

Evaluation Brief



WFP 2008 – 2013 Purchase for Progress (P4P) Initiative: A Strategic Evaluation (mid-term)

Context

P4P is a five-year pilot initiative launched in 2008 to pilot and learn from innovative programme and food procurement activities that have the best potential to stimulate agricultural and market development in a way that maximises benefits to low-income smallholder farmers. It seeks to use WFP's demand platform to leverage smallholder agricultural growth in some of the world's poorest countries through supply chain reforms. The project aims for an annual income gain of US\$50 for a total of 500,000 smallholder farmers, including women.

The seven P4P activities fall into three pillars: procurement pillar, partnership and learning/sharing. The MTE evidenced that P4P is multi-faceted, which is positive as it allows different models emphasising one of its four facets to co-exist and be tested. The facets are: food aid procurement; smallholder development; market development; and Research and Development.

P4P project is being piloted in 21 countries. Nine donors making up an interesting mix of private, bilateral and multilateral funding sources have thus far contributed US\$140 million to the project. The funds are meant for technical assistance and grants for supply-side partnerships. They do not cover the purchase of food, which is paid for by cash contributions to the WFP operations in the pilot countries.

Objectives and Scope of the Evaluation

This evaluation assessed the P4P achievements thus far (accountability) and the reasons thereof to draw lessons for identifying best practice (learning). There is an important focus on the learning dimension as this is a mid-term evaluation of a pilot initiative.

The evaluation was conducted by the Overseas Development Institute (ODI) and supported by two reference groups (internal and external).

Key Findings and Conclusions

Relevance and appropriateness of the design

Relevance: P4P is highly relevant to contemporary development debates on smallholder development, market development and to initiatives seeking to enhance the developmental impact of organisations' supply chains. It is also well aligned to the government policies of the P4P countries.

Design: The MTE emphasised the fast-track global design process, which on the one hand led to a high-level of ownership by WFP and BMGF senior management and allowed a swift implementation start, but on the other hand resulted in a number of deficiencies. Most noteworthy are: i) insufficient analysis of the key problems facing smallholders, and particularly women, in the value chain; ii) eight assumptions are key for the project to succeed but were insufficiently recognised or tested; iii) targets are unrealistic and arbitrary (in particular income, beneficiary and gender targets); and iv) the risks to farmers were insufficiently recognised (harvest failures, price

crashes, etc). The importance of a partnership strategy and of a comprehensive M&E framework was given due consideration at design stage. Evidence points to a more rigorous project design at country level.

Performance and results

Food aid procurement: P4P was successful in contracting over 150,000 mt from 20 countries thus far (64% from farmer organisations (FOs) and the rest from new market institutions in four countries) and the rate of purchase is close to target.

P4P purchases were found to be generally less cost-efficient than regular local purchases when considering full costs (i.e. including logistics, procurement, management costs as well as supply side investments). However, there are important variations of cost-efficiency by P4P modality with evidence that costs are particularly high when working with weak FOs but lower when purchasing through new market institutions.

The rate of defaults is significant mostly because P4P is quality conscious but also because farmers side-sell, an indication that P4P prices might not be attractive to them when considering the extra costs of dealing with WFP (protracted price negotiations, late payments and payment through FOs) compared with traders. However, defaults have not meaningfully disrupted WFP's pipeline to food aid recipients and recent efforts to streamline business processes, notably on procurement and finance, were noted.

Smallholder development: The evaluation evidenced the difficulty to count beneficiaries defined as those smallholders successfully selling to WFP. This is particularly the case where purchases take place through the new market institutions since there is little traceability of suppliers and thus of the proportion of smallholders amongst these. P4P beneficiaries tend to be amongst the more productive smallholder farmers congruent with best practices and patterns of past green revolutions in Africa, which emphasise that their assets and social and human capital enable them to respond more quickly to a process of development and move up in rural structures.

Demonstrating the effect of the project on smallholders is difficult because P4P does not collect information on farm-gate prices for local procurement or P4P purchases, which are critical to demonstrate impact. Preliminary evidence nonetheless suggests that the gross income gains that farmers are making from P4P in Africa is about half the 50US\$ target because the price premium is modest and the average farm sales very low.

Market development: P4P is located on the cusp of two different philosophies of poverty alleviation through market engagement: 1) direct provision of subsidized inputs, services and infrastructure to poor farmers and 2) working to support the development of sustainable market changes resulting in direct, indirect and dynamic impacts benefiting the poorest.

Supply-side partnerships and capacity development efforts are showing some signs of increasing productivity at farm level and commercial banks have started offering credit to farmers and FOs against the security of forward contracts or warehouse receipts, which can create an effective demand for agricultural

inputs to which the market may respond. Also, the strategy of working with FOs to help the weak ones progress has led to some improvements in FOs' formal governance- which is unexpected as conventional wisdom suggests that this takes much longer.

Procurement through new market institutions makes it more difficult to identify and exclude farmers who are not from the target group and to directly control the price they receive. However, compared with direct engagement with FOs, these modalities appear less costly and more sustainable as they introduce resources and institutions which incentivise the existing local market actors but the benefits may be less traceable and attributable. However, as their theoretical advantages remain to be evidenced and since they require a conducive policy environment, P4P does well to limit its experiment with market institutions to a small number of conducive countries during the pilot timeframe.

Research and Development: Learning has thus far been largely focussed on project management, which is important to allow WFP to develop new approaches and mainstream these by 2013 and has resulted in some positive changes to project focus and organisation's systems. However, the M&E system is not addressing the validity of assumptions or models nor adequately capturing procurement data to ultimately assess project effectiveness. In addition, the M&E system is heavy and too focussed on quantitative surveys, which are slow to generate learning, have quality risks, are resource intensive and could detract from real learning. Recent initiatives such as the creation of a data hub in subcontracted to AERC as well as an increased emphasis on qualitative methods could mitigate these issues. P4P is a visible project with profile and communication channels are wide open both at country and global levels. However, the "showcase" status of the project impinges its ability to discuss the negative as well as the positive learning from the initiative.

Explanatory factors

Benign external trends including high food prices and the emergence of innovative market institutions have benefited P4P but government actions have at times run against its objectives.

The emphasis on partnerships has been significant and a huge network of partner organisations has been established but the technical capacity of some has been inadequate. The ability of governments to offer practical support has been poor. Generally the relationship of P4P with existing market intermediaries is far too limited for a market development initiative.

WFP staff is enthusiastic about P4P and the initiative is positively challenging them to change some business practices. However, spreading the initiative over 21 countries has tipped the balance towards 'doing' rather than 'learning'.

P4P is visible and high profile and greatly supported by senior management, but its 'showcase' status impinges upon the ability to openly discuss the negative as well as the positive learning and complicates external communications, where a balance still needs to be found between disseminating information, marketing the project and creating expectations.

Conclusions and Recommendations

Overall Assessment

The sheer scale and diversity of P4P activity since September 2008 has been impressive: implementation is underway in 20 countries; over 160,000 tonnes of food commodities have been contracted; some 160 supply-side partners are working with targeted FOs; and a very comprehensive monitoring and evaluation system is being rolled out and adapted.

The P4P global design has weaknesses and testing and reviewing the assumptions of the intervention logic and changing aspects of the design is necessary. An iterative action research approach to implementation is sensible and entirely within the P4P parameters.

Some of the 'old style' direct linkages with relatively weak FOs are likely to be less cost-efficient and have lower impact and sustainability than working with more market-based solutions. However, maintaining a diversity of modalities to generate learning, potentially of great value to many, is more important for P4P than achieving the largest direct socio-economic impact 'on the ground'. P4P also gives WFP a window of opportunity to contribute more effectively to contemporary development debates and to use its unique institutional location to advocate for more progressive food grain policies with national governments.

Recommendations

1. P4P must remain a pilot project until 2013

- Do not expand P4P: Senior management should protect P4P from any increase in the number of pilot countries and activities requiring external support.
- Test assumptions and adapt country design.
- Precautionary principle (i.e. do no harm): Monitor the risks beneficiaries are taking and propose mitigation measures.
- Review projects targets and renegotiate those which are unrealistic on a country-by-country basis.
- Communicate on both successes and challenges.
- Carefully manage expectations and openly communicate about risks, impact and sustainability.

2. P4P should prioritise market development objectives.

- Do not engage in a context where potential market development benefits of P4P are unclear, and seriously consider withdrawal from contexts where such benefits are absent.
- Conduct a detailed market system analysis *ex ante* to any engagement with P4P and assess whether WFP purchasing power could usefully contribute to unlocking bottlenecks and blockages and how.
- Rethink the gender strategy and possibly review the P4P design to place a greater focus on other crops and other nodes of the value chains in most contexts.
- Prioritise modalities that can be taken over by market intermediaries. WFP should rather seek to work with the grain of current market intermediaries - and promote new market institutions in the few locations where these are appropriate - rather than trying to provide these services in-house.
- FOs should be categorised and P4P should only work with FOs if they have a credible progression strategy.
- P4P costs and smallholder and market efficiency benefits should be analysed and compared with those of regular local procurement and other approaches for market development.

3. P4P should adapt the M&E system to encourage R&D

- Skip the second round of household surveys.
- Implement a practical system that will quickly collect and analyse proxy and process indicators such as: farm gate prices, margins along the chain, payment delays and the level of farmers' satisfaction.
- Expand on the write-shops approach.
- A full cost monitoring exercise should be conducted, on an ongoing basis in all pilot countries, and disaggregated by commodity and procurement modality.



Reference:

Full and summary reports of the evaluation and the Management Response are available at www.wfp.org/evaluation

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