

CHALLENGES FOR HUMANITARIAN FOOD ASSISTANCE: THE WORLD FOOD PROGRAMME'S PROCUREMENT ADMINISTRATION

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ABSTRACT: Public procurement is an essential process for the success of international humanitarian food assistance. On this paper, WFP's procurement administration is analyzed. WFP was established in early 1960's. Procurement is very important for WFP financially and also for performance of its operations. WFP's main procurement can be categorized into three – Food, Transportation and Non-food. These three procurement categories much differ from each other in terms of the manner of procurement implementation. WFP has three important external actors, that is: Governments, Companies and NGOs. Actually, how to establish cooperative relations with these actors is the key point. At the end, above analyses are summarized. Also, some insights to procurement study in general and WFP's current biggest challenge are pointed out.

INTRODUCTION

International humanitarian food assistance is a quite supreme activity because precious lives and health of many people who are suffering from hunger often depend on the success of such operations. On the process of implementation, procurement activity is essential.

Main purpose of this paper is to reveal the World Food Programme's (WFP's) procurement administration. Actually, WFP is the most influential international organization in charge of global international humanitarian food assistance. However, despite its importance, WFP's

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procurement administration has been neither well known nor well analyzed academically so far. Actually, compared to the two processes that WFP is financed by governments and that WFP provides food for recipients, procurement by WFP is just like a black box (Figure 1).

FIGURE 1
Status of Procurement in the Entire WFP Activities



To pursue above purpose, the main questions are as follows. First, what are WFP and its main components of procurement, and why procurement is important for WFP as a whole? Second, what kinds of administrative measures and efforts are underway in its procurement operations? Third, what are important external actors for WFP procurement, and what kinds of relations does WFP establish with them? By exploring these three, considerable parts, though not every aspect, of WFP procurement are expected to be covered.

OVERVIEW OF WFP AND ITS PROCUREMENT

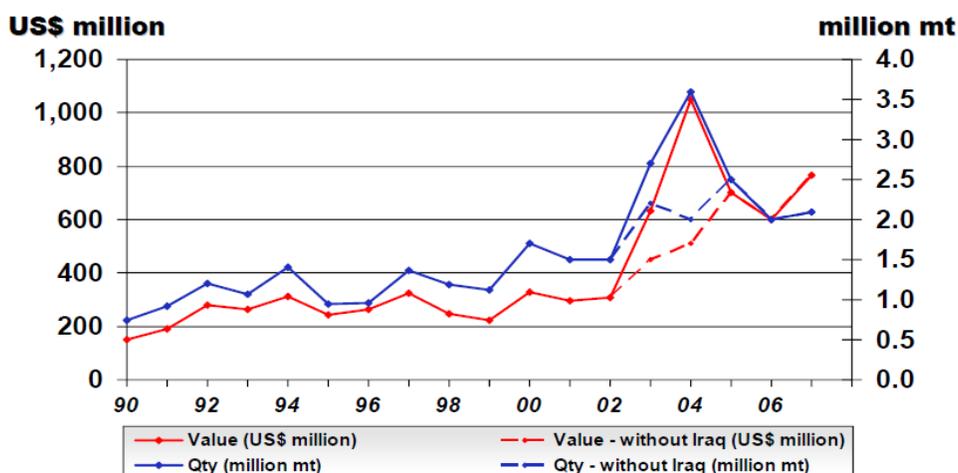
As for the first question, WFP was established in early 1960's as a subsidiary organ of United Nations and its headquarters was located in Rome, Italy. WFP's main activities are emergency and related food assistance operations. In 2004-2005, the expenditures by programme category were as follows: Emergency Operations (2039 million US\$), Protracted Relief and Recovery Operation (1913), Development (515), Iraq (762), and Not Related to Food Projects (1028). The sum of above five categories was 6096 million US\$ (WFP, 2006a, p. 7, Table 2). WFP's main source of finance is the voluntary contribution from governments. WFP's expenditure is recently increasing and the expenditure is amounting to about 6.17 billion US\$ for 2004-05 biennium (about 3.06 billion US\$ per year in simple average) (WFP, 2006a, p. 9, Table 1).

WFP procured nearly 2.18 billion US\$ of goods and services in 2005 (0.86 billion US\$ goods including food and 1.32 billion US\$ services including transportation) (UNDP/IAPSO, 2007, p. 5). That is, procurement is the biggest expenditure type. Therefore, procurement is very important for WFP financially. In addition, as stated above, because WFP's basic mission is to provide food to needed people, procurement of food is also an essential step for implementation and for achieving the mission. Procurement of food by WFP is very much increasing recently as (Figure 2) shows. Such increase can be partly regarded as increasing importance of WFP in international food assistance area. In addition, it can be also regarded as increasing importance of procurement function for WFP.

WFP procurement can be categorized into three. These three are food, transportation and other (so-called "non-food") goods and services.

The components of food procurement in 2005 are: Maize (27%), Wheat (18%), Rice (16%), Pulses (10%), Blended Food (10%), Wheat

FIGURE 2
Transition of Food Procurement by WFP



2003 includes 518,000 mt worth US\$ 182 million for Iraq

2004 includes 1,562,000 mt worth US\$ 540 million for Iraq

Source: WFP (2008, p. 12).

Flour (6%), Maize Meal (4%), Vegetable Oil (4%), Sugar (2%), Sorghum (1%), Other (2%). WFP's main operational area is Africa. Therefore, Maize is the biggest portion. Total value of food purchases was USD 712 million in 2005. Total quantity was 2,526,652MT (WFP, 2006b, p. 4).

The components of transportation procurement are quite difficult to follow quantitatively partly because it is responsible mainly in different sections from procurement section organizationally. In 2004-2005 biennium, External Transport was 622 million US\$, while Landside Transport, Storage and Handling (LTSH) was 1277 million US\$. That is, in sum, about 950 million US\$ of transportation procurement was implemented per year in simple average. It even exceeds the cost of food procurement (WFP, 2006a, paras. 24, 32-33, 65, 74, 91).

The components of goods and services procurement other than above in 2005 are: Warehousing & Logistics (40%), IT Equipment & Services (12%), Vehicles (11%), Building Services (7%), Utilities & Rent (7%), Consulting Services (5%), Office Supplies & Furniture (5%), Training and Conferences (3%), Shelter/Field Equipment (3%), Other Tools & Equipment (3%), Safety & Security (1%), Electrical Equipment (1%), Other (1%), Insurance (1%). The total value of these was 326 million in 2005 (WFP, 2006b, p. 4).

THREE TYPES OF WFP PROCUREMENT – FOOD, TRANSPORTATION AND NON-FOOD

Based on the above section, this section analyzes food, transportation and non-food procurement administration. These three differ a lot. Therefore, different administrative measures and efforts are needed respectively.

First is food procurement. Food is mainly procured through “Limited” International Competition. The reason is as follows. Registration is a requirement for receiving invitations to tender. Registration does not imply invitation to every tender issued by WFP. WFP approaches only the most appropriate vendors for a specific tender (WFP, 2006b, p. 5). As such, open tender with public advertisement is not implemented. It is difficult to manage (Interview·Field Procurement).

WFP's main supply sources are developing countries. In 2005, WFP procured from developing countries approximately 73.07% of quantity

(on a weight basis), or in other word, approximately 74.01% of value (on a monetary basis) (WFP, 2006c, p. 4, Table 1). Especially, local and regional procurement enables WFP to reduce transportation cost and delivery time compared to international procurement. Also, local or regional food tends to fit more the eating habits of the recipients, as in the case where wheat and maize are procured for many African peoples rather than rice. It also helps the development of related industry in the developing countries except for emergency situations (WFP, 1998, para. 22; and (Interview • Food Procurement Service)).

However, some care should be taken on procurement decentralization and local or regional procurement. In addition to suppliers' implementation capacity, WFP must be very prudent in making sure of the contractors' goodwill. WFP should scrutinize the suppliers' credentials before signing a major contract. This should be done especially in the field, where there are many unreliable "would-be traders" who only have small capital, low storage capacity, and are unfamiliar with trade customs (WFP, 1996, 4.5)¹.

Second is transportation procurement. As for sea transportation, WFP basically procures in a manner of either charter or linier. The most significant point of charter transportation procurement is that WFP procures through WFP Panel Brokers. The other is the use of linier ships. It is more cost effective than charter. The procurement method is similar as charter case. WFP doesn't directly solicit linier shipping companies. Instead, WFP decides based on information provided from a particular agent that is appointed by WFP. In different country, different agent is appointed ((Interview • Ocean Transport Service) and a material received). As for air transportation, it is regarded as an exceptional mean. Ocean and surface transportations are normally used because these cost less than air. However, in emergencies or in the case that surface transportation is inaccessible to the destination, air is used (Interview • ALITE). As for surface transportation, basically, country offices are responsible for. WFP Logistics relies on contracted transporters for most of its deliveries, but where private truckers are unavailable or inadequate, WFP-owned fleets are deployed. WFP makes use of not only trucks but also railways and sometimes even animals to transport. WFP also repairs roads and bridges².

Third are other goods and services procurement (called non-food procurement). In 2005, about 0.3 billion US\$ non-food goods and

services were procured. LTAs (Long Term Agreements) are the important tool for WFP to procure non-food goods and services. LTAs reduce overall costs and delivery times. Also, in some areas, LTAs have reduced procurement lead times by 25%. In 2005, WFP launched more than 20 LTAs worldwide. As of 2006 September, LTAs exist in about 30 items. As there are LTAs on Vehicles and IT equipments too, quite high volume of procurement is implemented through LTAs. Strategic positioning of stock in Dubai is other important measure. Due to that, prompt supply makes in realize and the use of LTAs are more promoted (WFP, 2006d, p. 11 and (Interview·Goods and Services Procurement Branch). Table 1 summarizes the above discussion.

As analyzed each above and as summarized the below Table, these three procurement categories much differ from each other in terms of the manner of procurement implementation. Such “diversity” is the special feature of WFP procurement.

TABLE 1
Three Types of Procurement Categories and each Notable Procurement Methods

Categories	Notable Procurement Methods
Food	- Limited International Competition - Local and regional procurement
Transportation	- Utilizations of various ways: Sea, Air, and Surface - Procurement through brokers and agents (Sea)
Other Goods and Services	- Long-term agreements - Strategic Positioning of Stock in Dubai

THREE IMPORTANT EXTERNAL ACTORS – GOVERNMENTS, COMPANIES AND NGOS

As for the third question, WFP procurement has at least three important external actors. First is government. Governments are very influential for WFP’s procurement administration through financing and designation of procurement sources. As for financing, ten major donors in 2005 are USA (1173 million US\$), EC (263), Japan (160), Canada (152), Netherlands (115), UK (114), Norway (93), Sweden (84),

Germany (70), and Australia (61)³.

As for the designation of procurement sources, there are several varieties. One is procurement from donor countries. For example, although Japan's food price is quite high, WFP procures food from Japan. Surplus rice and cans have been appropriated. However, WFP can basically procure through international market price because the rest of prices is covered by the government of Japan based not on ODA finance but on food supply-demand and price stabilization official finance (Interview · WFP Japan Office).

The other is procurement from developing countries. WFP's Financial Rules states: "when conditions are equal, preference will be given to purchasing from developing countries". A few donors have requested WFP to undertake local purchases from specific groups, even when the cost of such purchases exceeded the cost of food available elsewhere. In other cases, donors have asked WFP to purchase food locally, despite it being available regionally or internationally at lower cost. Basically, WFP accept such requests usually for small quantities (WFP, 2006e, paras. 2, 76-77).

In addition, influences from governments are not limited to the designation of procurement sources. Food standards and import restrictions have also important impacts on WFP. The most notable case is genetically modified or biotechnological (GM/B) food. GM/B food assistance through WFP in 2002 to Southern African countries evoked huge controversies over whether recipient countries accept or reject GM/B food (Clapp, 2004, pp. 1445-1448). Faced on such a difficult situation, WFP and UN established the following policies. If the national regulations of either a donor or recipient country place any restrictions on in-kind donations, purchase or receipt of GM/biotech foods, WFP fully honors those restrictions (WFP, 2002, para. 9).

As explained above, WFP and its procurement administration get several influences from governments. It would be unrealistic to completely eliminate all such influences and procures only in a view of efficiencies. On the other hand, how to balance various requests and other important values is really important. The point would be the degree of impacts to efficiency and to the achievement of activities that an each particular government request has.

Second is company. Companies are main supply sources for WFP.

All food, transportation, and non-food goods and services are mainly procured from companies. Based on analyses in the previous section, relatively close relations with certain reliable companies can be easily generated in WFP. That is, procurement through limited competitive bidding, particular agencies and brokers, and LTAs all generate such tendency compared to strict international competitive biddings through that much more companies are likely to participate in.

Indeed, close partnerships exist between certain companies in procurement aspects too. TNT is a good example. Since 2002, TNT has been an active partner of WFP. TNT has committed its knowledge, skills and resources to helping WFP for five years. In 2004 alone, TNT invested 7 million EURO in-kind services and knowledge transfer projects, and 1.5 million EURO as a cash donation⁴.

From the view of WFP, such cooperation can be regarded as a free procurement of services from a company. Apparently, WFP has advantages. So, in addition to pure contribution to WFP and people in need of food, what are merits for the company side? Company can know the know-how of WFP management. It can become easier for the company to do business with WFP. It can become a good broadcast and a good training for employees who participate in the cooperation. In addition, in the case of TNT, it becomes employees' morale boost. Actually, mutual benefit is the key point (Interview · Ocean Transport Service).

Third is NGOs. NGOs are also important supply sources for WFP especially in terms of supply of services close to recipients. In relief situations where governments are unable to cope fully with a crisis, or where there is no government, NGOs are vital WFP implementing partners. WFP's collaboration with NGOs permits the expansion of programmes in scope and scale, and allows food aid to achieve humanitarian objectives more effectively (WFP, 2001, para. 9).

WFP has a range of collaborative relationships with NGOs. One is partnership. A partnership is defined as a mutually beneficial alliance between organizations where roles, responsibilities and accountabilities are clearly defined. Other collaboration has tended to take the form of contractual relationships in relief and project-specific partnerships to meet objectives within the confines of a development programme or project. Other important relationships are consortia, networks and joint ventures (WFP, 2001, para. 4). Especially, the contractual relationships

can be literally and virtually regarded as procurement from NGOs.

However, the selection of NGOs must be very careful of especially in the field. In countries without a strong tradition of developmental NGOs, it has proved particularly difficult to screen local NGO partners. In several countries, many 'NGOs' have in fact been business enterprises, sometimes clan based, created as service organizations for the international community and without any ethos of service to the community (WFP, 1999, p. 34, 9.17).

Table 2 summarizes the above discussion. How to establish cooperative relations with these actors is the key point for the successful procurement administration.

TABLE 2
Three Important External Actors including Information about Main Roles of each Actors and Financing and Procurement Methods

External Actors	Main Roles of each Actors and Financing and Procurement Methods
Governments	Most essential sponsor providing necessary financial resources to implement procurement * Methods: Voluntary contributions often with several specific procurement conditions and limitations
Companies	Important procurement sources for WFP * Methods: Procurement through limited competitive bidding, particular agencies and brokers, and LTAs Close relations with certain reliable companies
NGOs	Important procurement sources for WFP * Methods: Partnership, Contractual Relationship, Consortia, networks and joint ventures Collaborative relationships with NGOs

SUMMARY

In this paper, WFP's procurement administration was analyzed as an important and even essential step of humanitarian food assistance. At the end, the above analyses are summarized and some insights, lesson learned and remained questions are addressed. Indeed, procurement is an

essential process for the success of international humanitarian food assistance. In addition, judging from the comparison of procurement volume with financial volume of WFP, i.e. around 70%, procurement has the biggest factors for the financial management in WFP.

WFP has three types of procurement categories, that is: food, transportation and non-food. These three procurement categories much differ from each other in terms of the manner of procurement implementation. On food, Limited International Competition and local and regional procurement are notable procurement methods. On transportation, procurement through brokers and agents is notable. On other (so-called “non-food”) goods and services, Long Term Agreements is notable. Actually, such “diversity” is the special feature of WFP procurement.

WFP has three important external actors, that is: Governments, Companies and NGOs. For WFP, government is the most essential sponsor supporting entire activities and also providing necessary financial resources to implement procurement. In terms of actual procurement administration, WFP needs to cope with several specific influences and requests that donors and recipients make. For WFP, Companies and NGOs are both important procurement sources. Actually, how to establish cooperative relations with these actors is the key point for the successful procurement administration.

In short, procurement is very important but at the same time, it is not an easy task at all. From above analyses, specific difficulties and also concrete ingenious efforts of WFP’s procurement administration are revealed.

From the analyses of this paper, some insights to procurement study in general can be found. First of all, procurement administration of international organizations can be raised as an additional analytical object. This paper is a good example. Secondly, diversity of procurement contents requires diversity of the manner of procurement implementation. WFP’s procurement administration is an eminent case. Thirdly, the importance of external actors can be regarded as an important basic analytical view. Especially, the role of government and NGOs would be said as relatively new point of view.

The recent most serious and difficult challenge would be how to cope with markets. The increase of crop, fuel, and transportation prices is the serious problem for WFP food and transportation procurement. In

addition to ask for more financial resources, continuous efforts in procurement administration are needed to prevent decrease of necessary food supplies to people in need.

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NOTES

1. These two sentences are based also on (Sakane, 2008, p.241).
2. http://www.wfp.org/operations/logistics/l_trucks.asp?section=5&sub_section=2 and also referred "Moving food aid by" on the URL. All URLs listed below were checked for their accessibility on June 29, 2008.
3. http://www.wfp.org/appeals/wfp_donors/2005.asp. Less than 1 million was cut off.
4. <http://group.tnt.com/wfp/ourpartnershipwithwfp/introduction/index.asp>.

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Food_Procurement_Annual_Report_2007.pdf. [Retrieved September 20, 2008]

QUOTED INTERVIEWS

(On 12 March 2003, in Yokohama where WFP Japan Office locates)

- Liaison Officer, WFP Japan Office.

(On 25 September 2006, at the WFP Headquarters in Rome)

- Senior Procurement Officer, Food Procurement Service, Operations Department.
- Chief, Goods and Services Procurement Branch, Management Services Division.

(On 26 September 2006, at the WFP Headquarters in Rome)

- Head, Field Procurement, Food Procurement Services, Operations Department.
- Senior Shipping Officer, Ocean Transport Service, Transport and Procurement Division (with a Consultant, Ocean Transport Service, Transport & Procurement Division).
- Head, ALITE (Augmented Logistics Intervention Team for Emergencies), Logistics Service, ODTL, Transport and Procurement Division.