



P4P Purchase for Progress



World Food Programme



What is Purchase for Progress?

Purchase for Progress (P4P) is an innovative initiative to assist smallholder farmers by offering them opportunities to access agricultural markets and to become competitive players in the market place.

The vision of P4P is to promote the development of agricultural markets so that by 2013 at least 500,000 low-income smallholder farmers – most of whom are women – will produce food surpluses and sell them at a fair price to increase their incomes.

A five-year pilot initiative in 21 countries, P4P links WFP's demand for staple food commodities (cereals, pulses and blended foods) with the technical expertise of a wide

range of partners to build the capacity of farmers' organizations to access credit, increase agricultural production and improve their ability to deliver a high quality product to markets.

P4P will transform the way WFP purchases food in developing countries and offers a stable market outlet for smallholder farmers. A secure market encourages smallholders to increase and improve the quality of production resulting in higher incomes.

By raising farmers' incomes, P4P seeks to turn WFP's local food procurement into a vital tool towards long-term solutions to hunger and poverty.



P4P at a glance

Geographic Coverage 21 countries

Africa	Burkina Faso, Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Liberia, Malawi, Mali, Mozambique, Rwanda, Sierra Leone, Sudan, Tanzania, Uganda, Zambia
Asia	Afghanistan, Laos
Latin America	El Salvador, Guatemala, Honduras, Nicaragua

Global Facts

Beneficiaries	at least 500,000 smallholder farmers
Duration	5 years (Sept 2008 - Sept 2013)
Total funding	US\$137 million for technical support and sub-grants to partners over five years
Key donors	Bill & Melinda Gates Foundation, Howard G. Buffett Foundation, Governments of Belgium, Canada, Ireland, the Kingdom of Saudi Arabia, Luxembourg, the United States of America and the European Union

How the Initiative Works

P4P is based on three critical components: WFP's demand, supply side partnerships and learning and sharing.

1 Demand – As the largest humanitarian agency in the world, every year WFP purchases substantial quantities of staple crops to distribute through food assistance programmes. In 2009, WFP bought almost US\$1 billion worth of food commodities, 82 percent of which was purchased in developing countries. Through P4P, WFP tests innovative ways to buy staple crops and promote marketing opportunities for low-income smallholder farmers. These include direct and forward contracts as well as competitive processes using less stringent procedures.

2 Partnerships – WFP links its demand with the expertise and resources of partners who support farmers to achieve better yields, reduce their losses after the harvest and improve the quality of their staple crops. Through training and capacity building, smallholder farmers develop the skills and experience to become active players in agricultural markets, selling to WFP and other buyers. P4P is

also supporting smallholder farmers in other aspects, including access to credit, greater understanding of market dynamics, organizational strengthening and management of farmers' organizations.

3 Learning and sharing – Over the course of five years, P4P will gather and share lessons on effective approaches to ensure that smallholder farmers benefit from the sale of their surplus agricultural production. The best practices will be mainstreamed into WFP's policies and programmes, and widely shared with stakeholders, including governments, regional institutions, public and private sector entities.

“Our farmers will learn best practices and how best to present themselves to possible purchasers. The more competitive they become, the quicker we will become a producer nation.”

Mohamed Makiyou Coulibaly from the Ministry of Agriculture of Mali

Gender

Gender is decisive for P4P because the majority of smallholder farmers are women. Each P4P pilot must take into account the inequality between women and men in accessing seeds and fertilizers, technology, credit, transport, markets and business development services. The initiative must ensure that women are involved and have a voice. This

includes working with traders and farmers' organizations to ensure that women are equitably represented in management positions and that female farmers benefit directly from cash payments for their produce. The monitoring, evaluation and reporting system in place at the country level tracks women's participation at all stages.

"P4P has given us an income that allows us to expand our production, educate our children and take care of the needs of our families."

Haja Marah, chairwoman of the Koinadugu Women's Vegetable Farmers' Cooperative, Sierra Leone.



In **Sierra Leone**, a women farmers' organization, the Koinadugu Women's Vegetable Farmers' Cooperative delivered a consignment of 25 metric tons of rice to WFP to be distributed through the school meals programmes. These were the first food commodities ever bought by WFP in Sierra Leone. The rice was sold for US\$560 per metric ton. According to Haja Marah, the chairwoman of the Cooperative that represents 750 women, the income will allow them to expand production, educate their children and take care of other family needs. P4P in Sierra Leone, where an 11 year civil war displaced some two million people and left infrastructure badly damaged, has created the conditions to boost production and meet the quality and food safety standards required by WFP to purchase food commodities.

In Aldea de Bracito, in southern **Guatemala**, P4P in partnership with the Inter-American Institute for Cooperation on Agriculture (IICA) provided training to the members of ACDIMAR, a women farmers' organization. Odilia Alvarez, one the members of the organization, offered her land for a demonstration plot. Odilia and the other women learned new techniques, including how to grow beans – a more profitable crop. They have also been trained in pest and disease control, how to clean and sort the maize to improve quality and in calculating production costs. As a result, they were able to offer high quality maize to WFP – the best among seven organizations that supplied WFP in Guatemala – and received US\$344 per metric ton, instead of the US\$289 that traders would pay for lower quality maize.





Innovations in Local Procurement

P4P is an integral part of WFP's local and regional procurement. The initiative enables WFP to experiment with new mechanisms to purchase food, in addition to large scale tenders. The goal is to leverage WFP's demand for food commodities to develop market opportunities for smallholder, low-income farmers to sell their surplus production. A range of different approaches is being piloted and tailored to the local conditions in each country.

Competitive processes: Suppliers compete to sell WFP a commodity but under conditions favourable to farmers' organizations and small or medium traders. These include:

Pro-smallholder tenders – These apply less stringent conditions to facilitate bids by smallholders or small traders – for example, purchasing smaller quantities, providing bags with the required WFP logos, waiving the requirement for guarantee bonds or identifying delivery points close to the suppliers' warehouses.

Commodity exchanges – These are trading platforms that bring together a large number of potential buyers and sellers without requiring them to be physically in the same place. An independent entity coordinates the transactions: when a buyer posts a request for a specific commodity, sellers registered with the exchange are able to offer their crops to sell.

Cereal fairs – These bring producers and traders together to market their commodities. WFP is able to select the seller based on quality, price of commodities on offer and profile of the supplier.

Direct contracts: At harvest time, WFP negotiates a contract to buy a commodity directly with farmers' organizations. The price is pegged to the prevailing wholesale market price for high quality crops. With direct contracting, a competitive tender with a minimum of three bidders is not required.

Warehouse receipt systems – Smallholder farmers deposit crops that meet pre-determined quality criteria in a certified warehouse. In return, they are issued a receipt for about 60 percent of the market value of the commodities. The receipt can be exchanged for cash at a local financial institution. The final balance is paid once the commodities are sold.

Forward contracts: WFP signs a contract with a supplier at planting time to deliver a specified quantity and quality of a commodity in the future for a specified price or according to a specified pricing formula.

Processing opportunities: P4P is helping to develop the local food processing capacity to produce, for example, fortified blended flours, biscuits and vegetable oils. Forward contracts are used to link smallholder farmers directly to processing facilities so that they can supply the staple commodities required as raw materials.

“Before I didn’t know if I would be able to plant because I didn’t have seeds. Now, I have the opportunity to grow and pay my loans after harvest.” Pero Blandón, Nicaragua.

In **Guatemala**, farmers’ organizations sell maize to the private company that produces Vitacereal – a type of fortified, blended flour – through a guaranteed contract. WFP buys Vitacereal to distribute to children through its nutritional programmes. Connecting farmers to food processing enterprises is part of P4P’s goal to offer smallholder farmers market opportunities. WFP reinforces these efforts by also purchasing maize and beans from farmers’ organizations. WFP and its partners also invest in improving agricultural production and strengthening farmers’ organizations. These organizations receive training in administration and financial management, credit, market intelligence systems as well as innovative techniques in soil and water conservation, zero-tillage farming, irrigation, fertilization, harvest and post-harvest management.



Sílvio Mário Joaquim and his wife, Rosa Agostinho, are smallholder farmers in Nampula, northern **Mozambique**. With seven children to feed they need to produce as much as possible and avoid spoilage. But lack of suitable storage conditions and little knowledge of techniques to prevent insect infestation of crops means high losses. Silvio and Rosa normally store the family’s produce wrapped in old shirts. The parcels are tied up into bundles and hidden in the roof rafters. Through P4P, they are able to benefit from a grant to provide suitable on-farm, one ton storage facilities and basic quality testing equipment. As part of P4P, Silvio and Rosa are also being trained in fumigation, storage methods and other post-harvest techniques to help them preserve their crops.

In **El Salvador**, P4P helped develop a machine to select and clean maize and beans. Such a machine did not exist in the market. P4P hired an engineer to adapt a model available for coffee and convert it for the use of maize and beans. Farmers’ organizations will be able to buy this machine on a cost-sharing basis. The machine can clean 40 metric tons per hour. According to the business plan, an organization will be able to cover the cost in the first year and make a profit of US\$24,000 in the second year.



Throughout the implementation of P4P, WFP is guided by regular market assessments to monitor and analyse trends as well as production variables. This process helps WFP determine best practices that can be adopted to benefit participating farmers. In some countries, P4P supports newly-established structured trading systems, including warehouse receipt systems and commodity exchanges. In this way, it strengthens these market platforms as a

possibility for smallholder farmers to connect with profitable markets. WFP uses its presence to catalyze innovative ways to increase trade volumes and to reduce transaction and marketing costs. Such efforts will be supported as long as the benefits to smallholder farmers – in terms of cost efficiency, reliability, market and agricultural development – are recognised.



Warehouse Receipt Systems

In **Uganda**, WFP supports the Warehouse Receipt System (WRS), which allows smallholder farmers to deposit their crops in a certified warehouse in return for a receipt that can be exchanged for cash at a local financial institution. This means that farmers can access cash at harvest time without having to sell their produce in a rush. A network of certified warehouses that are professionally managed will prevent harvest spoilage and losses. With these warehouses farmers are also able to aggregate larger volumes that can attract a better price. One of these is being built in Kapchorwa district, in eastern Uganda, with a capacity of 2,000 metric tons. For Hellen Malewa, a local farmer mother of four, the main benefit is reduced transport costs. To sell their maize, farmers will no longer have to take it to Mbale, the nearest large town about 66km away. She is also looking forward to the job opportunities the warehouse will create. Nine new or refurbished warehouses are planned under P4P - two initially managed by WFP, the others by private sector partners.

Commodity Exchanges

In **Zambia**, WFP is buying food commodities through the recently-established Zambia Agricultural Commodity Exchange (ZAMACE). By purchasing commodities through this trading platform, WFP contributes to strengthening the market globally, promotes price transparency and provides an alternative outlet for farmers to sell their crops. Farmers, represented by brokers, register their commodities to sell, describing location and quality of stocks in response to the demand posted by buyers. ZAMACE is establishing a network of certified warehouses where farmers and traders can store commodities to sell later in the marketing season. WFP and partners are supporting farmers' organizations so they can meet the quantity and quality standards required to access the certified warehouses.



Partnerships

As part of Purchase for Progress, WFP has developed and continues to seek partnerships at different levels to support smallholder farmers throughout the entire value chain. Having different partners collaborating together is vital for enhancing production, accessing seeds and fertilizers, improving storage facilities, promoting high quality standards, accessing credit, increasing female participation and knowledge sharing.

Global: WFP works closely with the Alliance for a Green Revolution in Africa (AGRA), the Food and Agriculture Organisation (FAO), the International Fund for Agricultural Development (IFAD), the Millennium Challenge Corporation (MCC), the Millennium Villages Project (MVP), the World Bank and others.

Regional: In Africa, WFP works with the Common Market for Eastern and Southern Africa (COMESA) through the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) and is establishing links with the Economic Community of West Africa States (ECOWAS). In Latin America, WFP works closely with the Inter American Institute for Cooperation on Agriculture (IICA).

Liberia, where WFP is purchasing food for the first time, is an example of how different entities contribute to P4P. The Government offers training and extension services; FAO and the Government provided rice milling machines to farmers' cooperatives; UNDP utilized FAO funds to build a warehouse and a rice drying floor for the farmers' organizations; Ecobank, a local commercial bank, made on site payments to farmers.

"This is one of the best programmes that we have going in the country."
President Ellen Johnson Sirleaf of Liberia.



Local: WFP has strong links with national governments and is building relationships with key stakeholders involved in agriculture and market development, including a wide range of NGOs, academic institutions and private sector entities.

Private sector: Acknowledging the critical role of the private sector for the sustainability of P4P, WFP connects smallholder farmers to processing companies to sell their surplus production, traders as well as private enterprises to facilitate access to storage, financial services and technical services.

Resourcing

Securing flexible, predictable and timely cash contributions to WFP's regular programme of work in the 21 pilot countries is central to P4P's success. The value of cash donations, particularly when timely, is optimised when WFP is able to buy commodities locally.

P4P's technical and administrative costs include staff and expertise in country offices and a coordination unit at WFP's headquarters that supports the implementation of the programme. This entails

building partnerships, managing procurement activities, monitoring and evaluation, capturing lessons learned and best practices and designing and implementing a capacity development programme for partners and farmers' organizations. WFP also provides sub-grants to partners or farmers' organizations for complementary activities such as training, access to market information and technical support.



Learning and Sharing

Implementing P4P across 21 different countries will generate an evidence base of sufficient breadth and depth to inform future WFP procurement policies and procedures. The best practices identified will be mainstreamed into WFP's long-term policies and programme practices. The lessons will be shared with national governments, public and private-sector actors in the agricultural sector.

Given the specific physical, institutional and policy conditions in each country, different mechanisms to buy food commodities and promote market development are required. WFP builds on its extensive experience in local and regional procurement to explore new ways to buy food commodities that contribute to developing secure markets for smallholder farmers within the unique context of each country.

WFP has established a range of mechanisms to capture and share critical information, allowing for

continuous monitoring and review of the conditions and impact of P4P on smallholders' income and marketing opportunities. A comprehensive monitoring and evaluation system will analyze data on farmers' organizations, smallholder farmers at household level and traders. A baseline survey is followed by regular monitoring of specific indicators over the five year period. The data is complemented by case studies to provide a better understanding of how P4P is affecting each of these groups. A Technical Review Panel, composed of independent experts working in fields related to agricultural and market development, has been established to provide guidance on critical issues for the implementation of P4P. WFP will conduct two independent evaluations – mid-term and final – to examine the progress of the programme and best practices.



“We now have a source of income. We never had the money to transport our maize to the market,” said Consefta Kimundu, one of the 86 widows in the Transmara region of **Kenya** who joined forces to fight the effects of HIV/AIDS. The Koptegei Widows Group started growing maize. A local bank gave them a loan to buy seeds and other inputs. In 2009, at harvest time, they were able to sell 150 metric tons to WFP through a direct contract. In 2010, WFP was able to tender for 1,019 mt, awarding contracts to Koptegei Widows Group and 8 other smallholder farmer groups in the area. All maize was delivered on-time. The farmers used the profits from their sales to WFP to pay school fees for their children and lease more land, where they will cultivate maize.

“Small storage areas cause contamination of grain. With a new warehouse, we will be able to sell our maize at a higher price because it will be of better quality. We will be able to meet the East African Maize Grain Standards. We are going to increase our earnings and build better houses. In addition, our children will have brighter futures.” Ben Cheptkwoti, Uganda

In **Mali**, P4P partner Afrique Verte works with farmers’ and women’s organizations to teach basic market skills, including understanding quality and packaging standards and the relevance of on-time deliveries. Afrique Verte educates farmers about how the market works to ensure that in the long-term, these farmers become active participants in the economy. As a result, in 2009, one of the farmers organizations, Faso Jigi, was able to win a competitive tender to supply 600 metric tons of cereals to WFP.



In **El Salvador**, P4P supports the creation of associations of smallholder farmers – collectively they are better placed to market their produce. One of WFP’s partners, World Vision, supports Agrotropical, a farmers’ organization in the western part of the country. Despite a good production of beans, maize and sorghum, the 506 farmer members had always suffered from lack of bargaining power over prices. P4P is linking these farmers with other markets, with NGOs, government and the private sector. Agrotropical has subsequently sold 263 metric tons of maize to WFP.



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