WFP TAKES STOCK AFTER TWO YEARS OF P4P IMPLEMENTATION

Strong support was expressed by all participants at P4P's Second Annual Review for the direction WFP has taken in promoting local purchase, in aligning the programme to national Government development plans, in creating concrete opportunities for women farmers to access economic benefits and in trying new ways of doing business. There was overwhelming consensus that P4P is already acting as a catalyst and a platform to bring partners whose goal is to fight hunger and address the needs of smallholder farmers around the table.

As Josette Sheeran, WFP Executive Director said during the opening ceremony: “there are 3 things that WFP brings that no one else can bring: a guaranteed market; WFP’s quality requirements on which we do not compromise, and WFP’s coordination role: through our local procurement we catalyze other partners’ efforts and investments”.

A highlight of the week was the “marketplace”, where participants broke into groups to discuss four recurrent themes: a) capacity development: targeting and progression strategies b) food safety and quality, c) financing solutions for staple crops and d) accessing markets beyond WFP.

Panel discussions with farmer representatives, government officials and donors brought to the fore the high expectations and varying perspectives of some key partners. Expectations remain very high and calls for scaling up were made. Organisational change and internal WFP policy and procedural issues were discussed.

Commitments were made by senior managers to review the WFP business model to ensure that the right tools to purchase from farmers groups are in place and that the timeframe from procurement to payment is shortened. Having timely access to advance financing to enable signature of forward contracts was also highlighted as critical.
P4P ANNUAL REVIEW OBJECTIVES, PROCESS AND PARTICIPANTS

The goal of the P4P Second Annual Review (A.R) was to review progress and validate key lessons emerging from P4P implementation in 2010, by:

- Providing a forum to share experiences to date across 20 pilot countries currently implementing P4P;
- Identifying best practices regarding what worked and what has not worked as well, and identify key priorities for 2011.

Plenary discussions were complemented by panel discussions with key WFP senior management staff, representatives of Governments, farmers’ representatives and donors, who each offered their perspectives. Working groups sought to distil and validate regional as well as thematic lessons.

P4P pilot countries prepared for the global Annual Review by holding country-level lessons learned workshops with their partners and submitting their lessons, which were subsequently consolidated by the P4P Coordination Unit in Rome into key recurrent themes. Such outputs informed the working groups sessions.

WFP staff included P4P Country Directors, P4P Country Coordinators, regional bureau and headquarters colleagues (representing procurement, legal, programme, finance, logistics, policy divisions and the P4P Coordination Unit).

A wide representation of stakeholders also attended two out of the four days: government counterparts from El Salvador, Guatemala, Southern Sudan, Tanzania and Zambia; farmer representatives from Liberia, Mozambique, Sierra Leone; private sector representatives from Kenya, Ghana and Malawi; UN agencies including FAO, IFAD, UNCDF, UNIFEM and IFC; local and international NGOs including Afrique Verte, CARE, CRS, IFDC, MDG Centre, PCD, Save the Children, World Vision International; Financial institutions including Equity Bank Kenya, Federations des Caisses Populaires du Burkina, Opportunity Bank Malawi and Standard Bank; as well as representatives from academia, the donor community and other key regional partners including ACTESA and AGRA.

LESSONS EMERGING IN FOUR KEY THEMATIC AREAS

I. Food Quality & Safety and Processing

- Even lower capacity Farmers’ Organizations (FOs) are able and willing to meet WFP quality standards with adequate training, equipment and reward for quality, once farmers understand that quality equals money.

- The “Blue Box” (a box containing a set of equipment for field quality testing and screening, with visual and written instructions for the users) is both a practical field quality testing resource and a teaching tool. It allows direct feedback to farmers, and contributes to demystifying WFP quality standards and building farmers’ confidence on the quality of their produce, thus giving them more negotiating power with traders.

- Where processors exist, it is relatively easy to link farmers to processors once higher quality standards are achieved. This is already happening in some countries. Where processors are not present, the question of whether WFP should support the establishment of a new processing factory is a matter of cost efficiency as well as of sustainability (i.e., is there sufficient demand beyond WFP for such processed foods, and is there a competent actor able to manage the factory after WFP support ends?)

- Small-scale mechanization and low cost processing equipment such as shellers and rice milling machines hold promise, but work best if provided through a private sector business model (i.e., on a cost-sharing basis).

- More advocacy is needed for the standardization (and enforcement) of quality standards at regional level.

- Aflatoxin is a serious but often unrecognized problem. Though its solution lies outside the domain of WFP, Country Offices require a better communication of WFP’s corporate position to guide them on how to test and eventually react to aflatoxin, should it be detected.
2. Capacity development, targeting & progression

**Targeting, procurement modalities and progression**
1. Though **targeting criteria** and thresholds are country-specific, the minimum common set of targeting criteria for FOs include: a) having legal status; b) having surpluses (or potential to produce surpluses) and c) receiving supply-side support.
2. **Procurement modalities** should be better tailored to the level of capacity of the FO. Clear indicators such as “the capacity to participate in WFP tenders” and/or “an increase in sales to buyers other than WFP” should be monitored to identify when and how to graduate FOs out of P4P direct support. The introduction of gradual penalties and progressively reducing contractual preferential treatment should be part of the progression strategy.

**Capacity Development and progression**
1. P4P should play a **catalyst/coordinating role for capacity development** and rely on partners to address specific gaps along the value chain.
2. Generalized blanket training is not efficient: trainings should be better targeted to the initial level of capacity of the FO.
3. The capacity development strategy should also target **traders and government officials**, not only farmers.
4. The **private sector** could be further used to support the professionalization of FOs.
5. A **three to five years timeframe** may be sufficient to build the capacity of medium and high capacity FOs, but is not sufficient to build the market readiness of lower capacity FOs. The latter though could be targeted under P4P’s capacity building programme, though not under P4P’s procurement.

**Delivery of trainings**
1. **ToTs** at Cooperative Union level do not always guarantee the trickle down to the base; agricultural promoters in Guatemala, Farmers’ Field School modalities or similar models can help ensure the trickle down.
2. **Timeframe** allocated by donors for the delivery of the training is often too ambitious and leads to “**trainees fatigue**”: farmers need time to absorb the trainings, and often need the concepts to be explained to them several times before they can absorb and apply what they have learned.

3. Financing Solutions for staple crops

- **WFP forward contracts** seem to be having a positive effect on facilitating FO access to credit in Burkina Faso and Mali, two countries where the modality has been tested.
- **Revolving funds** established with P4P funds and managed by the FOs for bulk purchases of inputs (Central America), or for the purchase of tractors and shellers to give to individual farmers (Zambia) are proving a viable option alongside more formal financial services, especially for lower capacity FOs with limited access to external financing, but should be accompanied by strengthening of FOs financial literacy.
- **Guarantee funds** are a factor in increasing bank’s willingness to lend, though not sufficient on their own. Both Equity Bank and Standard Bank advised that strengthening the financial literacy of FOs was a more important element.

**Good practices so far suggest that WFP should:**
1. Facilitate the link between FOs and lenders by informing groups and lenders about the P4P demand platform, but let lenders and farmers build their own credit relationship;
2. Sign off-take agreements with vendors to be used as collateral, but ensure a partner is providing technical assistance to strengthen the capacity of FOs in financial matters;
3. Use Third Party Payment (TPP) mechanism whenever requested, or, in the absence of TPP, pay vendor through a bank account kept at the lending bank. This provides additional assurance to the lending bank without adding liability or complexity for WFP.

**Key risks:** WFP should not be seen as pressuring farmers into a credit relationship. Rather, WFP should focus on accelerating its procurement and payment processes, allow access to advance financing for forward contracts to increase cash flow of FOs, and rely on the expertise of financial partners to facilitate FO access to credit.

4. Accessing Markets beyond WFP

1. Initial experiences suggest that there is a **market for quality beyond WFP**: P4P FOs in some countries are already linking to local processors (Guatemala, Mozambique, Rwanda); several P4P targeted FOs who received training and sold to WFP also managed to sell to alternative buyers.
2. **Linking farmers to the private sector** (processors, millers, CSB producers, supermarkets, agro-dealers) is possible once higher quality is achieved.
3. **Government programmes** such as National School Feeding Programmes (Ghana, Kenya, Mali, Malawi, Central America pilots), Strategic Food Reserves (Ethiopia, Mali, Tanzania, Rwanda) and other institutional feeding programmes constitute already a quality market in Central America, and may constitute a possible quality market in Africa.
4. **Regional trade integration** provides access to alternative markets beyond WFP. Policy harmonization, particularly on quality standards and removal of trade barriers and Government interventions are nevertheless required.
5. **Diversification of products** may also provide additional options to farmers.
6. **Supporting value addition by farmers** (such as simple processing) increases farmers’ access to alternative markets beyond WFP.
7. **Building FO aggregation capacity** is as important as building capacity on quality control to enhance FOs access to markets beyond WFP.
8. **Commodity Exchanges and Warehouse Receipt Systems** constitute by themselves markets beyond WFP and therefore should be supported where available.
9. **Trade Fairs** should be further explored.
WFP's role in catalyzing structured trading systems: by channelling local food purchases through nascent commodity exchanges and warehouse receipt systems (like in Ethiopia, Malawi, Tanzania, Uganda and Zambia), WFP catalyzes and enhances partners’ and governments’ investments in these structured trading systems. Nevertheless, government interventions in staple food markets limit the effectiveness of such systems.

Capacity building: WFP procurement gives focus to the training and provides incentives to farmers to be trained and to improve quality. To be more effective though, the training could be accompanied with the provision of equipment and rural infrastructure (such as storage) on the basis of a revolving fund or matching grant.

Pricing & WFP cost efficiency principle: it is possible to adhere to WFP’s principle of cost efficiency and minimum cost to WFP, and to adhere to the Import Parity Price principle, but timeliness and quality of produce should be factored in.

Publishing WFP indicative transport rates and tender prices nationally and regionally could help the price discovery in the region.

Central America

Revolving Funds established with P4P funds and managed by FOs for the bulk purchase of inputs seem to be a viable model to address cash constraints of FOs if the following conditions exist:

- availability of a guaranteed market (WFP)
- good weather conditions or weather insurance
- a minimum capacity level of FOs to manage the fund
- due emphasis on capacity building on financial literacy

Benefits included: strengthened organizational structure (creation of credit committees); improved accounting and financial management through the trainings received; bulk purchases of inputs achieving better prices; and increased credit worthiness vis a vis formal banks as a result.

Risks include weather risks and risks of default; risk of overwhelming the FO if insufficient capacity.

Capacity building strategies that are effective must:

- include WFP and partners’ staff in the trainings
- be comprehensive along the value chain
- be delivered with enough time to avoid “trainee fatigue” and ensure proper learning and absorption
- use specific mechanism at community level such as agricultural promoters to ensure trainings reach the base
- be delivered in local language

Gender—any gender empowerment strategy must include building self-esteem, literacy and numeracy skills.

West Africa

[Burkina, Ghana, Liberia, Mali, Sierra Leone]

Targeting: existing minimum targeting criteria remain valid for new FOs, while existing FO performance should be considered for re-targeting in subsequent years.

Gender: paying women for services in post-harvest handling activities such as cleaning, shelling (Burkina Faso, Liberia, Mali) is proving to be a good way to empower women, as well as targeting women only groups and women’s crops such as pulses. Initial evidence emerging from case studies suggest that women who have been involved in P4P and have sold to WFP have seen their status improve in their community.

Pricing & WFP cost efficiency principle: it is possible to adhere to WFP’s principle of cost efficiency and minimum cost to WFP, and to adhere to the Import Parity Price principle, except for rice for which a special business case should be built and presented to the P4P Steering Committee.

Market Information Systems: where a reliable national market information system exists (Burkina Faso and Mali), WFP should use that system, otherwise WFP can collect and analyse market data jointly with partners and government, but should avoid “mixing systems”. In the latter case, it is worth using P4P funds to support partnership preferably with Government for market data collection.

Countries emerging from conflict

[Afghanistan, DRC, South Sudan]

Implementation context is generally characterized by lack of competitiveness and high cost of food procurement due to high transaction costs which translate into local prices above import parity; post-war market economy; absence of banking sector; security concerns limiting transactions and focus of partners and governments’ interventions on reconstruction and stabilization.

Given these contexts, WFP cost efficiency principle may not apply in the short term. Countries falling under this category have been encouraged to build a business case, to be presented to the P4P Steering Committee at Headquarters, outlining a 3-5 years strategy to build the capacity of P4P FOs to become competitive, and outlining how relevant investments (including paying above Import Parity) could support this process in collaboration with supply side interventions by partners.

Despite this challenging environment, there seems to be a role for WFP and partners to revitalize markets where the private sector has no incentive to engage: in DRC, farmers produced significant amounts of surpluses, which traders were able to buy thanks to micro-credit offered by the international NGO DCA. New markets for food and non food items are developing next to collection points established by WFP and FAO, and a cash transfer company is considering opening a branch in Kabalo territory targeted by P4P.
PARTICIPANTS’ PERSPECTIVES

Farmer representatives shared their experiences of working with WFP as a buyer; Government representatives shared their perspectives on the P4P programmes and how P4P was integrated in their respective Country Strategies, and Donors shared their perspectives on how P4P integrated with other agricultural development investments and strategies.

The farmers’ perspective

"As women we suffered a lot during the war. When we got back to agriculture, there were no markets, and traders were offering us very low prices. P4P trained us in quality; FAO provided us with a rice milling machine; UNDP gave us a warehouse and a dryer. WFP paid us good money for our rice. It was the first time we received that amount of cash in our hands! Now men respect us in our community because we bring money home!” [Annie Kruah, Chairlady of the Kona-Kpindubu Farmers Cooperative, Mozambique]

"WFP/P4P represented for us an alternative buyer. Before, we did not commercialize maize and beans. With P4P, it was the first time we sold maize and beans in the formal market. The main lessons we learned from our interaction with WFP are: that achieving WFP quality standards is not easy, but possible; we are now aware about aflatoxin and test our grain thanks to a new lab in Nampula province; and we learned how to negotiate prices based on our production costs. Before, prices were fixed by the traders. Now we sit and consider our production costs and negotiate with the traders” [Moises Raposo, manager of the IKURU Farmers Cooperative, Mozambique]

The Governments’ perspective

"Standards are key, but they are usually available for cash crops, not for staples. Our farmers can compete for the WFP market. We can benefit from setting standards for our staples crops” [John Mngodo, Director of Food Security Department, Ministry of Agriculture, Tanzania].

"In South Sudan prices are three times higher than in neighbouring countries because of lack of basic transport and storage infrastructure and high labour costs. The question is: should the WFP decision of where to buy be based solely on prices? We should consider the price in relation to its country context. We see P4P as an opportunity to contribute to the development of agriculture as the engine of growth. The Government is committed to establish strategic food reserves in identified surplus zones. Can WFP/P4P work with us to have storage systems in place?” [HE Anne Itto, Minister of Agriculture and Forestry, South Sudan].

"The Government of Guatemala is supporting organized farmers to improve their production and yields, and P4P fits into this strategy. The link to our safety nets programmes could be further explored: for example, currently the Government has a programme called “Bolsa Solidaria”, which gives vulnerable households a basic food basket of grain, sugar and oil, and grains are locally purchased” [HE Alfredo Orellana, Vice Minister of Agriculture, Guatemala].

The Donors perspective

"In HGBF, we don’t fund projects unless they have two things: a clear market based exit strategy, and a generation of lessons which inform policy. P4P has both. I spent 10 years in Africa doing agricultural projects, and I realized that the best exit strategy is to put the farmer directly into the market, to make him market ready. P4P is a unique opportunity… you can take small farmers, pull them out of poverty and walk away, and they are part of the economy” [Howard Buffett, President of the Howard G. Buffett Foundation. Check also Howard Buffet’s interview on http://www.wfp.org/purchase-progress/blog/changing-way-it-does-business-wfp-takes-stock-partners-after-two-years-p4p]

“BMGF saw WFP as the largest staples food buyer in Africa. This evolved into a theory of change called “structured demand”, which provides a large, predictable market that can drive systemic change. WFP’s market is one such market and can potentially reach millions. As such, P4P has been a magnet for bringing together other investments we are making such as our investments in AGRA to support the strengthening of FOs, our investments in research in staple crops, our investments in post-harvest handling. We think P4P provides an opportunity to link more to the private sector, and can help make the link between nutrition and agriculture, given that WFP has strict nutrition and quality standards. There have been a lot of calls to scale up P4P in the P4P countries, and to extend the model to other countries. There is a risk though, because P4P is a pilot and we still need to learn what works and what costs it entails. We still don’t have a cost-benefit analysis, and the additional logistic costs to WFP have not yet been quantified” [Arlene Mitchell, Interim Deputy Director of Market Access, Bill and Melinda Gates Foundation].
KEY P4P CONTACTS IN ROME

P4P COORDINATION UNIT

- Ken Davies, P4P Coordinator: Ken.Davies@wfp.org
- Sarah Longford, Sr Programme Adviser, Partnerships: Sarah.Longford@wfp.org
- Mary-Ellen McGroarty, Sr Programme Adviser for Ethiopia, Kenya, Lesotho, Malawi, Mozambique, Rwanda, Tanzania, Uganda & Zambia: Mary-Ellen.McGroarty@wfp.org
- Jorge Fanlo, Sr Programme Adviser for Afghanistan, Burkina Faso, DRC, Ghana, Liberia, Mali, Sierra Leone & Sudan: Jorge.Fanlo@wfp.org
- Clare Mbizule, Sr Programme Adviser, M&E: Clare.Mbizule@wfp.org
- Elaine Reinke, M&E Officer: Elaine.Reinke@wfp.org
- Alessia De Caterina, Reports Officer: Alessia.Decaterina@wfp.org
- Blake Audsley, Market Analyst: Blake.Audsley@wfp.org
- Tobias Bauer, Communications Officer: Tobias.Bauer@wfp.org
- Helen Kamau-Waweru, Finance Officer: Helen.Kamau-Waweru@wfp.org
- Ester Rapuano, Sr Finance Assistant: Ester.Rapuano@wfp.org
- Amanda Crossland, Srn Staff Assistant to P4P Coordinator: Amanda.Crossland@wfp.org
- Kathryn Bell, Admin. Assistant: Kathryn.Bell@wfp.org
- Alessia Rossi, Staff Assistant: AlessiaRossi@wfp.org

PROCUREMENT DIVISION

- Bertrand Salvignol: Food Technologist: Bertrand.Salvignol@wfp.org
- Van Hoan Nguyen: Food Technologist: VanHoan.Nguyen@wfp.org
- Jeffrey Marzilli: P4P liaison: Jeffrey.Marzilli@wfp.org
- Laila Ahadi: Procurement Officer: Laila.Ahadi@wfp.org

P4P Country Coordinators/Focal Points

Asia
- Afghanistan: Stephane Meaux <Stephane.Meaux@wfp.org>
- Laos: Sengpaseuth <Sengpaseuth.simmannoong@wfp.org>
- Regional Bureau Focal Point: Francois Buratto <Francois.Buratto@wfp.org>

Eastern, Southern & Central Africa
- Democratic Republic of Congo: Melanie Jacq <Melanie.Jacq@wfp.org>
- Ethiopia: Enrico Pausilli <Enrico.Pausilli@wfp.org>
- Kenya: Martin Kabaliupa <Martin.Kabaliupa@wfp.org>
- Malawi: Tobias Flaemig <Tobias.Flaemig@wfp.org>
- Mozambique: Billy Mwinga <Billy.Mwinga@wfp.org>
- Rwanda: Emmanuela Mashayo <Emmanuela.Mashayo@wfp.org>
- Sudan: Marc Sauveur <Marc.Sauveur@wfp.org>
- Tanzania: Dominique Leclercq <Dominique.Leclercq@wfp.org>
- Uganda: Elvis Odeke <Elvis.Odeke@wfp.org>
- Zambia: Felix Edwards <Felix.Edwards@wfp.org>
- Regional Bureau Focal Point: Simon Denhere <Simon.Denhere@wfp.org>
- WFP’s seeconde to ACTESA: Simon Dradri <Simon.Dradri@wfp.org>

West Africa
- Burkina Faso: Veronique Sainte-Luce <Veronique.Sainte-Luce@wfp.org>
- Ghana: Hassan Abdelrazig <Hassan.Adelrazig@wfp.org>
- Liberia: Lansana Wonneh <Lansana.Wonneh@wfp.org>
- Mali: Isabelle Mbala <Isabelle.Mbala@wfp.org>
- Sierra Leone: Ryan Anderson <Ryan.Anderson@wfp.org>
- Regional Bureau Focal Point: Jean-Martin Bauer <Jean-Martin.Bauer@wfp.org>

Latin American & Caribbean
- El Salvador: Hebert Lopez <Hebert.Lopez@wfp.org>
- Guatemala: Sheryl Schneider <Sheryl.Schneider@wfp.org>
- Honduras: Jaime Guerrero <Jaime.Guerrero@wfp.org>
- Nicaragua: Francisco Alvarado <Francisco.Alvarado@wfp.org>
- Regional Bureau Focal Point: Laura Melo <Laura.Melo@wfp.org>

LOOKING AHEAD—AGREED PRIORITIES FOR 2011

It was agreed that in 2011 WFP should:

1. Engage more with the private sector: how can WFP’s local procurement more effectively foster (and benefit from) the development of more productive relationships between smallholder organisations and small, medium and large traders;
2. Monitor indicators to track the development and progress of a FO towards access to agricultural markets other than WFP, and their ability to become competitive players in the market place;
3. Extend the capacity development efforts to encompass all stakeholders, including traders and government institutions;
4. Clarify the modalities through which P4P or similar institutional procurement might stimulate the increased provision of private financial services to smallholder, staple commodity suppliers, and enable advance payments to FOs;
5. Explore support for the development of improved market information systems through mobile phone systems/ information technology.

CALENDAR FOR 2011

- 24-25 January: IFAD conference “New Directions for Smallholder Agriculture”. P4P Coordinator will be a discussant for the session “Linking Farms to Markets”.
- 31 January - 1 February: 2nd Global Commodities Forum 2011, UNCTAD, Geneva, Switzerland
- 10 - 12 February: IFPRI conference “Leveraging Agriculture for Improving Nutrition and Health”, New Delhi, India.

The update is published by the P4P Coordination Unit in Rome, Italy. Contact us at wfp.p4p@wfp.org
External: www.wfp.org/p4p Internal: http://go.wfp.org/web/purchaseforprogress