P4P Global Learning Series

Supporting Public Procurement from Smallholder Farmers

March 2014

MANAGEMENT SYSTEMS INTERNATIONAL
A SUBSIDIARY OF COFFEY INTERNATIONAL, LTD.

WFP World Food Programme
wfp.org
P4P Purchase for Progress

Supporting Public Procurement from Smallholder Farmers

P4P Global Learning Series

March 2014

Prepared for World Food Programme by
Management Systems International

Author: Sharon Amani, Management Systems International

TABLE OF CONTENTS

LIST OF ACRONYMS AND ABBREVIATIONS

ACE	Agricultural Commodity Exchange for Africa
ADMARC	Agriculture Development and Marketing Corporation
ASAL	Arid and Semi-Arid Lands
CEX	Commodity Exchange
CP4P	Common Purchase for Progress
FO	Farmers' organization
FRA	Food Reserve Agency
HGSF	Home-Grown School Feeding
M&E	Monitoring and Evaluation
MIS	Market Information System
MoA	Ministry of Agriculture
mt	Metric Tonnes
NCPB	National Cereals and Produce Board
NFRA	National Food Reserve Agency
NSR	National Strategic Reserve
ODN	Regional Bureau for East and Central Africa
OPAM	Office des Produits Agricoles du Mali
P4P	Purchase for Progress
SGR	Strategic Grain Reserves
SHF	Smallholder Farmers
SONAGESS	La Société Nationale de Gestion du Stocks de Sécurité Alimentaire
USD	United States Dollar
VAM	Vulnerability and Mapping
WFP	World Food Programme
WRS	Warehouse Receipt System

EXECUTIVE SUMMARY

Launched in September 2008 across 20 countries, the Purchase for Progress (P4P) pilot combined the purchasing power of the World Food Programme (WFP) with the technical expertise of partners to build the capacities of smallholder farmers (SHF) to participate in food commodity markets. P4P dismantled many barriers limiting SHF market participation by transferring the technical knowledge and skills required to increase the quality and quantity of marketed surplus from SHF and by helping them access the demand of the largest purchaser of food aid in the world. Through the process of engaging WFP as a buyer from contract negotiations through fulfilment, P4P built the experiential base and the confidence of SHF to participate in high-quality, remunerative, institutional markets. P4P trained hundreds of thousands of farmers and other actors along the supply chain in production and productivity techniques, post-harvest handling, credit and finance, and institutional procurement and logistics, among other subjects. The suite of supply-side reinforcement mechanisms developed with partners for P4P builds the capacity of SHF and farmer organizations (FOs) to provide sufficient quantities of quality commodities to sell to institutional buyers.

To assure the sustainability of SHF access to formal markets, P4P also intended to identify pro-smallholder models in public procurement and structured trade that can be adopted and scaled-up by national governments. Through P4P, WFP provided both supply-side and demand-side support to create market linkages between public institutions and SHF. Among different government institutions, P4P worked most intensively with the managers of strategic grain reserves (SGR) and home grown school feeding (HGSF) programs.

Drawing upon existing reports and interviews with P4P Coordinators, this paper synthesizes the experience across nine of the 20 P4P pilot countries in Africa and Central America on WFP's role in supporting government public procurement from smallholders.

Strategic Grain Reserves

During the five-year pilot phase of 2008-13, P4P worked with FOs of varying capacities using different procurement modalities and payment mechanisms, appropriate to local conditions. Some national governments adopted P4P-like approaches to buying from SHF to stock the SGR with results depending on the context which enabled or discouraged adoption, and the support provided by WFP. In this, the pilot WFP project experienced varying degrees of success:

The most successful case of government adoption of the P4P approach was the case of the **Rwandan** government initiating and managing a parallel program called Common Purchase for Progress (CP4P) in surplus areas where P4P does not operate. The Rwandan Ministry of Agriculture and Animal Resources (MoA) approached WFP to partner on a system to purchase from SHF for the SGR, and a memorandum of understanding (MoU) was signed in July 2011 to collaborate on CP4P, managed by the Post-Harvest Task Force (PHTF).

The success of Rwanda's CP4P program has generated exchange visits from Ghana, Kenya, and **Burkina Faso**. Emulating the Rwandan example, the Burkinabé La Société Nationale de Gestion du Stocks de Sécurité Alimentaire (SONAGESS) set and successfully met the target of procuring 20 percent from SHF in 2013, and intends to increase the SHF quota to 30 percent in 2014. SONAGESS has also requested technical support in the installation of laboratories, and training of staff in quality assessment and warehouse management.

As in Rwanda, the ties between the SGR, managed by the **Tanzanian** National Food Reserve Agency (NFRA) and WFP were aided by circumstances. Though the NFRA's seven zonal warehouses have a total capacity of 241,000 mt (NFRA and WFP, 2014), two of the seven are frequently too full, with commodity sitting outside. The institution has limited capacity for quality control as it relies on manual equipment for cleaning, drying, and bagging. To improve the quality of released stocks purchased by WFP's Regional Bureau

for East and Central Africa (ODN), procurement officers from WFP headquarters trained 70 participants in quality control.

The experience of **Zambia** revealed a willingness of governments to experiment with P4P approaches. A pilot purchase from SHF did not address the mandate of the Food Reserve Agnecy (FRA), nor the payment delay problems, but rather focused on quality control, warehouse management, and management information systems. Future WFP support to the FRA depends upon how the institution decides to follow through on the Katete pilot, but the parties are working toward a long-term technical agreement.

Rather than targeting the NFRA, P4P in **Malawi** focused upon developing the Agricultural Commodity Exchange for Africa (ACE). ACE has 30 agents in the field facilitating trade by sharing trading platform information with farmers. In the future, WFP will partner with the Ministry of Industry and Trade, the World Bank, and the International Red Cross to develop the nascent WRS linked to ACE.

The Office des Produits Agricoles du **Mali** (OPAM) manages a 35,000 mt SGR in Mali and has adopted SHF-friendly procurement procedures including closed tenders for FOs representing 30 percent of projected procurement, the waiving of performance bond requirements for FOs, and other measures. WFP tried to link P4P FOs to OPAM, but poor quality control, lack of scales, and uncertainty as to the final price received by the seller prevented meaningful engagement.

In conclusion, the experience of P4P interactions with food reserve agencies across six countries reveals that institutions are willing to engage more directly with SHF. While pro-smallholder procurement procedures are a necessary condition enabling SHF sales to institutions, they are not sufficient. WFP expertise in procurement, quality assessment and control, warehousing, and logistics are valuable bases of knowledge to transfer to government institutions, and digital warehouse information systems can lead to significant efficiency gains.

Home Grown School Feeding (HGSF)

Given WFP's extensive experience in school feeding, schools represent a natural entry point for WFP facilitation. Pilots were being conducted in Honduras and Kenya. In general, these pilots are not yet successful, however, important lessons are being learned including the importance of the various levels of action including the middle or "meso" level.

Supply-side interventions are necessary to support HGSF, and the capacity of the buying institution to procure and manage food commodities should be a key factor in determining the appropriate level of decentralization. If not transparently implemented, procurement procedures can be corrupted, though social capital generated by community investment may combat corruption and help enforce contracts.

Public Procurement Issues of Concern

Transparency and capacity building emerged as common themes of concern related to SGR, marketing boards, HGSF, SHF, and WFP's involvement in public procurement. These issues are related in that institutions need a certain level of capacity in order to properly implement and enforce laws, policies, and procedures ensuring transparency. WFP can support public procurement from SHF by building the capacity of institutions to procure food commodities; to assess, control, and distribute quality commodities; and to store, handle, and prepare food commodities in a safe and hygienic way.

Challenges Supporting Public Procurement

There are also examples of cases where WFP support has not yet been successful. These can be because of bureaucratic or institutional blockages at a more micro scale but also at the macro level of unstable or changing governments and their agricultural policies. The most important issues of concern include: capacity on all sides and at all levels; political will and support; and relationships between the commercial and public sectors.

Conclusions

While supply-side support in production, post-harvest handling, storage, negotiations, and institutional procurement procedures is necessary, it is not sufficient for promoting public procurement from SHF. Capacity development of the procurement unit is essential as well, particularly for new institutions.

WFP has specialized skills in procurement, quality assessment, logistics, warehouse management, and monitoring and evaluation (M&E), all of which can be transferred to institutions in support of public procurement from SHF and institutional efficiency.

Recommendations

A formal agreement, such as an MoU, should be in place between WFP and the institution. Prices negotiated in public procurement should reflect market prices. The importance of transfer of expertise through training but also through strengthening of institutions cannot be minimized. Better information and information systems are fundamental. Exchange visits are a powerful way to share experiences and knowledge between institutions.

INTRODUCTION

Launched in September 2008 across 20 countries, the Purchase for Progress (P4P) pilot combined the purchasing power of the World Food Programme (WFP) with the technical expertise of partners to build the capacities of smallholder farmers (SHF) to participate in food commodity markets. P4P dismantled many barriers limiting SHF market participation by transferring the technical knowledge and skills required to increase the quality and quantity of marketed surplus from SHF and by helping them access the demand of the largest purchaser of food aid in the world. Through the process of engaging WFP as a buyer from contract negotiations through fulfilment, P4P built the experiential base and the confidence of SHF to participate in high-quality, remunerative, institutional markets. From September 2008 through September 2013, P4P trained 712,000 farmers, actors along the supply chain, and stakeholders in production and productivity techniques, post-harvest handling, credit and finance, and institutional procurement and logistics, among other subjects (Somé, 2014). Over the same five-year period, WFP contracted 367,620 metric tonnes (mt) of food staples through P4P, putting $99 million directly into the hands of SHF (WFP, 2013b).

In addition to building the capacity of SHFs and actors along the supply chain, and opening WFP's demand for food to the rural poor, P4P includes a strong learning and sharing component. One key goal of the pilot is to identify structured trade and public procurement models which support SHFs and can be adopted by national governments.

Designed to overcome the barriers SHF face selling to WFP and other formal markets, the P4P procurement modalities do not compromise on quality standards and cost efficiency, but can include pro-smallholder elements such as reduced quantities, waived performance bonds, and relaxed bagging and delivery terms, among other accommodations (WFP, 2012). It is expected that FOs will progress from simple to more complex contracting mechanisms, eventually developing the capacity to engage in competitive tendering. The ability to navigate the competitive tendering process signals a "graduation" from P4P, demonstrating that the FO can supply WFP, and other formal market buyers and institutions, without special terms.

To assure the sustainability of SHF access to formal markets, P4P intended to identify pro-smallholder models in public procurement and structured trade that can be adopted and scaled up by national governments (WFP, 2012). Such institutional buyers represent an important market for SHF because:

- Governments are a significant source of predictable market demand, and institutions such as strategic grain reserves (SGR), schools, hospitals, and prisons require staple food commodities, even through changes in administration.
- Unlike the commercial sector driven by profits, government institutions can prioritize the well-being of their citizens, including SHF, over cost-cutting.
- Bureaucratic requirements reduce the pool of competitors and governments can design procurement procedures to favor SHF in the interest of rural development.
- To safeguard public safety, government institutions are cognizant and remunerative of quality food commodities which SHF can supply via collective sales through farmers' organizations (FOs). Other buyers available to SHF, primarily small and medium traders, are generally willing only to pay basic-grade price for quality commodities (Knepper, 2014).

Through P4P, WFP provided both supply-side and demand-side support to create market linkages between public institutions and SHF. Supply-side interventions, delivered in collaboration with partners, included

technical and material support to increase marketed surplus of quality commodities, training in institutional procurement procedures, and facilitating access to credit to smooth the incomes of SHF participating in collective sales through FOs. Demand-side support included working with government institutions to transfer knowledge on pro-smallholder procurement procedures, training government officials and staff in quality assurance, and linking institutions to FOs.

Among different government institutions, P4P worked most intensively with the managers of SGR and with schools. At least 19 sub-Saharan African countries operate SGR which typically consist of food security reserves, acquired to provide for food needs in case of emergencies, and price stabilization reserves, used to manage commodity prices (IFPRI, 2009). These stocks have different procurement procedures, quality guidelines, and are often managed by different institutions.

Given WFP's extensive experience in school feeding, schools also represent a natural entry point for WFP facilitation. Home-grown school feeding (HGSF) links producers to schools, connecting SHF supply with a structured and predictable demand for locally-available, nutritious, and culturally-appropriate food. Schools save on procurement and transport costs, purchase a more diversified, more nutritious basket of foods, and develop ties with local producers. HGSF is cast as a win-win solution in the fight against poverty and hunger.

Despite potential benefits, public procurement from SHF is not risk free. Risks to various parties include (WFP, 2009):

- Risk to the institutional pipeline caused by default and delays;
- Risk to recipients of unsafe, unhygienic food;
- Risk to citizens and government funders associated with corruption, inefficiency, and the manipulation of staple commodities markets for political ends;
- Risk to market actors of increased uncertainty due to unpredictable purchases and politically-motivated price manipulation; and
- Risk of crowding out private investment.

Furthermore, promoting public procurement from SHF exposes WFP to the risk of being perceived as aligned with the government and promoting favoritism of privileged groups (in this case, SHF recipients of P4P trainings and market linkages).

Drawing upon existing reports and interviews with P4P Coordinators, this paper synthesizes the experience across nine[1] of the 20 P4P pilot countries in Africa and Central America on WFP's role in supporting government public procurement from smallholders. Annex A presents a list of people interviewed for this study, as well as the type of institutional market linkages pursued by country.

The first section of the paper briefly reviews the role of WFP has played working with SHF and other market actors to strengthen the supply chain. Section two explores SGRs in different countries, their infrastructure and relationship with SHF, the degree to which they adopted P4P approaches to procurement, and the role of WFP in supporting SGRs and strengthening their ties to SHF. The third section examines links between HGSF pilots and P4P suppliers, the relationship between SHF and schools, and the role of WFP in enabling HGSF. Section four acknowledges P4P efforts to link SHF to institutional markets or to support public institutions which were unsuccessful. Unless otherwise identified as the sources, the country-specific information presented in the body of the report (Sections two through four) was drawn from interviews with

[1] Burkina Faso, Honduras, Kenya, Malawi, Mali, Rwanda, Tanzania, Zambia, and El Salvador

P4P staff. The fifth section identifies issues arising from public procurement, the risks they entail, and risk mitigation strategies. Section six presents best practices and recommendations in fostering public procurement from SHF, Section seven acknowledges knowledge gaps, and Section eight presents concluding remarks.

STRENGTHENING SHF AND THE SUPPLY CHAIN

The suite of supply-side reinforcement mechanisms/services/interventions/ developed and implemented in collaboration with partners during the P4P pilot builds the capacities of SHF and FOs to provide sufficient quantities of quality commodity to sell to institutional markets. P4P customizes a multi-faceted approach to capacity development within a country which may include elements such as (WFP, 2012):

- Training farmers in production and productivity techniques, post-harvest handling, quality standards and quality control.
- Training FOs in administration, governance, commercialization, marketing, negotiations, M&E, and procurement procedures of targeted institutions.
- Training warehouse operators and transporters in warehouse management, handling, and pesticide application.
- Expanding and improving access to market information systems (MIS).
- Providing equipment and technologies including building and renovating warehouses and collection points, as well as shellers, bicycles, grain cleaning lines and drying machines, moisture meters, scales, tarpaulins, bags, stitching machines, and pallets (Somé, 2014).
- Improving access to credit, which increases SHF utilization of improved inputs and allows SHF to endure the payment delays associated with institutional buyers. Access to credit enables FOs to aggregate commodity to fulfill formal market contracts, decreasing the risk of default.
- Establishing and/or strengthening commodity exchanges (CEX) and warehouse receipt systems (WRS).

LINKING SHF TO STRATEGIC GRAIN RESERVES

This section examines several country case studies to explore the extent to which national governments adopted P4P approaches to buying from SHF for the SGR, the context which enabled or discouraged adoption, and the support provided by WFP. During the five-year pilot phase of 2008-2013, P4P worked with FOs of varying capacities using different procurement modalities and payment mechanisms, appropriate to local conditions. From this rich base of experience, P4P gained a wealth of knowledge about overcoming institutional barriers to SHF sales. Governments exhibited various degrees of enthusiasm for adopting P4P approaches to facilitating SHF market engagement, ranging from replication to rejection, as illustrated in the examples below.

The Post-Harvest Task Force in Rwanda

The most successful case of government adoption of P4P methodology was the case of the Rwandan government initiating and managing a parallel program called Common Purchase for Progress (CP4P) in

surplus areas where P4P does not operate. Policies and occurrences setting the stage for government adoption of P4P in Rwanda include the 2007 Crop Intensification Program, the 2007 Cooperative Act, bumper harvests in 2008-09 and 2011-12, the creation of the Post-Harvest Task Force (PHTF) and the SGR in 2011, and the launch of P4P purchases from SHF in 2010 (Kelly & Mbizule, 2013). The early success of the Crop Intensification Program, which encouraged land consolidation and enabled the distribution of subsidized inputs on credit (Government of Rwanda, 2011), resulted in a glut of production in the 2008/09 season, which the government addressed with a price floor for traders. The price floor was not respected and insufficient drying capacity led to high levels of post-harvest losses. In response, the government established the PHTF under the Rwandan Ministry of Agriculture and Animal Resources (MoA) to reduce post-harvest losses and to manage the newly established SGR. At the same time, P4P began purchasing from SHF through FOs, enabled by the 2007 Cooperative Act which gave FOs the power to enter into contracts and established the right to participate in collective marketing (Ministry of Agriculture and Animal Resources, 2007). Though P4P procurement in 2010 encountered challenges stemming from the inexperience of farmers and FOs in collective sales, the government observed that institutional procurement from SHF was indeed possible. The MoA approached WFP to partner on a system to purchase from SHF for the SGR, and a memorandum of understanding (MoU) was signed in July 2011 to collaborate on CP4P, managed by the PHTF. The timing was fortuitous as another bumper crop fuelled significant purchases by both P4P and CP4P in the 2011/12 season. The government further supported SHF access to institutional markets through the 2011 proclamation that at least 40 percent of public sector grain requirements should be purchased from SHF, with an initial focus on the SGR.

As outlined in the MoU, the government received extensive support from WFP in order to build the capacity to launch and manage CP4P. WFP helped establish the criteria for FO selection into CP4P, and provided P4P training to 31 district agronomist trainers and 660 members of 54 CP4P FOs in post-harvest handling practices (Kelly & Mbizule, 2013). Government officials were invited to participate in the key FO trainings, and received specialized training in how to engage with SHF, contracting mechanisms, quality control and warehouse management, and in the use of "Blue Box", the toolkit developed by WFP and used to conduct basic quality testing in the field. WFP also financed the construction of collection centers in communities, which serve as collection points for CP4P FOs, and equipment such as blue boxes. Furthermore, WFP provided a consultant for five months to the MoA, who worked with staff to develop a procurement strategy for maize and beans, as well as a crop production forecasting tool to predict the availability of marketable surplus at the district-level.

Previously, the PHTF had only procured from traders through tenders, but in light of the P4P experience, CP4P softened procurement procedures. Direct contracts are negotiated with FOs, and the CP4P price is below the P4P price, reflecting lower quality standards. Commodities are aggregated at collection points and at FO warehouses, and FOs are responsible for arranging transportation to the NSR warehouse in Kigali in exchange for fixed rate compensation. In addition to cleaning and drying equipment, the PHTF has an internal laboratory to confirm quality. Payment is effected within 5 days of receipt in Kigali. Challenges faced by CP4P mirror those encountered by P4P: aggregation, quality standards, and side-selling.

WFP provides additional support by purchasing released SGR stocks, though the PHTF is unable to identify whether or not the stocks were purchased directly from SHF. The SGR is maintained at 165,000 mt, with plans to increase it to 200,000 mt by 2017.

WFP plans to continue supporting CP4P through assistance with market and price analysis to understand how new market entrants impact market dynamics, implementation of a warehouse information system to

improve traceability of commodities and suppliers, and the provision of training in improved quality management tools for district-level technicians.

La Société Nationale de Gestion du Stocks de Sécurité Alimentaire (SONAGESS) in Burkina Faso

The success of Rwanda's CP4P program has generated exchange visits from Ghanaian, Kenyan, and Burkinabé delegations. Fifteen senior government officials and P4P stakeholders from Burkina Faso visited Rwanda in June 2012 to learn from the government's experience and to understand the evolution of government ownership. The Prime Minister followed up with an official visit to Rwanda to investigate CP4P, and upon return ordered the Ministère de l'Agriculture et de la Sécurité alimentaire (Burkinabé MoA) to develop a strategy for replicating CP4P in Burkina Faso. The MoA convened a committee of experts and Members of Parliament to explore how best to coordinate inputs, finance, processing, commercialization opportunities, and legislation in support of SHF and poverty reduction (WFP, 2013a). Their conclusions will likely guide the development of the government's ownership of P4P in Burkina Faso.

As a first step toward adoption, La Société Nationale de Gestion du Stocks de Sécurité Alimentaire (SONAGESS), which oversees the SGR in Burkina Faso, consulted with the P4P Unit on how to expand procurement modalities beyond competitive tenders among traders. In addition to sharing insights on pro-smallholder procurement strategies, WFP provided SONAGESS with a price-analysis tool jointly developed by P4P and WFP's Vulnerability Assessment and Mapping (VAM) units, and financial support to expand SONAGESS's price collection system to include rural markets closer to FOs as the provincial market prices previously collected were not relevant to local markets due to transaction costs incurred by traders and varying degrees of spatial integration. The improved MIS should simplify contract negotiations and ease the transition away from forward delivery contracts, which have proved effective in Burkina Faso in terms of improving access to credit and decreasing defaults, but are administratively heavy and pose price risks to WFP.

With a storage capacity of 92,450 mt, SONAGESS is the largest buyer of cereals in the country. Access to government institutions is centralized through this body, as all government entities purchase staple commodities through SONAGESS. WFP has linked SONAGESS to P4P FOs, resulting in the P4P FOs selling 7,185 mt to SONAGESS, a quantity that represents 62 percent of their sales to buyers beyond WFP (WFP, 2013a).

SONAGESS opted to float closed tenders targeting FOs, and engaged in direct contracts with P4P FOs. Though forward delivery contracts have previously/historically been employed to great success in Burkina Faso, enabling farmers to access credit against the contract and reducing defaults, SONAGESS has not adopted this contracting mechanism to date, though it has expressed interest in doing so. Emulating the Rwandan example, SONAGESS set and successfully met the target of procuring 20 percent of its needs from SHF in 2013, and intends to increase the SHF quota to 30 percent in 2014. As in Rwanda, SONAGESS's price and quality standards are lower than WFP's, and payment is effected more quickly than WFP. A visual inspection occurs upon delivery, and SONAGESS has an internal laboratory to confirm quality, though they lack cleaning and bagging equipment.

The government has already secured USD 3 million for the expansion of their warehouse network, and has requested WFP assistance in identifying where to locate the new warehouses to maximize procurement from SHF. SONAGESS has also requested technical support in the installation of laboratories, and training of staff

in quality assessment and warehouse management. WFP plans on partnering with SONAGESS and the MoA on the creation of a WRS as well. If linked to FOs, a WRS will relieve binding storage constraints and improve FO capacity to engage in formal markets and to diversify their customer base.

The National Food Reserve Agency (NFRA) In Tanzania

As in Rwanda, the ties between the SGR, managed by the National Food Reserve Agency (NFRA) and WFP were aided by circumstances. Waiving competition through the use of the forward purchasing facility, WFP's Regional Bureau for East and Central Africa (ODN) was able to purchase 82,000 mt of released SGR stock to fulfill regional contracts toward the end of 2011. This procurement success initiated a relationship between WFP and the NFRA. In August 2012, a MoU was signed between the NFRA and WFP to improve the partnership based on three components: SGR procurement from FOs (with preferential treatment given to P4P FOs) and ODN procurement from the SGR (100,000 mt projected in 2012, with an annual increase of 10-20 percent, up to 200,000 mt per year); capacity building in logistics, warehousing, quality assurance, and procurement; and M&E to improve traceability of SGR purchases (NFRA and WFP, 2012).

A drought in 2012 coupled with an export ban rendered maize stocks scarce and prices high. Neither organization purchased in Tanzania in that year, nor did ODN purchase from the NFRA. A bumper crop forecast in 2013 led to the early release, in June 2013, of USD 20 million to the NFRA to avoid the procurement calamity of 2012 and to replenish the SGR. The NFRA typically buys later in the season (in July) due to the budget process, which puts it at a disadvantage relative to traders who start buying at lower prices in May. At the same time that the NFRA coffers were full, a disruption impacted the P4P procurement budget in Tanzania and WFP was not able to purchase from P4P FOs. WFP linked FOs to the NFRA, and the NFRA amended their procurement strategies to increase SHF access.

Prior to 2013, the NFRA required producers and traders to bring their commodity to NFRA collection centers. In 2013 the institution adopted direct contracts with FOs stipulating ex-warehouse delivery terms to reach greater numbers of SHF. Payments were generally made within 3-5 days after uplift, and though the NFRA did not establish a smallholder quota, 23 percent of procurement in 2013 came from FOs. Prices negotiated with FOs reflected the market price plus production costs of handling, transport, rebagging and fumigation (WFP, 2013a).

Though the NFRA's seven zonal warehouses have a total capacity of 241,000 mt (NFRA and WFP, 2014), two of the seven are frequently too full, with commodities sitting outside. The institution relies upon manual equipment for cleaning, drying, and bagging (WFP, 2013c), and purchases late in the buying season (four months after harvest) due to this inability to dry coupled with the restrictions of the budget cycle. Without an internal laboratory, the NFRA utilizes visual inspection and is unable to enforce strict quality standards. Though their grains are superior to basic grade commodity, quality upon release of stocks remains an issue.

To improve the quality of released stocks purchased by ODN, procurement officers from WFP headquarters trained 70 participants (including 23 NFRA staff, 3 MoA staff, 20 inspectors, 20 WFP staff, 3 FO presidents, and 1 grain supplier) in warehouse quality controls (WFP, 2013e). Moving forward, WFP will provide warehousing and logistics support to the NFRA, and implement a digital M&E system to improve traceability and assess the impact of NFRA purchases on SHF income. Other support may include technologies such as improved storage silos and warehouses, drying machines to enable earlier purchases, and extension of preferential vendor status. At the time of report writing, the NFRA and partners, including WFP, were

expected to meet at the end of March 2013 to explore options to alleviate the NFRA's binding financial liquidity constraint.

The Food Reserve Agency (FRA) in Zambia

The experience of Zambia revealed a willingness of governments to experiment with WFP methodology. The Zambian SGR is managed by the Food Reserve Agency (FRA) which purchases from farmers and traders at 1,231 satellite collection points feeding into 458 district depots with a total functional storage capacity of 1.1 million mt (FRA, 2013). The magnitude of FRA purchases is notable; for six of the seven years between 2004/05 and 2010/11, the FRA bought between 30 and 86 percent of SHF marketed surplus at above-market prices (Mason & Myers, 2011). However, payment delays of 6 to 12 months are common, reducing SHF willingness to sell to the FRA despite above-market prices. Though FRA staff is knowledgeable about quality standards, large quantities transacted by traders overwhelm the quality control process, enabling low-grade stocks to enter into the system. Inability to coordinate purchase information results in the FRA frequently procuring above the budgeted quantity, exacerbating payment delays.

After the Minister of Agriculture acknowledged in March 2013 that the SGR routinely loses 30 percent of its stocks due to leakages and spoilage, WFP offered to support the FRA in procuring better quality grain from farmers and in assuring grain quality within its system (Tran, Forsythe, & Hodges, 2013). WFP's offer led to a scoping study, a technical agreement, and a pilot project launched in Katete District in July 2013. The pilot did not address the mandate of the FRA, nor the payment delay problems, but rather focused on quality control, warehouse management, and the deployment of a management information system designed for the FRA called M-Tech. The project involved sensitization of farmers to the newly enforced quality standards; training of FRA staff (in quality assessment and M-Tech), warehouse operators, transporters, and fumigators; and the distribution of equipment including Android tablets pre-installed with M-Tech software along with solar chargers, scales, spear samplers, moisture meters, sieves, tarpaulins, and bags.

Due to late announcement of the buying season by the government and the replacement of two high-level officials within the FRA, the pilot got off to a late start, necessitating a reduction in the scale of intervention. Nonetheless, results included high quality maize intake, protection of stocks through proper fumigation, and 100 percent accountability of stocks between 22 satellite collection points (SCP) and the Katete district depot (Tran, Someling, Mutukwa, Stathers, & Cammelbeeck, 2013). Data generated from the pilot gave the government insight into operational challenges which result in efficiency losses, and should help generate the political will to scale up the pilot. Challenges identified by the pilot include high-levels of turnover of SCP staff who are contracted on a seasonal basis, and traders who sell large quantities of poor quality grain at multiple SCPs, sometimes returning to the same SCP after a few days.

Response from FRA auditors and district level officials has been positive, and WFP is in negotiations with the FRA to scale up the pilot. Future WFP support to the FRA depends upon how the institution decides to follow through on the Katete pilot, but the parties are working toward a long-term technical agreement.

The National Food Reserve Agency (NFRA) in Malawi

Managed by the Malawian NFRA, the SGR includes 75,000 mt of stocks for food security and 50,000 mt for price stabilization. Turnover is linked the Agricultural Development and Marketing Corporation (ADMARC), the grain marketing board whose ad hoc purchases and sales are broadly considered undisciplined and the generator of uncertainty in the market (Chapoto & Jayne, 2009; Devereux, 2009; Ellis & Manda, 2012).

Though ADMARC operations have stabilized prices to a limited degree, the benefits accrue to larger commercial farmers and urban consumers, as opposed to SHF (Minot, 2010). Though the NFRA pays market-based prices, the procurement process is not transparent, quality is not emphasized, and SHF participate primarily through trader intermediaries.

No formal WFP-NFRA link exists, however WFP has purchased released stocks from the SGR though not in the last two years due to price and quality. In February 2014, 33,500 of the 95,000 mt SGR was found to be damaged, highlighting quality control challenges. The loss was particularly egregious in light of the unfolding "Cashgate" in which about $32 million was siphoned from government coffers through fake contracts and lax accounting procedures

Rather than targeting the NFRA, P4P in Malawi focused upon developing the Agricultural Commodity Exchange for Africa (ACE). ACE has 30 agents in the field facilitating trade by sharing trading platform information with farmers. WFP supported the commodity exchange staff with training in trade and market information, price discovery, business and negotiation skills, as well as quality and warehouse management. Furthermore, 90 percent of the 46,654 mt contracted by P4P between September 2008 and 2013 was procured through ACE (WFP, 2013b). Though P4P support has been integral to the development of the nascent commodity exchange, the WFP share of ACE transactions decreased from 90 percent in October 2012 to less than 50 percent in March 2014, signalling increased adoption by other buyers.

In 2013, international donors exerted pressure on the NFRA to issue a tender restricted to smallholder-friendly institutions, including ACE. The ACE bid was selected and over 17,000 mt were procured from 163 suppliers through bid-volume only auctions (ACE, 2013). Though the NFRA purchased across ACE in 2013, WFP was not directly involved in the negotiations, and it remains to be seen whether the SGR will replenish through ACE in 2014.

In the future, WFP will partner with the Ministry of Industry and Trade, the World Bank, and the International Red Cross to develop the nascent WRS linked to ACE. The WRS will build upon ACE's 15,000 mt network of storage facilities, increasing to 50-100,000 mt by 2016, perhaps by tapping into the NFRA's 300,000 mt storage capacity.

The Office des Produits Agricoles du Mali (OPAM) in Mali

The Office des Produits Agricoles du Mali (OPAM) manages a 35,000 mt SGR in Mali and has adopted SHF-friendly procurement procedures including closed tenders for FOs representing 30 percent of projected procurement, the waiving of performance bond requirements for FOs, and reduced lot sizes from 5,000 mt for traders to 100 mt for FOs (Maïga, 2013). Payments are typically effected 60 days after delivery to one of OPAM's 50 warehouses, which have a total combined capacity of 135,000 mt. Despite pro-smallholder policies, lack of transparency renders OPAM a "buyer of last resort" from the FO perspective, and OPAM has yet to fill the 30 percent FO quota. The P4P Coordinator reported anecdotal evidence of OPAM receiving staff accepting bags weighted with rocks and estimating rather than weighing commodities delivered. Furthermore, farmers complained about receiving payment in an amount less than the recorded weight of the deposit times the official price. Though WFP tried to link P4P FOs to OPAM, OPAM's poor quality control and reluctance to weigh commodities, coupled with uncertainty as to the final price received by the seller prevented meaningful engagement.

The international community is pressuring the new government to respect its commitment to transparency, with the government of Canada leading the charge for OPAM reform. Proposed reforms include new

management, WFP assistance in establishing and assuring transparent procurement practices, and directly linking P4P FOs to OPAM to improve quality standards. Though OPAM has the means to assure quality (including industrial driers, cleaners, bagging equipment, and an internal laboratory), poor intake control and careless warehouse management generates inefficiencies (Maïga, 2013).

Though WFP did purchase released stocks in July 2011, it has not worked closely with OPAM. If international pressure succeeds and laws to ensure transparency are passed and enforced, WFP may have a role in transforming OPAM procurement procedure and warehouse management systems.

Conclusion

The experience of P4P interactions with food reserve agencies across six countries reveals that institutions are willing to engage more directly with SHF. While pro-smallholder procurement procedures are a necessary condition enabling SHF sales to institutions, they are not sufficient. Corruption can sabotage smallholder participation in institutional markets, however international pressure may lead to greater transparency.

WFP expertise in procurement, quality assessment and control, warehousing, and logistics are valuable bases of knowledge to transfer to government institutions, and digital warehouse information systems can lead to significant efficiency gains.

The food reserve agencies all adopted lower quality standards than WFP, and it would be worthwhile to investigate the costs of attaining differing quality standards compared to the prices earned upon release to identify the level of quality assurance that maximises efficiency. Furthermore, all of the food reserve agencies had limited ability to trace purchased stocks to origination. Though the monitoring system P4P wants food reserve agencies to adopt emphasizes traceability, these systems may be challenging to implement. Particularly in countries such as Tanzania and Mali where SHF are responsible for the vast majority of staples marketed, the benefits of quantifying the benefits to SHF should be compared to the costs of implementation, maintenance, and analysis.

LINKING SHF TO SCHOOLS THROUGH HGSF

This section explores the role of WFP in promoting and implementing HGSF in Honduras and Kenya.

Preparing for a HGSF Pilot in Honduras

Having run school feeding in Honduras for almost 15 years using a traditional centralized model, WFP is in the process of transitioning the program to the government. It is expected that a MoU between the Ministry of Rural Development (charged with school feeding), the Ministry of Agriculture and Livestock (Honduran MoA) (which provides extension services and quality certification), and WFP will be negotiated by early April 2014, and the programmatic details in this section are provisional. Though the government pushed to decentralize food procurement to the school level, lack of institutional capacity led to an agreement for decentralization to the department level for the 2014/15 school year. A HGSF pilot is anticipated, built around nine high-capacity FOs selected out of P4P's 34 FOs based upon their throughput and contract history. Limiting sales through the pilot to 70-80 percent of throughput to encourage a diverse buyer base,

these nine FOs can provide 100 percent of the maize and beans demand for 20 percent of the public schools in Honduras (about 4,000 schools serving 300,000 students). The government will identify department-level private suppliers for other food basket items. Participating schools are located in departments with warehouses and distribution networks physically proximate to the nine suppliers. After five years of P4P support, the supplying FOs are well positioned to deliver to department warehouses, and in some cases directly to schools, as the delivery terms are similar to P4P's. Despite the public procurement law which does not allow accommodations for suppliers, including SHF, the government is interested in adopting a pro-smallholder procurement process similar to the P4P approach in Honduras, including simplified language in shorter contracts, advance payments upon contract signing, and waiving of performance bonds.

WFP will focus on providing supply-side support to department-level inter-institutional committees, primarily in public procurement practices, food handling, and storage.

With supply-side support well established, WFP's Honduras P4P Unit is preparing extensive demand-side support. Micro-level capacity building will focus on training school staff and caterers in storage, handling, and preparation of food to ensure healthy, hygienic meals for children. Macro-level initiatives will include working toward pro-smallholder procurement procedures and payment terms reflecting lessons learned from the P4P experience in Honduras.

Support at the meso-level will be most intensive – the identification, and in some cases creation, of inter-institutional committees to manage food procurement for schools within the Department. Where these committees exist, about 80 percent of members are volunteers with the remainder government officials, and capacity is minimal to procure, to select warehouse operators and quality service providers, and to oversee quality control systems. Low capacity of meso-level institutions and lack of district-level storage are key challenges in HGSF implementation in Honduras.

One point of contention which has arisen in negotiations is the role of WFP in helping the government manage agricultural risk. The government proposed that WFP insure the delivery process for lack of alternatives beyond the private insurance market which is not inclined toward managing agricultural risk. While the role of WFP is not insurer, it can serve as a broker between private, public, and NGO sectors to help cover the risk faced by SHF and those who rely upon their production. The development of agricultural insurance has been identified as a priority in Honduras.

HGSF Pilot in Kenya

Handover of school feeding to the government of Kenya and decentralization of food procurement to the school level began in 2009, starting in the southern half of the country and moving progressively north into the arid and semi-arid lands (ASALs) where low population densities and lack of infrastructure pose logistical challenges. The government requested that the transition slow down once implementation in the semi-arid lands began, and requested WFP's assistance when the transition progressed to the arid lands. P4P does not operate in the area due to low productivity, however the (low-capacity) FOs in the area received P4P-style training from P4P implementing partners, including familiarization with school procurement procedures.

Though schools invited tenders from FOs, the requests were not widely distributed, some schools sold bid forms at high prices and others asked for kickbacks. The schools demonstrated a general inability to follow the procurement guidelines, with compliance positively correlated with community awareness, involvement,

and buy-in. According to the P4P Specialist interviewed, teachers assigned to procurement duties find it a time-consuming burden, and schools had little to no capacity to test for quality. Though payment delays have not been a stumbling block, lack of reliability, defaults, poor quality, insufficient storage, and poor post-harvest handling techniques emerged as challenges. Despite these challenges, some FOs have signed MoUs with schools, though it remains to be seen whether these MoU successfully mitigate the risks to schools, FOs, and FO members.

While P4P trained FOs in the area and assisted with storage, WFP continues to provide demand-side support, clarifying the procurement guidelines and drawing attention to the clause which allows institutions to waive competitive procurement procedures if quantities are less than 1 mt.. The P4P Unit has also offered guidance to the Ministry of Agriculture, Livestock, and Fisheries (Kenyan MoA), the Ministry of Education and partners identifying bottlenecks within the procurement guidelines inhibiting SHF sales.

Unfamiliarity with the procurement guidelines and minimal community awareness of the market opportunities created by schools were identified as the primary challenges of this HGSF pilot by the P4P Coordinator.

Conclusion

The presences of supply-side support to FOs to ensure that they can supply sufficient quantity and quality, and the capacity of the buying institution to procure and manage food commodities should be a key factor in determining the appropriate level of decentralization. Designers should balance this consideration with choosing the level or amount of decentralization that is most efficient considering factors such as geography, political organization, economic relationships, farm concentration, and perhaps even ethnic factors.

If not transparently implemented, procurement procedures can be corrupted, though social capital generated by community investment may combat corruption and help enforce contracts.

As with food reserve agencies, WFP expertise in transparent procurement practices, warehouse management, and food handling should be imparted to the institutions charged with HGSF.

CHALLENGES SUPPORTING PUBLIC PROCUREMENT

The examples in this section illustrate some of the challenges WFP has experienced supporting public procurement. These range from difficulties managing relationships between large bureaucracies and units/agencies that are not entirely autonomous; choosing partners with sufficient capacity to meet manage aggregation and quality assurance; and the challenges associated with changing political priorities and will.

Purchasing from the NFRA in Tanzania

The ODN purchase of 82,000 mt of released SGR stock in 2011 served as the foundation of the relationship between WFP and the NFRA. Though no sales were made in 2012 due to drought, WFP's ODN tried to arrange another sale of released stocks in July 2013 at the beginning of the NFRA's buying season. However, the institution did not meet its reserve quota until October 2013, and did not receive authorization for the

sale until November by which point the price had increased. The Regional Bureau asked Rome to allow the higher price purchase in order to strengthen the NFRA relationship, but the sale was not approved. Though the MoU projected WFP purchases of 100,000 mt up to 200,000 mt annually (NFRA and WFP, 2012), only 13,300 mt was bought in 2013.

To address the NFRA's liquidity constraint, WFP offered to purchase in small quantities, starting with 1,000 mt and increasing to 5-10,000 mt. These small sales would have provided the NFRA a revolving fund for purchases, however this idea was tabled as the NFRA did not receive permission to sell in this fashion.

Purchasing through the National Cereals and Produce Board (NCPB) in Kenya

The National Cereals and Produce Board (NCPB), a national parastatal charged with market intervention through commercial grain transactions, purchases about 30 percent of Kenyan maize production annually (WFP Kenya Procurement and P4P, 2013). The NCPB manages the SGR in Kenya, provides logistics support for famine relief operations, distributes fertilizers and certified seeds to farmers, and is a regular supplier of maize to WFP for LRP. While it can purchase from SHF, the 60 day or greater payment delay discourages direct sales from SHF, who prefer to sell to collectors at lower prices for immediate payment in full. Though the NCPB has a well-established network of 110 silos and depots with a total capacity of 1.84 million mt (Nyameino, 2010), events such as the July 2013 loss of 225,000 mt attributed to inability to finance fumigation call into question their ability to assure quality (Ndanyi, 2013) .

Due to its ability to aggregate and to reach remote locations, the NCPB was identified as a partner capable of facilitating P4P purchases in the ASALs of Eastern Kenya. Though the marketing board has not adopted P4P-tested methodologies to date, the institution did sign a MoU with WFP in 2009 to purchase sorghum from SHF in Eastern Kenya as a buying agent for P4P. The terms of the MoU stipulate that the NCPB utilize its staff and facilities to process sorghum from farmers who own less than 3 hectares (the local definition of SHF) at a price cleared by WFP (WFP Kenya P4P Unit, 2014).

However, wet conditions and lack of storage led to a high level of aflatoxins, and the purchases were not made. A further relationship was not pursued, as a new private buyer (a brewer) entered the sorghum market, providing a predictable and expanding demand for sorghum from producers in Eastern Kenya.

HGSF Interrupted in Mali and El Salvador

WFP's efforts to institute HGSF in Mali and El Salvador were unsuccessful. In Mali, plans to link women-only P4P FOs to schools were abandoned with the coup of 2012. Opportunities to implement HGSF may exist as the new government installs itself. In El Salvador, a new government elected into power in March 2014 also represents an opportunity to influence school feeding policy. Despite receiving a school feeding assessment from WFP, the previous government adopted school feeding and decentralized without WFP input. The government's procurement strategy does not currently have a social aspect, and no concessions are made for SHF. As a result, food for schools and other government institutions are purchased from agro-industry as its prices are lower than those offered by SHF.

PUBLIC PROCUREMENT ISSUES OF CONCERN, RISKS, AND RISK MITIGATION

Public procurement presents an opportunity for SHF to sell relatively high quality commodities to a regular buyer with a predictable demand at good prices. However both buying from SHF and selling to institutions have idiosyncratic factors, and discussions with P4P staff interviewed for this study raised the following as areas to be aware of when promoting public procurement.

Issues related to FRA:

- Procurement and quality assurance procedures on paper are not necessarily equivalent to procedures actually in place.
- Managers of SGR agencies are political appointees and many not be interested in reform and increased efficiencies.
- Turnover of trained staff, especially workers hired on seasonal contracts, as in Zambia may limit the effectiveness of capacity building efforts.
- Late, uncertain, and and/or inadequate funding makes planning difficult.

The political nature of employment with the SGR contributes to a high turnover rate, which makes capacity building particularly challenging. Reform requires policies promoting transparent practices and the political will to implement and enforce good governance policies. However, actors with entrenched interests including SGR management staff, large-scale farmers and traders, and millers who purchase subsidized stocks upon release, may resist reforms. SGR issues generate a risk to citizens and government funders of corruption, inefficiency, and the manipulation of staple commodities markets for political ends. Risk mitigation entails building the capacity of institutions to recognize, receive, and manage quality commodities, relying upon transparent and enforceable procedures.

Issues related to marketing boards:

- With purchases based on funding levels rather than market realities, the ad hoc actions of marketing boards exacerbate uncertainty in the marketplace. While marketing boards can stabilize prices to a limited degree, benefits accrue primarily to large industrial farmers and urban consumers, not SHF.
- Inability to manage stocks.

Unpredictable actions by one of the largest market actors leads to increased uncertainty and the risk of crowding out private investment. Marketing boards often announce they will buy without securing the funds to do so, buy more or less than projected, and import commodities to release at low prices. These actions (or inactions) impact prices, create reticence among private market actors, and can lead to food crises (Ellis & Manda, 2012). To mitigate these risks, marketing boards should be more transparent with their actions and transact based on market prices. Furthermore, to curb the risk of losses, their capacity to procure, handle, and maintain quality stocks should be improved.

Issues related to HGSF:

- Finding efficient levels of decentralization
- Buyer capacity to procure responsibly.
- Other capacity gaps include quality assessment and food management.

- Procurement and food handling procedures on paper are not always equivalent to procedures actually in place.

The success of HGSF requires selecting the right administrative level to task food procurement to; a good storage and transportation network; and schools which are capable of storing, handling, and serving safe, hygienic, and nutritious foods. The case of Honduras shows that in many cases the inter-institutional committees charged with food procurement do not exist, and when they do, they lack capacity in public procurement. The case of Kenya shows that extant institutions can lack capacity in public procurement as well. These issues engender not only the risk to recipients of unsafe, unhygienic food consumption, but also the risk to the public and stakeholders of corruption. Risk mitigation should focus on capacity building in public procurement and food handling at the appropriate level. Whether procurement is done by departmental committees or teachers or other entities, the procuring unit should be well-versed in the procurement guidelines, have sufficient time to engage in buying activities, and should work within a transparent system with enforceable policies and procedures.

Issues related to SHF:

- Sensitization of farmers is time intensive, and effectiveness of information transmission from FO leaders down to members varies by FO.
- Risk of default, due to low production or side-selling.

Institutions typically have little experience working with SHF as sellers and may underestimate the time investment required to build trusting relationships with FOs and their members. Repeated interactions help build trust (Anderies, Janssen, & Ostrom, 2004), but the relatively high default rate of FOs (WFP, 2013b) can sabotage the trust-building process. Defaults risk the viability of the institutional pipeline, particularly for schools or districts contracting with one FO. Though social capital has been shown to increase contract enforcement, decreasing the risk of side-selling in this case, production risk needs to be insured in a financially viable way.

Issues related to WFP's involvement in public procurement:

- Staple foods are inherently political.
- Importance of political will and how quickly that can change.

> *"El rubro de Frijol en Honduras, pueden poner o quitar Presidentes en cualquier momento"*
> *"In Honduras, Beans can put in or take out any President at any time" - a saying in Honduras.*

In agriculturally-based economies, staple food production intersects with autonomy and self-sufficiency, economic productivity, and identity, from the individual to the national level. As such, staple foods are inherently political, and even more so in countries where the government regularly intervenes in agricultural markets. Promoting public procurement from SHF exposes WFP to the risk of being perceived as aligned with the government and promoting favoritism of privileged groups - in this case, SHF recipients of P4P trainings and market linkages. To avoid perceptions of bias, WFP should work with institutions committed to transparency, resilience, and capacity building. Institutions need enforceable laws, policies, and procedures in place to endure inevitable changes such as staff turnover and new administrations.

Conclusion

Two themes emerged from the issues of concern related to FRA, marketing boards, HGSF, SHF, and WFP's involvement in public procurement: transparency and capacity building. These are related in that institutions need a certain level of capacity in order to properly implement and enforce laws, policies, and procedures ensuring transparency. WFP can support public procurement from SHF by building the capacity of institutions to procure food commodities; to assess, control, and distribute quality commodities; and to store, handle, and prepare food commodities in a safe and hygienic way.

RECOMMENDATIONS

Best practices in support of public procurement identified by P4P Coordinators and staff include:

Recommended WFP support to institutions with SHF procurement:

- A formal agreement, such as a MoU, should be in place between WFP and the institution to serve as the basis for collaboration.
- WFP transfer of expertise to institutions in procurement, warehouse management, logistics, storage, quality control is a valuable skills transfer. However, in order for the transfer to be effective, capacity building of varying degrees of intensity will be required, particularly for newly formed institutions.
- Exchange visits are a powerful way to share experiences and knowledge between institutions. Visits to countries where the government has successfully adopted smallholder procurement can expand the possibility horizon for administrations seeking to support rural development while combatting poverty and hunger.
- Facilitate financing to avoid extended payment delays (which are detrimental to SHF participation) and late buying.
- MIS, warehouse information systems, tools for price analysis and marketable surplus forecasting, cleaning and drying equipment, and other types of tools and technologies can improve procurement and quality assurance.

Recommendations to institutions procuring from SHF

- Prices negotiated in public procurement should reflect market prices associated with the quality procured while simultaneously compensating SHF for their costs of production.
- Institutions setting smallholder quotas can be very helpful in prompting procurement from SHF.
- Social capital may help enforce FOs contracts.
- Clarify the role of traders in the procurement model, potentially capping trader contributions if the infrastructure is in place to purchase directly from SHF.
- Elements found by P4P Units interviewed to increase SHF participation in the institutional procurement process include:
    - Waiving of performance bond
    - Smaller quantity contracts
    - Smaller physical length of contract (12 pages or less)
    - Simplified language in contracts
    - Allowing multiple attempts to complete contracts

- Advance payments (30 percent upon signing, 70 percent upon delivery)
- More flexibility in length of contract fulfillment
- Removal of administrative requirements such as trader licenses, trader registration, and provision of trade history

Recommendations to FOs and SHF:

- High-capacity HGSF FOs in Honduras have expressed interest in providing to just one institutional buyer. The short-term benefits of selling to a single buyer include reduced transaction costs and efficiencies gained by tailoring processing to suit the demands of one client. However, administrations, procurement guidelines, and laws can all change, and the Honduran Country Office is recommending that that FOs diversify their buyer set to promote resilience at the expense of efficiency.

Recommendations to WFP in promoting public procurement from SHF:

- The relationship between the commercial sector and public sector can be antagonistic, with the government painting traders as unscrupulous, and traders wary of unpredictable government interventions. Bridging the gap between them is important to ensure that SHF do not get caught in the middle.
- To avoid adverse impacts on local markets, coordinate with other institutional buyers regarding location and timing of purchases, especially under conditions of under-production.
- To maximize sales potential, WFP should train FRAs in quality control and management before entering into purchasing agreements. This will increase the likelihood that released stocks will meet WFP's quality criteria. In addition, be clear regarding expected purchase quantities, prices, and quality expectations.
- Budget sufficient time and resources for capacity building, of institutions as well as SHF.
- Keep communications clear and be transparent in negotiating between institutions and SHF.
- Consider the cost and benefits of information systems that improve traceability, especially in countries where SHF are the main producers. Attempts to shorten the market chain assume that traders are exploitative, and may not take into full consideration their functional role. FO marketing services are not provided for free and in some cases, FOs behave much as traders do (Amani, 2014; Knepper, 2014).

KNOWLEDGE GAPS

As the P4P pilot phase concludes, questions about ways to promote responsible public procurement from SHF become more urgent. In the course of the interviews conducted for these studies, knowledge gaps were identified, including:

- How can institutions and WFP engage most productively with the private sector to support SHF? How can traders be harnessed to promote SHF production and to increase SHF income?
- How successful are different knowledge transfer modalities? What factors impact the likelihood of institutions adopting P4P technologies, strategies, and pro-smallholder policies?
- How can purchasing institutions and SHF alike protect themselves from agricultural risk?

- What are the costs and benefits of implementing, maintaining, and analyzing data from M&E systems designed to improve traceability of stocks and to quantify impacts on SHF income?
- What are guidelines for selecting the most appropriate level of decentralization?
- How can social capital be created and leveraged to decrease the risk of default and the risk of corruption?
- What are the impacts of HGSF on localized markets, particularly in more remote areas?

CONCLUSION

While supply-side support in production, post-harvest handling, storage, negotiations, and institutional procurement procedures is necessary, it is not sufficient for promoting public procurement from SHF. Capacity development of the procurement unit is essential as well, particularly for new institutions. Training in (pro-smallholder) transparent procurement procedures, quality assessment and assurance, commodity handling and stock management, and food safety can help ensure that public institutions responsibly engage with SHF without compromising the quality of public stocks and the safety of end consumers.

Equipment and technologies which can enable SHF contributions to high-quality stocks include collection points accessible to SHF and proper storage, market and warehouse information systems, quality enabling and testing equipment, and access to finance.

WFP has specialized skills in procurement, quality assessment, logistics, warehouse management, and M&E, all of which can be transferred to institutions to support public procurement from SHF and institutional efficiency.

While laws can prohibit limitations on the competitive tendering process, they can also be amended to promote procurement from SHF. The P4P experience suggests that quotas can be effective in motivating public procurement from SHF. However pro-smallholder contracts and quotas are not enough to ensure SHF contributions if the procuring institutions are corrupt and the procurement process lacks transparency.

Lack of transparency in implementing procurement procedures in payments, and in warehousing management threatens smallholder participation in institutional markets and institutional efficiency. Transparent and open processes should be advocated at all levels of operations.

Decentralization enables initiatives such as HGSF, however the benefits and risks of different scales of decentralization should be analyzed before undertaking decentralization. The flexibility gained by decentralizing to smaller units may be offset by efficiency losses, particularly if the units do not have sufficient capacity to assume responsibility for the processes being transferred.

Community investment and involvement is a staple of institution building, and private citizens should be recruited into the public processes.

REFERENCES

ACE. (2013). Score with ACE. Retrieved March 25, 2014, from http://www.aceafrica.org/media/7898/2AGRI. Suppliment-1.pdf

Amani, S. (2014). *Smallholder Farmers' Marketing Choices* (p. 77). Washington D.C.

Anderies, J. M., Janssen, M. A., & Ostrom, E. (2004). A Framework to analyze the robustness of social-ecological systems from an institutional perspective. *Ecology and Society*, *9*(1), Article 18.

Chapoto, A., & Jayne, T. S. (2009). *The Impacts of Trade Barriers and Market Interventions on Maize Price Predictability: Evidence from Eastern and Southern Africa* (No. 102) (p. 76). East Lansing.

Devereux, S. (2009). The Malawi Famine of 2002. *IDS Bulletin*, *33*(4), 70–78.

Ellis, F., & Manda, E. (2012). Seasonal Food Crises and Policy Responses: A Narrative Account of Three Food Security Crises in Malawi. *World Development*, *40*(7), 1407–1417.

FRA, W. & N. (2013). Grain quality control and mobile information system for the Zambian Food Reserve Agency. Lusaka: WFP.

Government of Rwanda, M. of A. and A. R. (2011). About Crop Intensification Program - CIP. Retrieved March 24, 2014, from http://www.minagri.gov.rw/fileadmin/user_upload/documents/CIP/MORE_INFORMATION_ABOUT_CROP_INTENSIFICATION_PROGRAM.pdf

IFPRI. (2009). *Strategic Food Reserves in Africa: Analyzing operational efficiency and smallholder participation*. Washington D.C.

Kelly, S., & Mbizule, C. (2013). *Institutional procurement of staples from smallholders: The case of common P4P in Rwanda (Draft)* (p. 47). Rome.

Knepper, E. (2014). *Experience Buying from Small and Medium Traders*. Washington D.C.

Maïga, D. (2013). *Évaluation des marchés potentiels à valeur ajoutée pour les céréales de meilleure qualité au Mali* (p. 52). Bamako.

Mason, N. M., & Myers, R. J. (2011). *Policy synthesis food security research project - Zambia* (No. 50) (Vol. 50, p. 7). Lusaka.

Ministry of Agriculture and Animal Resources. (2007). Law No 50/2007 Providing for the establishment, organisation and functioning of cooperative organizations in Rwanda. Kigali: Republic of Rwanda. Retrieved from http://www.amategeko.net/display_rubrique.php?ActDo=ShowArt&Information_ID=2062&Parent_ID=30698063&type=public&Langue_ID=An&rubID=30698091

Minot, N. (2010). Food price stabilization: Lessons for eastern & southern Africa. In *Fourth African Agricultural Markets Program (AAMP) policy symposium, Agricultural Risk Management in Africa: Taking stock of what has and hasn't worked* (p. 21). Lilongwe: COMESA.

Ndanyi, M. (2013). Kenya: 2.5 million bags of maize rotting in NCPB silos. *The Star*. Retrieved March 01, 1BC, from http://allafrica.com/stories/201307031041.html

NFRA and WFP. (2012). Memorandum of Understanding between WFP and NFRA for cooperation on joint programme activities and support. Dodoma: WFP.

NFRA and WFP. (2014). Embracing Change: Emerging P4P experiences in the United Republic of Tanzania. Dar es Salaam: NFRA and WFP.

Nyameino, D. M. (2010). Role of the National Cereals & Produce Board in Producer Price Stabilization in Kenya. In *Fourth African Agricultural Markets Program (AAMP) policy symposium, Agricultural Risk Management in Africa: Taking stock of what has and hasn't worked* (p. 10). Lilongwe: COMESA.

Somé, B. (2014). *P4P's Women's Empowerment Pathways: Successes and roadblocks* (p. 48). Rome.

Tran, B., Forsythe, L., & Hodges, R. (2013). *Pilot Proposal: Grain quality control for the Zambian Food Reserve Agency* (p. 53). Lusaka.

Tran, B., Someling, E., Mutukwa, P., Stathers, T., & Cammelbeeck, S. (2013). *Pilot Project Report: Grain quality control and Mobile information system for the Zambian Food Reserve Agency* (p. 72). Lusaka.

WFP. (2009). *Home-Grown School Feeding: A framework to link school feeding with local agricultural production* (p. 80). Rome: WFP.

WFP. (2012). *P4P Purchase for Progress: A Primer* (p. 38). Rome.

WFP. (2013a). *P4P story Burkina Faso* (p. 37). Ouagadougou: WFP.

WFP. (2013b). *Summary P4P Procurement Report* (p. 21). Rome.

WFP Kenya P4P Unit. (2014). *Kenya's Experience in Linking Farmers to Markets through the Private Sector - Agro-Dealers, Small-scale Traders and Processors* (p. 27). Nairobi.

WFP Kenya Procurement and P4P. (2013). *Study on the Quality Markets beyond WFP: The P4P Experience in Kenya* (p. 17). Nairobi.

ANNEXES

List of Contacts

Country	Name	Title	HGSF	National Reserves
Burkina Faso	Yves AKLAMAVO	P4P Coordinator		x
	Alladari TRAORE	P4P M&E		
El Salvador	Jaime FERNANDEZ	P4P Coordinator	x	
	Luis PENUTT	M&E Officer		
Honduras	Lenin GRADIZ	P4P Coordinator	x	
Kenya	Zippy MBATI	P4P Coordinator	x	x
	Peter KIMOTHO	P4P Specialist		
Malawi	Phillip HOVMAND	(Interim) P4P Coordinator	x	x
Mali	Isabelle MBALLA	P4P Coordinator	x	x
Rome - WFP HQ	Mahadevan RAMACHANDRAN	Procurement Officer		
Rwanda	Patrice NZEYIMANA	(Interim) P4P Coordinator		x
Tanzania	Marina NEGROPONTE	P4P Coordinator		x
Zambia	Aurore RUSIGA	P4P Coordinator		x
	Chris LISWANISO	Katete Pilot Manager		

Photo front cover: WFP/Charlie Barnwell

Contact information
Email us: wfp.p4p@wfp.org
Visit the P4P website: wfp.org/purchase-progress
P4P on Twitter: @WFP_P4P

20 P4P pilot countries
Asia: Afghanistan
Africa: Burkina Faso, Democratic Republic of the Congo, Ethiopia, Ghana, Kenya, Liberia, Malawi, Mali, Mozambique, Rwanda, Sierra Leone, South Sudan, Tanzania, Uganda, Zambia
Latin America: El Salvador, Guatemala, Honduras, Nicaragua