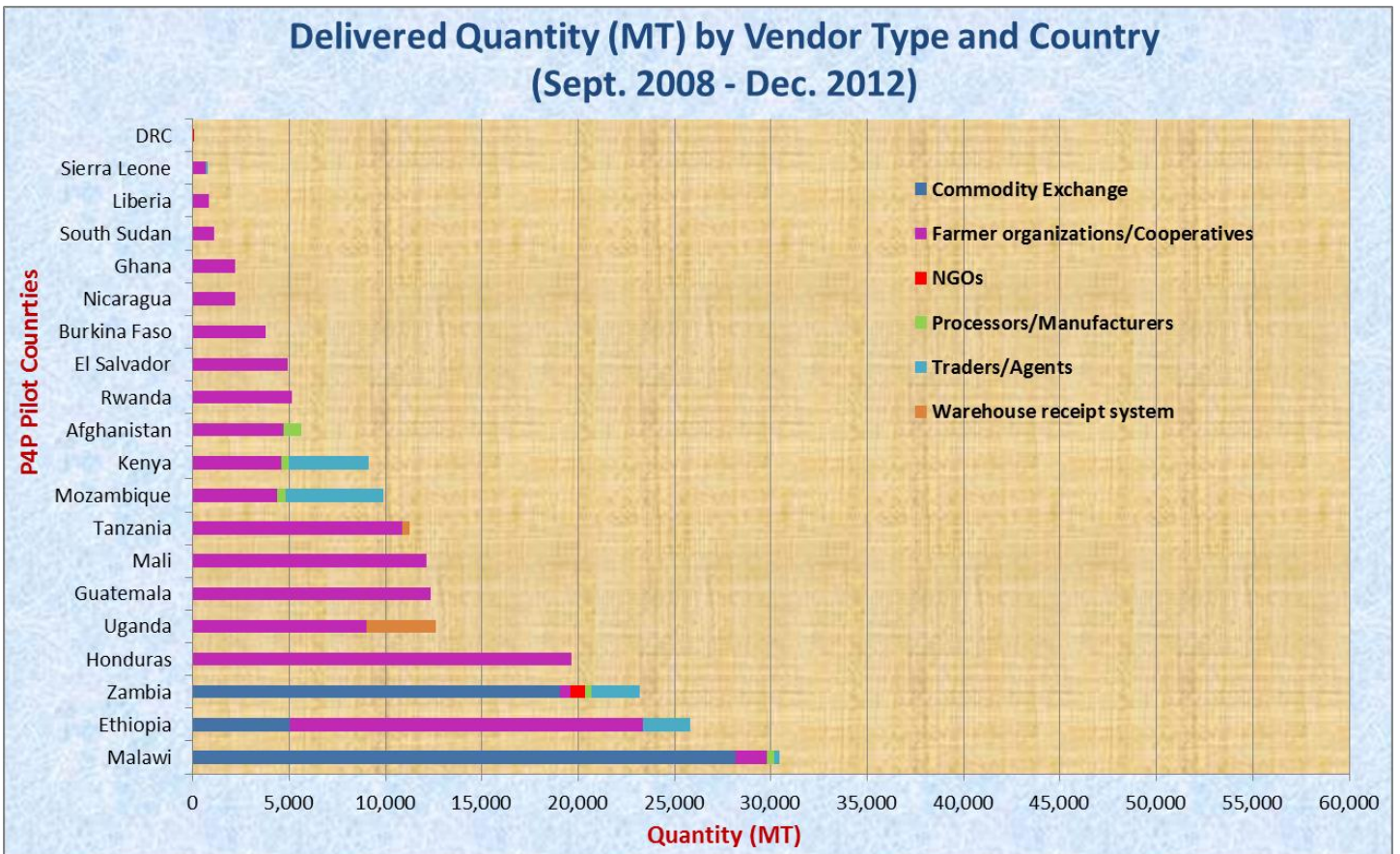
farmers on the supply side. Although the majority of purchases to date were not made directly from farmers’ organisations but from bigger traders who in turn purchase from smallholder farmers, participation from farmers’ organisations and small traders has increased significantly during the past year.

- A total of 8% (23,735 mt) was contracted through **small & medium traders and agents** such as agro-dealers, mainly in Mozambique (9,322 mt), Kenya (8,924 mt), Zambia (2,513 mt), and Ethiopia (2,580mt). Small-scale traders represent a key entry point in the P4P country strategies in these four countries.
- A total of 2% (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 established a warehouse receipt system which is operated by the Ethiopian Commodity Exchange (ECX) but P4P targeted Cooperative Unions have not yet started using it.
- A total of 0.3% has been procured through **NGOs** (DRC & Zambia) and 1% directly from **processors** such as the purchase of high energy biscuits in Afghanistan, 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 68% procured from them. The second largest source of commodities of total contracted quantity has been commodity exchanges which account for 20%.



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

- Out of the total 193,207 mt of **commodities delivered**, 62% (118,995 mt) was contracted with **Farmers' Organisations** in all of the pilot countries. Honduras (19,649 mt), Ethiopia (18,312 mt), Guatemala (12,371 mt) and Mali (12,130 mt) represent the largest quantities delivered by farmers' organisations. As a whole, 60% of commodities contracted with farmers' organisations have been delivered to date.
- Some 27% (52,262 mt) of delivered tonnage was contracted through **Commodity Exchanges** in Malawi (28,150 mt), Zambia (19,062 mt) and Ethiopia (5,050 mt). Of all commodities contracted through these marketing platforms, 88% has been delivered.
- A total of 8% (14,515 mt) of delivered commodities was purchased from **small and medium traders and agents**. Some 61% of the total commodities contracted from traders and agents was already delivered, the majority in Mozambique (5,083 mt), Kenya (4,103 mt), Zambia (2,513 mt) and Ethiopia (2,430 mt).
- Some 2% (4,036 mt) of delivered commodities were purchased through **warehouse receipt systems** in Uganda (3,623 mt) and Tanzania (413 mt). Overall, 71% of commodities contracted through these marketing platforms have been delivered.
- A total of 1% of delivered commodities (2,581 mt) was purchased from **processors and manufacturers**. These vendors have delivered 71% of the total commodities contracted, with the majority in Afghanistan (916 mt of HEBs). 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 – Dec. 2012)

Countries	Maize	Rice	Pulses (peas and beans)	Other Cereals (sorghum, millet, wheat)	Processed Food (flours, UHT-milk, veg. oil CSB, HEB, HES) ¹	Grand Total
Afghanistan				4,702	1,800	6,502
Burkina Faso	1,716		640	2,456		4,812
DR Congo	264					264
El Salvador	4,620		285			4,905
Ethiopia	57,303		2,341			59,644
Ghana	2,186					2,186
Guatemala	19,311		761			20,072
Honduras	17,140		6,285			23,425
Kenya	15,471	40	1,610	3,945	393	21,459
Liberia		2,088				2,088
Malawi	22,229		11,271		6,065	39,566
Mali		6,905	287	8,662		15,854
Mozambique	12,471		4,048		412	16,931
Nicaragua	2,759	20				2,779
Rwanda	6,081		1,686			7,768
Sierra Leone		1,716			268	1,984
South Sudan	2,216			283		2,499
Tanzania	14,930		2,705			17,635
Uganda	18,811		755			19,566
Zambia	12,450		985		9,997	23,432
Grand Total	209,958	10,769	33,659	20,047	18,935	293,369
% by commodity	72%	4%	11%	7%	6%	100%

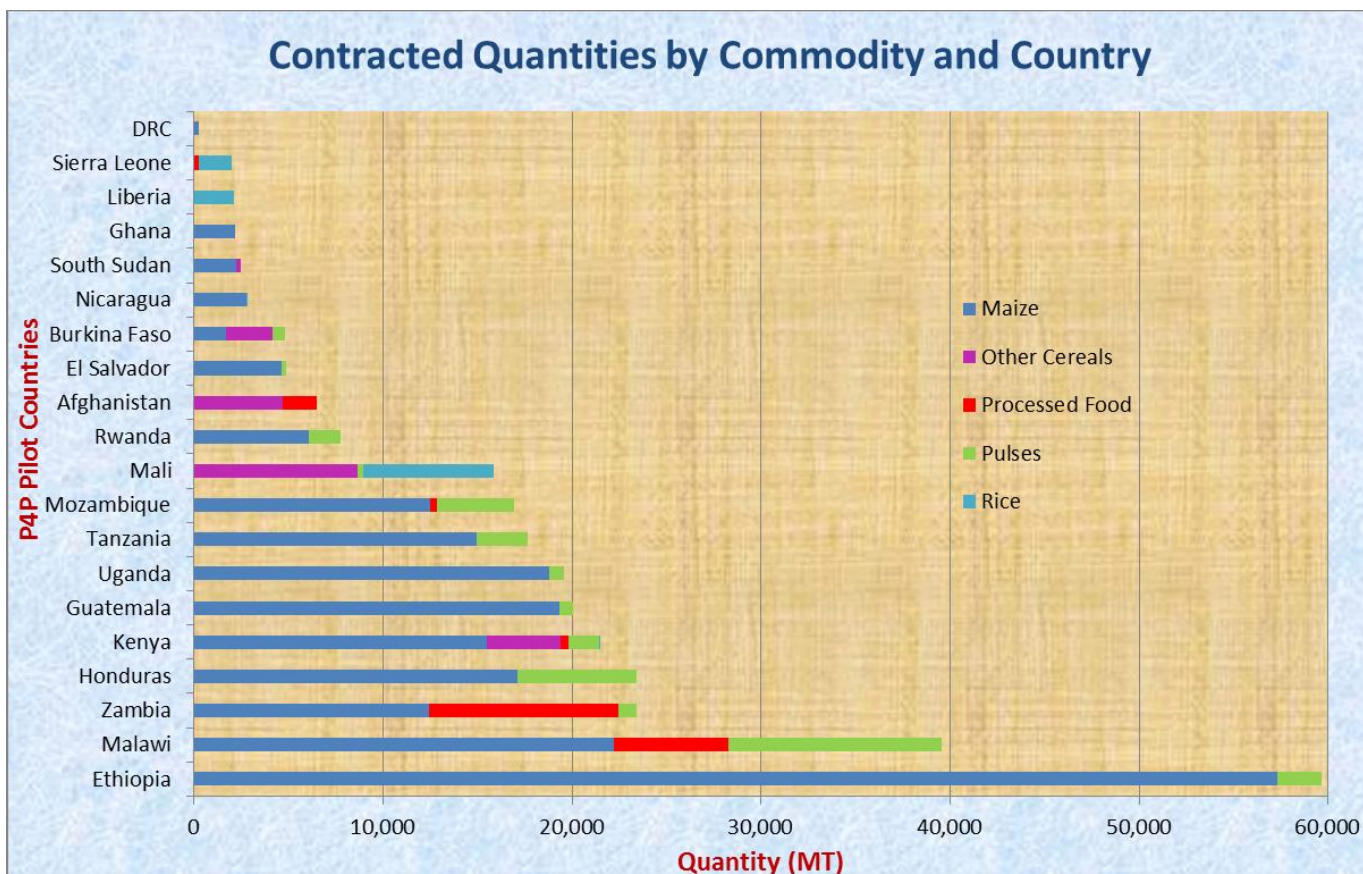
Source: Data extracted from the Procurement Tracking System Database on 1 February 2013 and cleared by ODPF.

Breakdown by commodity:

- The commodities purchased under P4P have been diversifying since the start of P4P, although maize remains the primary commodity purchased. **Maize grain** accounts for 72% of all P4P contracts (209,958 mt), and if one includes **maize meal** (12,811 mt; categorised under processed food), maize accounts for 76% of all P4P contracts. Maize grain has been purchased in most countries (except Afghanistan, Liberia, Mali, and Sierra Leone). **Other cereals** account for 7% (20,047 mt) of all commodities procured under P4P thus far. Afghanistan purchases **wheat**, while **sorghum & millet** are purchased mainly in Burkina Faso, Kenya, Mali and South Sudan. **Rice** accounts for 4% (10,769 mt) of purchases to date.
- Procurement of **pulses** (beans, red beans, white beans, peas, cowpeas) has increased to 11% of total P4P contracts (33,659 mt). P4P has stepped up its efforts to procure pulses under the P4P gender strategy as these are often not sold by men but considered crops grown by women in many traditional settings. Most of the pulses have been procured in Eastern and Southern Africa, with purchases increasing from 1,913 mt in 2009 to 14,627 in 2012. In the Central American region, purchase of pulses has been constrained by high prices (above Import Parity).

¹ UHT - ultra high temperature milk, veg. oil – vegetable oil, flours – maize meal and cassava flour, CSB – corn soya blend, HEB – high-energy biscuits, HES – high-energy supplements

- Processed food**, the majority of which is fortified, now accounts for a total of 18,935 mt (or 6% of total purchases). 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 Corn Soya Blend (CSB) and High-Energy Biscuits (HEBs) which have been contracted in Afghanistan, Kenya, Malawi, Mozambique and Zambia. In Sierra Leone, WFP procured 125 mt of Sierra Mix, locally produced CSB+. Afghanistan has successfully increased its local procurement of HEBs, with a total of 1,800 mt contracted.



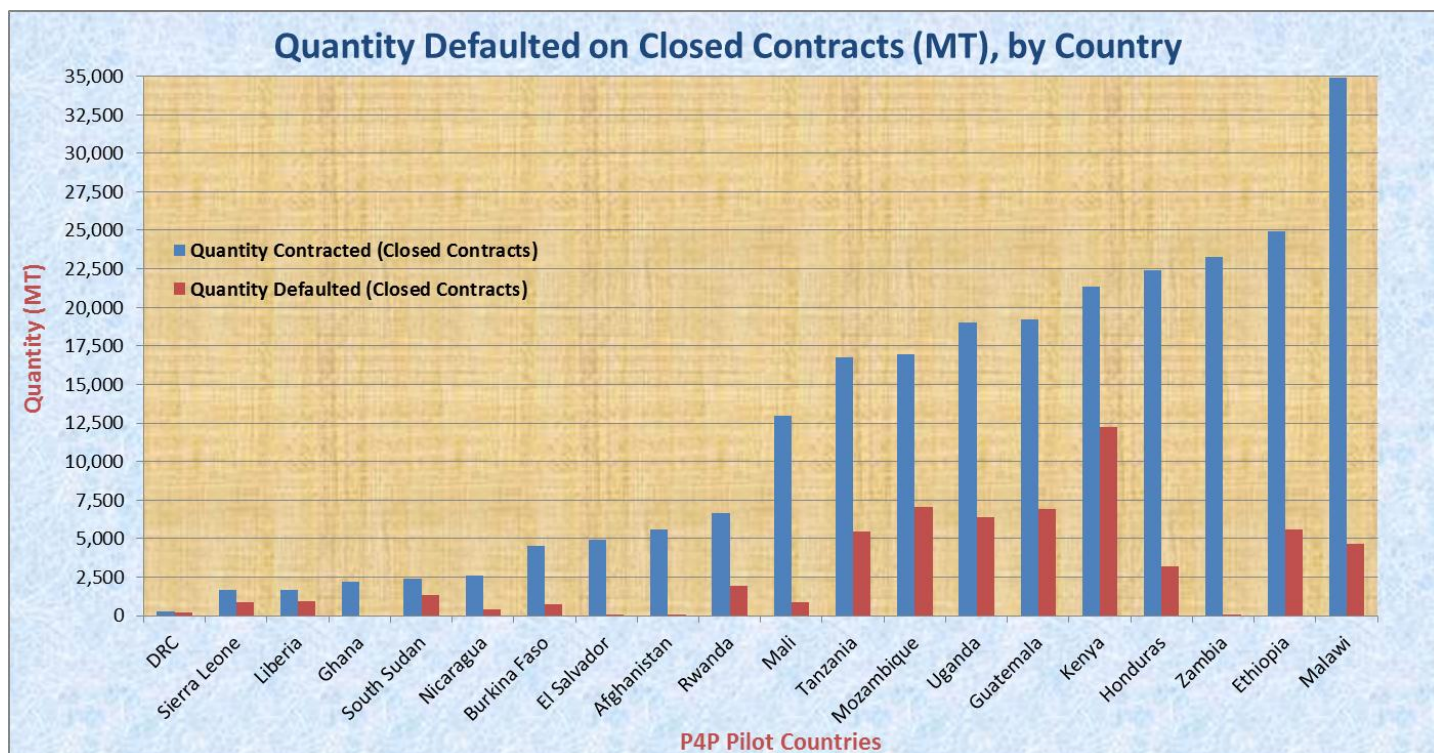
3. ANALYSIS OF DEFAULTS AND DELIVERIES

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 – Dec. 2012)

Countries	Quantity contracted (mt) – closed contracts	Quantity defaulted (mt) – closed contracts	% Confirmed Defaulted
Afghanistan	5,619	1	0%
Burkina Faso	4,517	730	16%
DRC	264	170	65%
El Salvador	4,905	1	0%
Ethiopia	24,944	5,570	22%
Ghana	2,186	0	0
Guatemala	19,004	6,892	36%
Honduras	22,437	3,223	14%
Kenya	21,347	12,234	57%
Liberia ²	1,667	957	57%
Malawi	34,873	4,649	13%
Mali	12,976	847	7%
Mozambique	16,931	7,046	42%
Nicaragua	2,577	412	16%
Rwanda	6,627	1,957	30%
Sierra Leone	1,641	855	52%
South Sudan	2,399	1,299	54%
Tanzania	16,737	5,458	33%
Uganda	18,998	6,371	34%
Zambia	23,282	68	0%
Grand Total	243,929	58,739	24%

² The data for Liberia is under revision and the default rate may be significantly higher.



3.2 Deliveries and defaults of completed deliveries by P4P activity (Sept. 2008 – Dec. 2012)

Activities	Quantity Contracted (mt)	Quantity Delivered (mt)	Quantity Defaulted (mt)	Balance to be delivered (mt)	% Confirmed Defaulted
P4P - Activity 1 (Competitive Tendering)	134,269	91,926	34,544	7,799	28%
P4P - Activity 2 (Direct Purchasing)	92,099	70,935	19,903	1,260	24%
P4P - Activity 3 (Forward Delivery Contracts)	48,066	12,405	4,288	31,373	26%
P4P - Activity 4 (Processing)	18,935	17,941	3	991	0%
Grand Total	293,369	193,207	58,739	41,423	24%

3.3 Deliveries and defaults of completed deliveries by vendor typology (Sept. 2008 – Dec.2012)

Nature of Business	Quantity Contracted (mt)	Quantity Delivered (mt)	Quantity Defaulted (mt)	Balance to be delivered (mt)	% Confirmed Defaulted
Commodity Exchange	59,567	52,262	2,853	4,453	5%
Farmers' Organizations/Cooperatives	199,810	118,995	44,892	35,922	29%
NGOs	985	818	167	0	17%
Processors/Manufacturers	3,621	2,581	1	1,038	0%
Traders /Agents	23,735	14,515	9,210	10	39%
Warehouse Receipt System	5,650	4,036	1,614	0	29%
Grand Total	293,369	193,207	58,739	41,423	24%

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

- Of the **293,369 mt** of food contracted since September 2008, **193,207 mt (66%)** was delivered, **58,739 mt (24% out of closed contacts of 243,929 mt)** was **confirmed defaulted**, and the remaining **41,423 mt (14%)** is still to be delivered. If calculated as a percentage of the total quantity contracted, defaults amount to **20%**.
- In absolute terms, **Kenya, Mozambique, Guatemala, Uganda, Ethiopia** and **Tanzania** have had the highest volumes defaulted, with 12,234 mt, 7,046 mt, 6,892mt, 6,371 mt, 5,570 mt and 5,458 mt 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, **Liberia, Kenya, South Sudan, Sierra Leone and Mozambique** are the first five countries with 57%, 57%, 54%, 52% and 42% of default respectively (DRC not included).
- **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 defaults reflect 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 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 on re-bagging activity, shortage of storage space, high moisture content, etc.

Country	Average of Delivery Days	Average of Days Delivery was Delayed
Afghanistan	101	71
Burkina Faso	22	1
DRC	30	-13
El Salvador	37	24
Ethiopia	98	57
Ghana	40	8
Guatemala	32	4
Honduras	49	5
Kenya	111	73
Liberia	181	62
Malawi	53	30
Mali	37	4
Mozambique	96	7
Nicaragua	47	41
Rwanda	96	49
Sierra Leone	51	16
South Sudan	49	-2
Tanzania	93	16
Uganda	75	22
Zambia	60	20
Grand Total	68	26

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

The average time frame for deliveries ranges from 13 days prior to deadline (**DRC**) up to a maximum of 181 days (**Liberia**, as they decided to keep the contract open for the next harvesting season instead of declaring default). In general, P4P contracts have an average delay of 26 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 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 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 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 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 Procurement Tracking System shows the original contract, and tracks the actual deliveries and defaults.