



# P4P Purchase for Progress Reflections on the pilot

Summary Report

February 2015



**P4P** Purchase for Progress

# Executive summary

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This report on the Purchase for Progress (P4P) initiative presents the World Food Programme's (WFP) perspective on the five-year pilot. Through P4P, WFP tested different ways of procuring staple foods from smallholder farmers (SHFs), aiming to identify models that could sustainably promote smallholder agricultural development and access to public and private sector markets. Employing these models entailed catalyzing the capacity-building activities of partners, providing smallholder farmers with an incentive to invest in productivity, guiding the learning process, encouraging policy dialogue and influencing the activities of other agricultural market development stakeholders. Within WFP, new technical and organizational skills and capabilities were required. Outside the organization, novel partnerships and platforms were needed, along with a range of new products and services. This report provides a comprehensive view of key components of that process, detailing the extraordinarily wide array of opportunities generated by the P4P approach, along with the correspondingly deep set of challenges addressed. It looks across a large body of qualitative and quantitative information developed under the Global Learning Agenda (GLA), the platform put in place to frame and capture learnings under the P4P pilot. The result is a view of the pilot that is evidence-based and deliberately structured around seven thematic areas within which WFP considers most of its learning under P4P took place.

The seven thematic areas and key learnings are as follows:

- **Partnerships:** P4P facilitated powerful and novel partnerships in staple food supply chains. Through these partnerships, P4P provided the impetus for public, private and civil society actors to leverage their investments to better respond to the needs and potential of smallholder farmers;
- **Government Engagement:** P4P presented governments with a new and different approach to supporting SHFs and thereby promoting inclusive growth. P4P showed that linking smallholder farmers to formal markets is a viable investment in countries that have enabling environments;
- **Gender Equity:** P4P empowered smallholder farmers financially and socially. As a result of focusing particularly on women farmers, P4P increased gender equity by helping women gain greater control over their lives and enhanced voice at community and household level;
- **SHF Engagement in Formal Markets:** P4P showed that when smallholder farmers see the benefits of engaging with formal markets and are provided with appropriate support, they will seize market opportunities and respond swiftly to quality demands. However, deeply rooted factors driving low quality, defaults and non-compliance persist;
- **Impacts:** P4P generated a wide range of anticipated and unanticipated impacts at the farmer organization (FO) level and for participating SHFs. The most robust anticipated impacts were at FO level, where P4P interventions were most direct. Impacts at the SHF level were more mixed, with transmission of FO-level impacts to the HH level constrained by several structural/systemic barriers;

- Implementation Challenges: The P4P approach is complex, contextual, time-consuming, and operationally challenging. Careful up-front planning and patient but opportunistic execution are critical, along with careful risk management, and rigorous but pragmatic monitoring and evaluation of progress and impacts;
- Research and Development (R&D) Agenda: The P4P pilot generated evidence-based lessons on how to connect SHFs to markets, but further analysis and research is needed to deepen understanding of the many strategic, conceptual and operational issues that remain unresolved.

The set of themes and learnings is not exclusive of other learnings under P4P. Other organizations involved in the initiative might identify different collections. But from WFP's standpoint, this group of seven represents the most comprehensive learning to date.

For WFP, the P4P pilot was the first step in a multi-stage process. In future stages, the promising innovations in procurement and market development identified during the pilot will be disseminated and publicized for wider-scale implementation by other actors seeking to promote smallholder agricultural development through markets. Action-oriented research leveraging WFPs demand will be promoted. Training and advocacy and outreach activities implemented under the pilot will provide the basis for such scaling-up, with a view to setting the stage for policy and institutional reform toward pro-smallholder agricultural market development in Africa and elsewhere on the globe.

# Reflections on the pilot

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This report considers the Purchase for Progress (P4P) initiative from the unique vantage point of the principal implementing agency, the United Nations World Food Programme (WFP). Launched in September 2008 as a five-year pilot ending in 2013, P4P sought to explore programming and procurement modalities with the greatest potential to stimulate agricultural and market development in ways that maximized benefits to smallholder farmers (SHFs).

The basic challenge facing WFP under P4P was to shape and manage a process that involved creating extra demand for staple food crops produced by SHFs, reaching an appropriate level of supply adapted to that demand, and ensuring that benefits accrued to SHFs. Internal to WFP, new technical and organizational skills and capabilities would be required. Outside the organization, novel partnerships and platforms would be needed, along with a range of new products and services. This document provides a comprehensive view of key components of that process, detailing the extraordinarily wide array of opportunities generated by the P4P approach, along with the correspondingly deep set of challenges addressed.

## Background, origins and rationale

The P4P pilot was launched just as the world was struggling to fathom and come fully to grips with a new type of food and nutrition insecurity linked to a potent confluence of factors: high food prices, high energy prices, economic stagnation in industrialized countries leading to plunging remittances by migrants to needy relatives in home countries, and sharpened civil strife in chronic hotspots. P4P's focus on staples, SHFs, and markets could not have been timelier.

The roots of P4P can be traced to WFP's long and deep presence in formal food markets across the globe as a (sometimes "the") major buyer, particularly following a strategic decision by WFP's Executive Board to allow the organization to more deliberately purchase food in local and regional markets while adhering to strict quality standards. Starting in 2004 with the policy on "Food Procurement in Developing Countries," and continuing in the 2008-2011 and the 2014-2017 Strategic Plans, WFP made explicit its intention to strengthen and exploit linkages between its procurement practices and increasing access to markets for smallholder farmers, and to mainstream learnings and best practices within the organization. The P4P pilot represents the most direct and ambitious manifestation of that commitment to date. Several donors provided extraordinary support for the pilot. They include the Bill and Melinda Gates Foundation (BMGF), the Howard G. Buffett Foundation, the governments of Belgium, Brazil, Canada, the European Union, France, Ireland, Saudi Arabia, South Korea and the United States. Also contributing generously were Friends of WFP in Italy, the UPS Foundation, and Zynga Ltd.

## The P4P approach

With P4P, WFP sought to strike a balance between, on one hand, its procurement objective of timely, cost-efficient and appropriate high quality food and, on the other, its programmatic objective of promoting developing country food markets and the food security of food aid recipient countries. The potential returns to finding the right balance had long been viewed to be large. P4P was designed and launched with the aim of seizing that potential.

The P4P approach rests on three components: (1) consistent demand for quality; (2) targeted capacity strengthening of SHFs, typically through farmer organizations (FOs); and (3) coordination and linkage support for providers of key supply chain services. Under the pilot, these three components were backed by a comprehensive monitoring and learning framework. The components of the P4P model signal the three key actors: WFP, FOs, and value chain service providers, including modern commodity aggregation platforms such as warehouse receipt systems (WRS) and commodity exchanges.

## **Procurement and aggregation modalities**

Through P4P, WFP tested different ways of procuring staple foods from SHFs, aiming to identify models that could sustainably promote smallholder agricultural development and access to public and private sector markets. WFP's procurement from SHFs and small/medium traders (the demand pillar) was intended to provide the inducement and motivation for action around the P4P development hypothesis. WFP designed the new P4P procurement modalities specifically to deal with the difficulties that smallholder farmers face in selling to WFP. The P4P procurement modalities fell into four general categories: (1) pro-smallholder competitive tendering; (2) direct contracting; (3) forward contracting; and (4) processing options.

Employing these modalities entailed catalyzing the capacity-building activities of partners, providing smallholder farmers with an incentive to invest in productivity, guiding the learning process, encouraging policy dialogue and influencing the activities of other agricultural market development stakeholders. Each P4P pilot country conducted a thorough process of assessment that identified, among other things, the procurement modalities that best suited their contexts, partnership and capacity-building opportunities, the capacity levels of potential suppliers and key partners, marketing environments, and the needs of P4P participants. In general, the choice of modalities reflected the specific constraints that the selected participants face in producing, marketing and selling to WFP and other formal sector buyers.

P4P tested not only different contract types but also different mechanisms for aggregation. In addition to the FOs mentioned above, P4P also worked with small and medium scale traders and structured trading platforms such as WRS and commodity exchanges, along with linking SHFs to processors. WFP itself also bought processed food such as high-energy biscuits (HEBs) and fortified flour from processors using raw commodities sourced from P4P-supported FOs.

## **Geographic coverage**

The P4P pilot covered 20 countries in Africa, Asia and Latin America. In Africa, pilot countries were selected from four regions: Ethiopia, Kenya, Rwanda, South Sudan, Uganda, and the United Republic of Tanzania in east Africa; the Democratic Republic of Congo in central Africa; Malawi, Mozambique and Zambia in southern Africa; and Burkina Faso, Ghana, Liberia, Mali, and Sierra Leone in western Africa. Afghanistan was the only pilot country in Asia. In Latin America, P4P was piloted in El Salvador, Guatemala, Honduras, and Nicaragua.

## Organization and governance

One of WFP's central assets under P4P was the range and capillarity of its field presence, which were crucial to ensuring effective implementation of the pilot. P4P's procurement and market development activities required integration and coordination of several business areas across WFP. These areas included food procurement, food assistance programming and programme support, market analysis, policy formulation, logistics, communications, analysis and reporting, and finance. Reporting to the Director of the Policy, Programme and Innovation Division within the Operations Services Department, the P4P Global Coordinator managed a Rome-based Coordination Unit staffed by senior technical and administrative officers, each of whom had responsibilities for linking with relevant divisions and units of Headquarters (HQ), such as procurement, programming, logistics, finance and communications. A Steering Committee provided strategic oversight and guidance. An internal Stakeholder Group enhanced information sharing and consensus on technical and operational issues. The country-level management structure comprised Country Coordinators supported by small teams of procurement officers, Monitoring and Evaluation (M&E) specialists, and between two and eight national staff performing a range of tasks as dictated by the P4P implementation plan. P4P teams were encouraged to work closely with relevant Country Office teams, aiming to ensure that P4P activities and deliverables were fully captured in the workplans of relevant staff. WFP established a Technical Review Panel (TRP) for the pilot. An independent, unremunerated group of experts, the TRP met annually to discuss the progress of P4P implementation and offer WFP their guidance and advice on a range of implementation and M&E issues presented to them for input.

## Independent evaluation

Following an independent mid-term evaluation in 2010, a comprehensive final evaluation of the pilot was completed in November 2014, seeking to ascertain the extent to which best practices were identified and shared, and the extent to which these practices led to increased income and sustained market engagement for farmers. The evaluation also considered the extent to which WFP's purchasing approach was transformed to support sustainable small scale procurement. And finally, the evaluation assessed how the pilot initiative's multi-level organizational framework and the systems put in place to support the implementation contributed to the results achieved, intended and unintended.

The evaluation was rigorous and comprehensive, yielding results that will be important to both WFP and the wider external network of stakeholders with direct and indirect interest in SHF engagement in staple food markets.

But even the most rigorous evaluation would be unable to uncover the depth and range of experiences and learnings that have accrued to WFP in its dual role under P4P: first, as key facilitator and coordinator of P4P programming interventions; second, as a major buyer of quality food. The need to pull together these experiences and learnings could not be greater. This document seeks to fill that need. It is best viewed as representing a first attempt by WFP to consolidate and synthesize material developed under the Global Learning Agenda (GLA) – the platform put in place to frame and capture learnings under the P4P pilot.



## Learning themes

The information produced by 20 pilot countries and the HQ Coordination Unit under the GLA currently numbers over 3,000 documents and datasets developed over the five-year pilot. WFP is synthesizing knowledge around a selection of topics drawn for the GLA to be made publicly available through WFP's website. Datasets used in four formal impact assessments will also be publicly available during 2015.

This document looks across that body of qualitative and quantitative information, seeking to offer a view of the P4P pilot that is evidence-based and deliberately structured around a set of seven cross-cutting thematic areas within which WFP considers most of its learning under P4P took place. The seven thematic areas are as follows: (1) transformative partnerships; (2) government engagement; (3) gender equity; (4) smallholder farmer engagement in formal markets; (5) impacts; (6) implementation challenges; and (7) research and development (R&D) agenda.

The themes are not exclusive of other learnings under P4P. Other organizations involved in the initiative might identify different sets. But from WFP's standpoint, this set of seven represents the most comprehensive learning to date.

## Transformative partnerships

Key learnings: P4P facilitated powerful and novel partnerships in staple food supply chains. Through these partnerships, P4P provided the impetus for public, private and civil society actors to leverage their investments to better respond to the needs and potential of smallholder farmers.

The partnership imperative in the P4P approach is obvious. No single organization could have implemented the pilot in one country, let alone 20. WFP's demand for food and organizational capacity to procure food efficiently were only two pieces of a wide range of interventions required to connect SHFs to quality markets. The pilot was therefore designed with a focus on partnerships at all levels, seeking to leverage the diverse strengths and specializations of initiatives and programmes already working in the field. Active engagement with those organizations was necessary to provide the appropriate institutional and technical support to SHFs, FOs, small and medium traders, processors and others who participated in the pilot.

The transformative power of the P4P approach lies in the opportunities it opens up for previously disconnected actors in food value chains to align incentives, leading to pooled investments and leveraged impacts. Those opportunities spring from the demand-side stimulus to P4P partnerships. Given that impetus, at issue in P4P's partnership agenda are: (1) how SHFs can identify and develop new market outlets; (2) how SHFs can improve the quality and increase the value of the goods they seek to produce and trade; and (3) how SHFs can access finance for market development, quality improvement, and value enhancement.

The P4P Coordination Unit and Country Teams thus sought out partners with skills, capacities, and experience in these areas. External interest in entering into such partnerships with WFP was immediate and sustained, covering a wide range of anticipated needs, but also opening up new opportunities in key areas, especially with respect to WFP's relationships with the private sector and with other United Nations agencies.

Over the P4P pilot period, WFP entered into over 500 partnerships, 286 of which were formalized through agreements. Beyond government ministries and agencies, P4P's partners included donor-funded projects, international and indigenous non-governmental organizations (NGOs), umbrella FOs, United Nations agencies, input suppliers, output aggregators, processors, financial service providers, research institutions, bilateral development partners and regional entities.

Four types of partnerships were especially transformative. These were:

1. Government-facilitated partnerships, such as the Maize Alliance in Ethiopia that facilitates synergies between agricultural programmes of various actors, avoids duplication, maximizes use of resources, and strengthens synergies;
2. Partnerships to facilitate new private investment, such as those in which WFP and partners successfully expanded affordable financing to FOs and SHFs from banks and other financial service providers;
3. Partnerships with other United Nations agencies, such as: (1) that with the Food and Agriculture Organization of the United Nations (FAO), where FAO provided supply side and technical assistance in production in 15 countries, making it the most central P4P partner within the United Nations system; or (2) that with the International Fund for Agricultural Development (IFAD), where IFAD-funded projects supported P4P implementation with technical support on production and enhanced access to credit; or (3) the five-year, seven-country joint programme, Accelerating Progress towards the Economic Empowerment of Rural Women (RWEE), with the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), FAO, IFAD and WFP as partners; and
4. Partnerships to address P4P's analytical challenges, such as that with the African Economic Research Consortium, aiming to establish an indigenous voice in Africa that would provide technical M&E support during implementation of P4P and remain as a sustainable local knowledge repository, ensuring that the identified lessons and best practices emerging from the pilot would remain accessible to interested stakeholders across the globe.

These partnerships were not without challenges and setbacks. In any given country, the array of partners that could potentially be brought on board was immense. Selecting the right partners, negotiating formal and informal terms of partnerships, coordinating activities, aligning resourcing commitments, and monitoring progress toward targets – all required major investments by P4P country teams. P4P Country Coordinators devoted significant shares of their time to partnership development and management. Setbacks were not uncommon.

Transformative partnerships alter the landscape within which the partners are operating, thereby enhancing partners' respective value propositions. New products and services emerge. The organizational architectures of value chains are altered. New political allegiances are developed. P4P catalyzed and facilitated the emergence of a significant number of such transformative partnerships. But the pilot reveals that such partnerships are costly, both in terms of actual investments in human and financial resources required for success, and also in terms of foregone opportunities where partnerships fail to generate anticipated results.



## Government engagement

Key learnings: P4P presented governments with a new and different approach to supporting SHFs and thereby promoting inclusive growth. P4P showed that linking smallholder farmers to formal markets is a viable investment in countries that have enabling environments.

From the outset, P4P was motivated and presented as an initiative that would provide lessons in design and implementation of programmes for SHF market engagement that governments and their partners might take on and scale up. The vision was of a “second wave” of P4P-inspired government-led programmes applying approaches and methods tested under the pilot.

P4P implementation plans were therefore developed to align with governments’ national agricultural development policies and food and nutrition security strategies. Government support to P4P included a wide range of activities, from participation in (and often chairing) P4P coordination mechanisms, to development of SHF-friendly policies, to direct support to FOs through extension services and the provision of technical equipment. Ministries of agriculture were key to successful coordination of P4P activities with other national stakeholders, particularly with government entities charged with providing technical support through extension and enhancing access to agricultural inputs. Depending on the country context, other ministries, including ministries of education, gender, trade and commerce, cooperatives, social services and finance were also involved.

The degree to which P4P would come to be viewed by governments as offering clues and answers in their constant search for options for practical public action in agrifood systems was gratifying. The governments of Burkina Faso, Ethiopia, Guatemala, Rwanda, and the United Republic of Tanzania developed institutionalized programmes and initiatives motivated by (or built around) P4P, with WFP providing technical support for design and implementation.

But even in countries where P4P was embraced by governments, key enabling conditions were sometimes lacking, with potential negative impacts. The most critical dimensions of an enabling environment for P4P are linked to: the level and quality of agricultural infrastructure development (e.g., roads and irrigation); public investments in key public goods (e.g., research and extension in particular); and policies and regulations conducive to SHF-friendly agricultural investment (e.g., land tenure and contract enforcement). In no country were all of these elements in place. In some countries, key policy decisions had direct negative impacts on P4P pilots.

P4P has transformed WFP’s relationship with governments. Whereas at one time WFP’s presence in a country was viewed as a signal of policy and institutional failure, with P4P pilots aligned with national policies and strategies, WFP is viewed as enhancing scope for action in the short term and strategic options over the longer term. Especially powerful and clearly appreciated by governments are new openings for high-potential commercially-oriented micro-level interventions in food sectors. However, the P4P model is not immune to food politics, nor to the immobilizing effects of implementation gaps in public sectors.

## Gender equity

Key learnings: P4P empowered smallholder farmers financially and socially. As a result of focusing particularly on women farmers, P4P increased gender equity by helping women gain greater control over their lives and enhanced voice at community and household level.

Both in design and implementation, P4P prioritized gender equity, seeking to use its interventions to empower women farmers. P4P tested the most effective ways of using institutional procurement as an economic empowerment tool for women. The approach included a menu of activities that could be adapted to the cultural and social context of each pilot country, while addressing the key challenges relevant to market engagement. Clearly recognized was the power of social and cultural pressure to constrain opportunities and gains for women. P4P worked within these constraints, challenging them as necessary and possible from a culturally sensitive and respectful perspective

Gender-related performance targets built into P4P pushed WFP into new terrain. Midway through the pilot, WFP developed a tailored P4P Gender Strategy for P4P, backed by clear operational guidelines. The strategy aimed to achieve the holistic empowerment of women and, as such, emphasized activities with the strong potential to create opportunities or conditions that facilitate women's agency and promote enabling opportunity structures to contribute to their empowerment.

Gender assessments were completed and gender strategies and action plans developed, with the support of UN Women in Ghana and Mozambique. Across P4P, 16 pilot countries carried out at least one formal gender assessment; 14 pilot countries developed gender strategies and/or action plans, building on the P4P Global Gender Strategy. The P4P coordination unit developed a set of tools outlining P4P-focused gender assessment protocols.

Training implemented throughout the initiative consciously promoted equitable participation of women. Training topics included: production and productivity, post-harvest handling and quality standards and agribusiness management. Other important themes incorporated into training sessions included how to access credit and lessons in financial literacy. Some trainees (among whom were women) were also trained to train their peers.

Overall, progress on P4P's gender-based performance targets was strong but undeniably mixed. 29 percent of P4P-supported farmers were women, rising to 48 percent if Ethiopia is excluded. 36 percent of leadership positions were held by women at the end of the pilot period. 200,000 women were trained in various capacities. FO records indicate that on average, participating women registered income gains of \$48 per year. And women received 26 percent of the money paid out to SHFs through P4P.

The deliberate and ambitious gender-related performance targets integrated into P4P had profound effects on design and implementation of given P4P interventions. From the beginning, P4P was a gender-conscious project, with an ambitious goal to have 50 percent women participants. While the broader dynamics affecting the pilot impinged on its performance against this and other gender targets, quantitative and qualitative evidence suggests that the investment was strategically potent and operationally meaningful. Over the five-year pilot, P4P shifted from gender-conscious to gender-transformative, focusing on specific interventions which not only encouraged the participation of women farmers, but directly addressed the root causes of inequality that limit their potential.

## Smallholders gaining a foothold in formal markets

Key learnings: P4P showed that when smallholder farmers see the benefits of engaging with formal markets and are provided with appropriate support, they will seize market opportunities and respond swiftly to quality demands. However, deeply rooted factors driving low quality, defaults, and non-compliance persist.

In well-developed value chains, the “invisible hand” of the market serves to coordinate activities and investments, or large agribusiness players step in and integrate the value chain. But in poorly developed value chains for food staples, neither of these options may happen, and private investors will not invest significant capital in developing agricultural service businesses. Markets can then become trapped in low-output equilibria.

The P4P approach represents an attempt to help SHFs escape these low-output market equilibria. Implicit in the approach and explicit in the investments pursued within the pilot is the view that the combination of: (1) lack of effective and appropriate on-farm storage capacity; (2) poor access to appropriate post-harvest management (PHM) technologies and practices; (3) the need for cash at harvest-time; and (4) restricted access to credit obliges SHFs to sell large shares of small surpluses immediately after harvest when prices are low, rather than defer sales for more lucrative markets that may not pay immediately.

WFP’s long experience as a buyer of food in different contexts confirms that the capacity to maintain food quality (and meet high quality standards) is a necessary condition for capturing the full set of returns to market engagement. Any food whose quality cannot be sustained is a liability. By implication, food for which quality can be maintained becomes an asset.

Defaults on contracts during the first three months of the pilot stood at 59 percent. Reasons for defaults by FOs included: (1) poor structure and governance; (2) side-selling by members due to more attractive prices from other buyers; (3) low capacity to aggregate produce in time; and (4) low output and marketed volumes due to poor weather.

To address this complex set of problems, significant capacity development activities were undertaken by P4P teams and partners in each of the 20 pilot countries, targeting SHFs, FOS, and the many value chain actors that serve them – extension officers, traders, warehouse operators, and WFP and partner staff.

There is evidence that as a result of these investments in the capacities of FOs and member SHFs, key elements of P4P’s hypothesized quality-driven dynamic did indeed play out in several countries. By the end of 2013, defaults on P4P contracts amounted to 19 percent of all completed contracts, down from 59 percent in last quarter of 2008. Trends in the composition of modalities over the pilot period further illustrate the transformative effects of the capacity building investments. The volume of food delivered to WFP under P4P more than quadrupled between 2009 and 2013, from 30,100 tons to more than 112,000 tons. The share of direct purchasing contracts jumped at first as FOs gained confidence and were able to complete contracts. But as the pilot progressed, direct purchases declined as a share, being replaced by other contracting modalities – such as competitive tendering and forward delivery contracts – that required greater sophistication from FOs and SHFs. By the end of 2013, the volume of food contracted through these alternative modalities was more than five times that under direct purchasing.

A potent indicator of the impact of capacity development efforts under P4P is the extent to which P4P-supported FOs were able to sell food to buyers beyond WFP. Across the pilot, commodities sold to markets beyond WFP that was documented by FOs totaled over 156,000 tons, at a value exceeding US\$60 million.

Crucially, the hypothesized financial deepening and inclusion played out in several contexts. FOs with P4P contracts were perceived by financial institutions as being less risky than were FOs without contracts. WFP contracts were used to negotiate loans and at more attractive interest rates. Specialized financial products (i.e., other than credit) developed for P4P-supported FOs by banks and other financial institutions expanded scope for honoring contracts due to reduction in delays. Non-financial services in the form of technical assistance for financial literacy, book-keeping, and managerial procedures enhanced access to finance for FOs. Microfinance institutions, banks, input suppliers, WFP and other partners collaborated to make financial services available and affordable in remote areas. The solutions included using food-supply contracts and warehouse receipts as collateral for loans and training FOs in financial management and literacy.

Traders and aggregators in food markets have long understood that every value chain requires a catalyst. P4P sets a high qualification standard for market engagement by SHFs. This high standard – derived from WFP’s global and national food quality norms – establishes a participation threshold that effectively serves as a catalyst for sustainable engagement by SHFs in commercial value chains. The tradeoff is that weak SHFs and FOs may not make the leap. But those that do find a range of supportive services awaiting them – services that affirm the leap and promote ever more sophisticated behavior in formal markets, allowing them to better engage in broader development processes.

## Diverse impacts

Key learnings: P4P generated a wide range of anticipated and unanticipated impacts at the FO level and for participating SHFs. The most robust anticipated impacts were at FO level, where P4P interventions were most direct. Impacts at the SHF level were more mixed, with transmission of FO-level impacts to the HH level constrained by several structural/systemic barriers.

The overarching rationale for P4P was the hypothesis that channeling a portion of WFP’s local and regional procurement to a point in the supply chain that was closer to SHFs (usually FOs) would provide the market necessary to catalyze other development partners’ efforts to build SHFs’ and FOs’ organizational and marketing capacities. FOs more capable of identifying markets, adding value, and reliably meeting market demands would improve households’ marketing opportunities and outcomes. Improved access to markets for households would increase returns to agriculture, provide an incentive for investing in production, and ultimately, lead to improvements in household welfare.

It was incumbent on WFP to undertake a thorough assessment of the extent to which this dynamic would hold in actuality. Specifically, rigorous assessments were undertaken of P4P’s

“impacts” in the strictest sense of the word – i.e., the changes that could be attributed to particular P4P interventions, including both the intended ones and the unintended ones. This required an approach that carefully tracked and measured impacts for SHFs and FOs participating in P4P and also for “control” groups of statistically similar SHFs and FOs that in principle could have but did not participate in P4P. Stringent methodological and data requirements for such an analysis required a focus on a small set of countries where data quality largely held for five years with both treatment and control groups. Ethiopia, El Salvador, Ghana and the United Republic of Tanzania were ultimately selected. Thus far, results are available only for Ethiopia, El Salvador and the United Republic of Tanzania.

P4P in El Salvador entailed investments in and around 13 specific FOs across four geographic regions of the country. Ethiopia elected to buy primarily from Cooperative Unions (CUs), second tier FOs with Primary Cooperatives (PCs) as members, with some CUs covering up to 30,000 SHFs. In the United Republic of Tanzania, Savings and Credit Cooperative Organizations (SACCOs) were selected as the entry points for P4P interventions.

In all three countries, outcomes at the FO-level were strongly positive. FOs registered significant increases in key organizational capacities and associated services provided to members including: value addition, quality-enhancement, production training and planning for production and marketing. Consequently, marketing capacity outcomes were also positive – e.g., increased availability of storage infrastructure and equipment, greater volumes of grain sold through FOs, increased sales to buyers beyond WFP, and greater provision of post-harvest financing to members.

El Salvador’s P4P farmers seem to have been more successful than those in Ethiopia and the United Republic of Tanzania in translating these first-tier impacts (e.g., increased use of productivity-enhancing practices and technologies, allocating more land to maize production) to second-tier impacts (e.g., higher yields and production).

In both Ethiopia and the United Republic of Tanzania, households participating in P4P-supported FOs registered statistically significant increases in production and income. But non-P4P households registered similar gains, meaning that the impacts could not be attributed to P4P.

In all three countries, in spite of relatively low-capacity FOs, farmers seemed to be increasing their engagement with FOs as marketing organizations, with a greater percentage of farmers choosing to sell through the FO and selling a larger share of their maize surpluses through the FO channel. But only in El Salvador did households with higher productivity and increased access to quality-conscious markets appear to have registered the third-tier impacts of improvements in household welfare. But even this was not directly attributable to P4P. Even though household income and livestock asset value increased for P4P households relative to non-P4P households, the change was not large enough to statistically attribute to participating in P4P.

The results indicate that where its interventions were most directly felt – at the FO level – P4P generated strong positive impacts. The transmission of these impacts to the household level was constrained by a range of structural factors prevalent in SHF areas. Indeed, the hypothesized dynamic in the impact assessment framework envisions a multi-year process of

SHF market engagement. The quantified impacts bear out this hypothesis, albeit disappointingly. Significant first-stage impacts were observed and key capacities developed. But five years may have been too short a time frame to expect to see more than these first-stage outcomes. However, five years was long enough to generate the wide and deep set of catalytic pro-SHF changes in food value chains in several contexts.

## Complex implementation challenges

**Key learnings:** The P4P approach is complex, contextual, time-consuming, and operationally challenging. Careful up-front planning and patient but opportunistic execution are critical, along with careful risk management, and rigorous but pragmatic monitoring and evaluation of progress and impacts.

*Conceptually*, P4P seeks to maximize benefits (income) accruing to SHFs from increased food demand through market development, innovative local procurement and supply support mechanisms. *Operationally*, P4P entails a process with three main elements: (1) creating new demand for food produced by SHFs; (2) mobilizing complementary supply-side interventions; and (3) marrying demand shifts and supply adaptations. This set of operational tasks frames the implementation agenda under P4P. That agenda has external and internal components, each with a number of sub-components.

External challenges cut across the value chain, with investments required to fill technical, financial, management, and policy gaps. Specifically, these challenges relate to:

1. Spurring production and productivity growth – identifying and mobilizing service providers able to operate at scale;
2. Bridging skill and capability gaps in storage and aggregation for SHFs and FOs;
3. Ensuring appropriate buyer behavior to achieve required quality and volume;
4. Expanding access to affordable credit and financial services;
5. Enhancing management capacity of FOs; and
6. Promoting an enabling environment.

Internal challenges center on capacities and policies needed to deliver on P4P's potential as a programming intervention with a procurement component, and on design and implementation of a practical M&E system. These challenges are therefore linked to:

1. Staffing capacity, both required skill sets and appropriate placement of staff;
2. Policy development and implementation, especially with respect to procurement;
3. Context-specific programming, aiming for pragmatic flexibility; and
4. Monitoring and evaluation, balancing rigor and practicality.

These challenges and their implications for the pilot affirm key conclusions in the “implementation science” literature. Needs analyses are critical, both internally and externally. To the extent possible, design should be evidence-based and hypothesis driven. Monitoring and review systems should be deep and wide-ranging but also aligned with existing organizational capacities. Cost-effectiveness and replicability of results are valuable principles, albeit not easily applied in real-world situations. But P4P also demonstrates the value and returns to practical and pragmatic approaches.



Cutting across WFP's responses to P4P's myriad internal and external challenges was a strong corporate commitment to the P4P approach, a deep understanding of the demand-side of food value chains and food systems in general, and a firm belief that the many unanticipated implementation problems could indeed be overcome. The technical, organizational, and political capabilities needed to lead the design and implementation of P4P-type interventions emerged as significant. The P4P approach entails up-front investment in critical internal capacities, along with partnership and stakeholder engagement strategies that fill key external gaps and enhance both innovation and control.

## Research and development agenda

**Key learnings:** The P4P pilot generated evidence-based lessons on how to connect SHFs to markets, but further analysis and research is needed to deepen understanding of the many strategic, conceptual and operational issues that remain unresolved.

The P4P pilot confirmed that markets and value chains serving SHFs are fraught with difficulties. Private operators – most notably SHFs themselves – lack fundamental capacities key to pro-SHF market development. Communication and transportation facilities are poor. Given markets are highly segmented, with access restricted, sometimes to particular groups of people. Financial bargaining power brought to the exchange relationship between seller and buyer is often highly unequal. Capital and infrastructural constraints are immense. Transaction costs are very high, especially in SHF-dominated regions. Non-competitive elements are myriad and entrenched. And the size and distribution of market-based economic gains are contested and subject to strong political influence. These difficulties raised significant challenges for P4P. Some were successfully addressed, others constrained impact and effectiveness.

Several issues fundamental to achieving full clarity on the validity and efficacy of the P4P model remain inadequately understood. They will require focused and sustained attention going forward. These include:

1. The so-called “meta” and “killer” assumptions identified in the mid-term evaluation (MTE);
2. The impact of predictable, large-scale (structured) demand on SHF behavior;
3. The required duration of investment to achieve comprehensive impact at the SHF-level under the P4P model;
4. The value for money of the P4P model;
5. FOs as appropriate channels to support SHF market engagement;
6. Options for filling supply-side gaps; and
7. The relevance of the P4P approach to “inclusive growth” objectives and strategies.

P4P has enhanced WFP's profile as an evidence-based organization making positive contributions to basic development challenges. There is an urgent need for WFP to set out a practical but cutting-edge research agenda on demand-driven pro-SHF market development, build partnerships with leading academic institutions and think tanks, and pioneer innovative approaches in conducting and communicating research and knowledge around the world.

WFP has shown itself to be a reliable partner in R&D-based partnerships. Future P4P-inspired programming and procurement efforts open up new opportunities for such partnerships. WFP's ability to engage with and benefit from such partnerships would be greatly enhanced by an investment in its in-house R&D capacity, backed by a comprehensive knowledge management system. The United Nations Children's Fund's (UNICEF) Office of Research offers a useful model of cutting edge analysis of pressing development problems. WFP's P4P-motivated R&D agenda and niche would be somewhat different, however, springing more directly from operational imperatives, and thus uniquely suited to contributing practical but evidence-based solutions to problems of design and implementation of high-impact initiatives. Strengthened partnerships with the other two Rome-Based Agencies (RBAs) would be critical.

## Conclusions

P4P was launched to give SHFs a better chance of coping with an expanding array of potent drivers of change and vulnerability, while seizing opportunities expressed through the staple food value chains within which they spend their lives, and to which they devote the bulk of their land, labour, and other treasures. Several conclusions emerge.

First, P4P was ahead of the curve, and it drew others along with it. The range and depth of partnerships developed under the pilot, and the strong and sustained engagement by national governments confirm that the P4P model is a powerful institutional innovation that not only fits very well with dominant macro strategies for agricultural development across the globe, but also provides strong signals regarding the nature and extent of the kinds of micro-level policy and regulatory reforms required to help SHFs engage productively with markets.

Second, P4P is an investment, not a handout. In most implementation contexts there were huge gaps in human, physical, organizational, and financial capacity in commercial staple food supply chains serving SHFs. The private sector was keen to seize the opportunity (imperative) of purchasing more from SHFs but lacked platforms for engaging with SHFs. P4P provided a context within which to develop partnerships that generated the required platforms, with strong support from governments. WFP's behavior as a buyer was critical, especially with respect to demand for quality and investments to ensure it. Incentives and capacities for SHFs to supply quality were poor. Such incentives and capacities needed to be cultivated. Similarly, incentives for providers of key supply chain services to serve SHFs were also poor and needed to be supported and coordinated. When service providers responded and reached out to SHFs and FOs, the latter responded, and new dynamics set in. These dynamics will continue into the future, along with benefits from the investment of time and donor resources.

Third, P4P's objectives thrust WFP outward in new ways while forcing it into reexaminations of several internal structures and processes. The challenges were myriad, but many achievements were also registered, both externally and internally. For WFP, these achievements are signaled by the seven learning themes:

- Strong and transformative partnerships were created and sustained;
- Governments were successfully and effectively engaged;

- Gender equity was enhanced;
- SHFs were given opportunities to gain footholds in formal markets;
- Impacts, while mixed, were encouraging overall;
- Complex implementation challenges were overcome;
- Preliminary evidence and analysis suggests that if well-designed and implemented, the P4P model would represent good value for money; and
- An exciting R&D agenda was unveiled.

But, fourth, P4P encountered major difficulties in several areas, some of which remain unresolved. These included:

- Finding competent supply-side partners able to operate at scale in several geographies;
- Designing and implementing a practical M&E system;
- Accessing external technical assistance to establish lessons learning and best practice review systems ;
- Working with the other RBAs (but this improved significantly as the pilot evolved);
- Changing procurement policies and procedures;
- Implementing new SHF-friendly procurement policies and procedures;
- Aligning fund availability with marketing seasons and resources available to buy food locally;
- Obtaining reliable data for pricing;
- Clearly specifying all partners' roles and ensuring availability of funding; and
- Catalyzing finance for FOs and agribusinesses within given P4P pilots.

Finally, from the independent evaluation, and from WFP's own experience under P4P, several lessons emerged with relevance for future P4P-style investments by WFP and others. Investors in the P4P model should:

- Take the time to plan well, but start quickly and move forward aggressively. Theory is never sufficient as a guide to action; relevant evidence emerges largely from experience. While acknowledging the valid points raised in the independent evaluation about design flaws, the broader P4P experience would suggest that it is better to have started too soon and have had to adjust than to have planned too much and missed ephemeral strategic and operational openings;
- Take the time to understand the diversity of SHFs, focus in particular on differences across SHFs (and the FOs in which they are members) in key capacities relevant to market engagement, and design interventions that reflect those differences;
- Develop partnership strategies tailored to the needs of given P4P execution plans, recognizing that, beyond the principle that partnerships should be innovation-based, solution-driven, and feature well-aligned interventions, there is no single model partnership platform;
- Build specific partnerships that address three critical gaps facing SHFs and FOs in food markets: (1) financing gaps – i.e., credit and financial services; (2) technical gaps linked to both production and post-harvest handling; and (3) management and organizational gaps related to collective action in food markets;

- Pick a small set of performance measures, develop full organizational buy-in to them, and monitor them religiously. On the **production-side**, the pilot suggests the following set: SHF crop yields and outputs; SHF use of improved inputs; SHF access to credit and financial services. With regard to **SHF marketing**, the following are suggested: SHF sales through targeted channels (e.g., FOs, traders, exchanges, etc.); levels and rates of defaults by contract type. For **procuring agencies**, key are: volumes and values procured through targeted channels; SHF shares of these volumes and values; channel-specific costs of contracting and procurement; gender-disaggregated changes in SHF incomes; gender-disaggregated changes in SHF assets.
- Understand that the P4P approach is a programming intervention with a procurement component, not a procurement intervention with a programming component. As planned in WFP's own nascent Patient Procurement Platform, the latter type of intervention is valid and potentially powerful. But to the extent that such efforts are to benefit SHFs, investments in their programming dimensions must be very deliberate and sustained, as they were in the P4P pilot;
- Recognize that P4P's unanticipated impacts can be significant, both the negative ones and the positive ones. WFP's experience under the pilot is of a positive net balance across such impacts. That experience also points to the importance of keeping resources in reserve to seize the positives and overcome the negatives;
- Be ready to adjust – sometimes radically – when reality renders design assumptions or operational plans invalid;
- Be aware of the needs of the private sector, recognizing that, while they add resources, coherence, and innovation to programmes, they, too, need help to build skills, make linkages, and sustain investment levels; and
- Take the time to build an understanding of policy regimes and institutional arrangements affecting incentives and outcomes in targeted agrifood value chains and design advocacy strategies accordingly.

It is useful to reflect on key aspects of the vision of success of P4P as set out in the original proposal to BMGF in 2008. P4P's vision was of a world in which high-impact best practices, first, in pro-smallholder local food procurement, and, second, in pro-smallholder agricultural market development, would be mainstreamed in WFP's policies and programmes practices, and, more importantly, communicated to national governments and other actors in agricultural sectors. The P4P pilot was viewed as the first step in a multi-stage process. In future stages, the promising innovations in procurement and market development identified during the pilot would be disseminated and publicized for wider-scale implementation by other actors seeking to promote smallholder agricultural development through markets. Training and advocacy and outreach activities implemented under the pilot would provide the basis for such scaling-up, with a view to setting the stage for policy and institutional reform toward pro-smallholder agricultural market development in Africa and elsewhere on the globe. The P4P pilot is over, but for WFP, Purchase for Progress has only just begun.

## Acronyms

BMGF	Bill and Melinda Gates Foundation
CU	cooperative union
FAO	Food and Agriculture Organization of the United Nations
FO	farmer organization
GLA	Global Learning Agenda
HEB	high-energy biscuits
HH	household
HQ	headquarters
IFAD	International Fund for Agricultural Development
M&E	monitoring and evaluation
MTE	mid-term evaluation
NGO	non-governmental organization
P4P	Purchase for Progress
PC	primary cooperatives
PHM	post-harvest management
R&D	research and development
RBA	Rome-Based Agencies
RWEE	Accelerating Progress towards the Economic Empowerment of Rural Women
SACCO	Savings and Credit Cooperative Organization (Tanzania)
SHF	smallholder farmer
TRP	Technical Review Panel
UNICEF	United Nations Children's Fund
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
WFP	World Food Programme
WRS	warehouse receipt system

**World Food Programme**

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**P4P** Purchase for Progress