

## Purchase for Progress (P4P) Pilot Initiative - Conditional cash transfer - Adult men and women

Programme: Purchase for Progress (P4P) Pilot Initiative

### Programme Data

#### Programme Description

As the world's largest humanitarian agency, WFP is a major staple food buyer. In 2012, WFP bought US\$1.1 billion worth of food – more than 75 percent of this in developing countries WFP buys locally in developing countries when its criteria of price, quality and quantity can be met. P4P is a logical continuation of this local procurement with the intent to achieve a higher developmental gain with WFP's procurement footprint by buying increasingly in a smallholder-friendly way.

Through P4P, WFP's demand provides smallholder farmers in 20 pilot countries with a greater incentive to invest in their production, as they have the possibility to sell to a reliable buyer and receive a fair price for their crops. It is envisioned that in the wake of WFP purchasing in a more smallholder-friendly way, other buyers of staple commodities including Governments and the private sector will also increasingly be able to buy from smallholders.

P4P at the same time invests in capacity building at country level in areas such as post-harvest handling or storage, which will yield sustainable results in boosting national food security over the long term. The five year pilot P4P (2009 - 2013)[1] rests on three pillars:

- Demand: Through P4P, WFP tests innovative ways to buy staple food and promote marketing opportunities for smallholder farmers.
- Supply: P4P links WFP's demand with the expertise and resources of partners who support farmers to achieve better yields, reduce their losses after the harvest and improve the quality of their staple crops.
- Learning and Sharing: P4P will gather and share lessons on effective approaches to connect smallholder farmers to markets in a sustainable way and share them widely with stakeholders.

WFP usually buys food through large competitive tenders. Through P4P, WFP is testing new procurement approaches more suited to smallholder farmers and:

1. Buys directly from farmers' organisations through direct and forward contracts or modified, smallholder-friendly tenders. Most of the food so far contracted under P4P has been purchased through direct contracts with farmers' organisations Forward contracts commit WFP to buy from farmers' organisations in the future at an agreed price, and enables the farmers to increase their production.
2. Supports emerging structured trading systems such as warehouse receipt systems in Uganda and Tanzania and commodity exchanges in Ethiopia, Malawi and Zambia.
3. Buys from small and medium traders, agrodealers or NGOs who work with smallholder farmers.
4. Develops local food processing capacities that source the staple commodities required as raw materials from smallholder farmers.

#### Program type

Multi-national

#### Cost

US\$168 million for technical capacity, including sub-grants, for 5 years (food not included)

#### References

- <http://www.wfp.org/purchase-progress/overview>
- [http://documents.wfp.org/stellent/groups/public/documents/special\\_initia...](http://documents.wfp.org/stellent/groups/public/documents/special_initia...)
- [http://documents.wfp.org/stellent/groups/public/documents/special\\_initia...](http://documents.wfp.org/stellent/groups/public/documents/special_initia...)

#### Implementing organisations

- Government

- Food and agriculture
- Details:
  - more
  - Ministry of Agriculture of Burkina Faso; Rwandan Ministry of Agriculture and Animal Resources; Tanzanian National Food Reserve Agency; Ugandan Ministry of Agriculture, Animal Industry and Fisheries
- Bilateral and donor agencies and lenders
  - Other
  - Details:
    - more
    - Inter-American Institute for Cooperation on Agriculture (IICA)
- International NGOs
  - Other
  - Details:
    - more
    - ACDI/VOCA; Alliance for a Green Revolution in Africa (AGRA); Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA)
- National NGO(s)
  - Details:
    - more
    - El Garucho farmers' organisation of El Salvador; Faso Jigi farmers' organisation of Mali; Kafulu Smallholder Farmers Organization (FO) - Malawi; National Agricultural Smallholder Farmers Association of Malawi (NASFAM); Nso Nyame Ye women's group in Ghana

## Funding sources

- Government
  - Food and agriculture
- Private Sector
  - Details:
    - more
    - Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA)

## Action data

Start date	January 2008
End date	January 2013
Country(ies):	Afghanistan Burkina Faso Democratic Republic of the Congo El Salvador Ethiopia Ghana Guatemala Honduras Kenya Lao People's Democratic Republic Liberia Malawi Mali Mozambique Nicaragua Rwanda Sierra Leone South Sudan Uganda United Republic of Tanzania Zambia

Status:	On-going
Area:	Rural Peri-urban
Place:	.
Topic:	Conditional cash transfer
Target group:	Adult men and women
Delivery:	Commercial Community-based
Implementation details :	<p>Country approaches to P4P are tailored to suit the opportunities and constraints within each country. Generally, however, each programme has applied one or more of the general approaches:</p> <p><b>Approach #1: Farmers' organisations and capacity building partnerships:</b></p> <ul style="list-style-type: none"> <li>• WFP buys from FOs of varying capacities</li> <li>• Procurement modality selected to match FO capacity/needs with progression strategy ending in capacity for competitive tendering</li> <li>• FOs • receive support on production and marketing</li> </ul> <p><b>Approach #2: Support to emerging structured trading systems</b></p> <ul style="list-style-type: none"> <li>• WFP supports establishing warehouse receipts systems (WRS) in two ways: <ul style="list-style-type: none"> <li>• direct support for establishing WRS</li> <li>• purchasing through WRS</li> </ul> </li> <li>• Purchasing • through cereal fairs or commodity exchanges to create a "pull-in/follow-in effect"</li> <li>• Working with FOs to build capacities for structured trade</li> </ul> <p><b>Approach #3: Small and medium traders</b></p> <ul style="list-style-type: none"> <li>• Enhance competition among buyers</li> <li>• Provide an alternative market for farmers' surpluses</li> <li>• Buys from traders through modified tendering</li> <li>• Train traders on WFP procurement and contract requirements</li> <li>• Invest in marketing equipment – stitching machines, weighing scales</li> </ul> <p><b>Approach #4: Developing local food processing capacity</b></p> <ul style="list-style-type: none"> <li>• Connect farmers' organisations to established food processors</li> <li>• Develop local processing capacity – biscuits, supplementary feeding products</li> </ul>
Target population size :	770 farmers' organizations in Africa, representing more than 740,000 smallholder farmers (over 38 percent of whom are women)
Coverage level (%):	.
Outcome indicator(s):	.
M&E system:	<p>M&amp;E system specifies data collection and analysis methods designed to track a number of indicators of programme performance.</p> <p>The M&amp;E system collects data from a number of sources including:</p> <ul style="list-style-type: none"> <li>• Large scale panel surveys of farmers' organizations and smallholder farmers. To accommodate capacity constraints at both the country office and headquarters levels, these surveys are conducted every other year. To facilitate rigorous impact assessment, selected countries collect survey data from both treatment and comparison groups.</li> <li>• Surveys of traders conducted every other year.</li> <li>• Bi-annual case studies with selected smallholder farmers, farmers' organizations, and traders to collect in-depth information about how and why P4P is working.</li> <li>• Detailed information on farmers' organizations aggregation and sales activities gleaned from farmers' organization records.</li> <li>• Market price data collected largely from secondary sources.</li> <li>• Procurement data obtained from WFP and P4P procurement records.</li> <li>• Secondary data from agricultural statistics services, partners, etc.</li> </ul> <p>The M&amp;E system also incorporates peer review to identify and validate best practices. At the country level, these include stakeholder meetings, workshops, and annual reviews. At the regional level, WFP is using writeshops and regional workshops to consolidate and validate learning. At the global/programme level, a Technical Review Panel meets annually to review and help interpret results and to guide implementation. Peer review meetings, annual reviews, internal (to WFP) stakeholder groups, and external evaluations also serve to validate results.</p> <p>Managing the learning process for a programme with the scope and scale of P4P has been challenging and the design and evolution of the M&amp;E system reflect these challenges. In particular:</p>

- The donor's insistence on assessing P4P's impact on household income dictated a rigorous quasi-experimental design approach that has taxed the data collection and management capacities of both the P4P Coordination Unit and country offices. Recognizing the challenges of obtaining a reliable measure of household income, the Coordination Unit also specified collecting data on alternative welfare measures (i.e., expenditure, food consumption score, asset score). Also, to limit the data collection burden, the Coordination Unit accepted the recommendation of the Technical Review Panel and limited the number of countries for rigorous impact assessment and scaled back the household survey to every other year. WFP has now engaged the African

Economic Research Consortium (AERC) to manage collection and analysis of the quantitative data.

- It has proven difficult to maintain the comparison groups necessary for impact assessment. In some cases, country offices began to incorporate comparison group members into P4P. In others – i.e., Rwanda – the government decided to replicate the P4P intervention nationwide. In others, where there was little geographic separation between treatment and comparison farmers' organizations, members began to migrate from comparison groups to treatment groups.
- Using FOs as the point of contact for capacity building may also raises a risk that capacity building will not be transmitted effectively to smallholder members. In response, country offices are developing strategies to limit the potential for elite capture.
- Bringing together the learning across the 21 P4P countries also presents a challenge. NB. The Coordination Unit has initiated a series of writeshops beginning to coalesce and document learning.

Post-intervention: Indicators of farmers' organization capacityo Sales volume, aggregation capacity, number of buyers, membership, services offered, value addition activities.Farmers' production and welfareo Surpluses, sales and percentage of sales through the farmers' organization, prices received, post-harvest practices/losses, household income, food consumption score, asset score, expenditure, household income, net buyer/seller status.Procuremento WFP purchases from smallholder farmers, transformation of WFP procurement practices.

Outcome reported by social determinants: Socio-economic status

Personal story:

#### **Stories From the Field: Ethiopi**

Women farmers face many obstacles that they need to overcome to become successful business women. But the example of Mashuu, from Chefo Umbera, southern Ethiopia, shows that with the right support, female farmers can become independent market players.

When she left school, Mashuu noticed her peers marrying early, sometimes to men who took more than one wife. Mashuu saw her future differently, and together with two sisters and a sister-in-law, formed a women's group, hoping to empower women through family planning education and HIV/AIDS awareness. They started with four members – today, there are 165.

"As the group started to grow, I realized we needed to become strong and independent economically," said Mashuu. And that was how Jalela Primary Cooperative was born. Women bring their cereal harvests to Jalela, and the cooperative then sells it to Mira, their local cooperative union. The union sells the aggregated commodities to buyers such as WFP.

The 2011 drought-induced crop failure led to high market prices and a shortage of marketable produce in Ethiopia. This caused most cooperatives to default on their contracts with WFP. But Jalela still sold 30 metric tons of maize to WFP. The net profit of about US\$170 was in part kept for the cooperative and in part distributed to the co-op members. Mashuu still has high hopes for the future despite the difficulties with the 2011 drought. She has plans to build a grain mill, start dairy production, and even bring electricity to the Jalela co-op. "We are going to change our lives," she concludes.

#### **The Experience in Guatemala**

*In Guatemala, P4P focuses on sales beyond WFP for two reasons: to promote long-term sustainability and to provide alternative outlets for farmers' surplus production. Since WFP in Guatemala distributes only a few thousand metric tons (mt) of food every year, the quantities it can purchase from smallholder farmers' organizations is relatively small, as illustrated in the table below. P4P assisted Farmers' Organizations (FOs) are located in northern and eastern regions of Guatemala as well as on the Pacific Coastal plain. A market study examined potential alternative buyers for both bulked and processed grain, including regional and national buyers such as the food industry, private traders, exporters, NGOs and the Government of Guatemala. According to information collected between 2008 through 2012, approximately a third of the P4P supported FOs have sold maize or beans to buyers beyond WFP. Of the total of 6,800 mt sold, 70% was maize (4,800 mt) and the rest beans (2,000 mt).*

A maize processor in Guatemala that produces tortilla flour purchased 59% of the total tonnage. The second biggest buyer was Wal-Mart, which purchased 918 mt of beans. Sales to other national supermarkets, large traders and exporters represent 11% of the total (750 mt). Some 739 mt of maize and beans were sold on local markets (local grocery stores, municipal markets and traders). Small amounts were also purchased by NGOs, FAO and other P4P supported FOs.

With support from FAO, some FOs have developed the capacity to produce seed as well as grain. This represents 1.3% of the tonnage sold, but 4.2% of the income generated through collective sales beyond WFP. Such a successful focus on higherincome options has motivated the FOs to explore other markets such as retail packaging of beans, production of red beans specific to the El Salvador

market, and fresh corn on the cob.

The P4P team works with the FOs to encourage sales beyond WFP. Commercialization committees are formed in the FOs and a roster of identified potential buyers in the market is shared with all.

Training on effective negotiation techniques and the development of business plans also begins this year.

Potential buyers are invited to the field to see the production of the grains, post-harvest management and quality control. This also allows them to become familiar with the maturity of the organization, increasing the confidence of buyers in the capacity of the FOs to establish commercial relations. This is complemented by demonstrating tools such as the “Blue Box”<sup>1</sup>, which is both a training tool and a field laboratory, which separates produce that does not meet specifications. Through partnering with P4P, FOs gained the trust of the commercial sector and confidence in their own abilities to reach a broad range of markets.

#### **Farmers organizations’ experience steady progression in Mozambique**

In Mozambique, farmers’ organizations (FOs) were created by both national government and nongovernmental organizations to facilitate technical assistance in agricultural production and marketing. This was especially important in the recovery period that followed the 1992 General Peace Agreement.

Most FOs gradually evolved from the village level to linking with other FOs at a district level. The district level is often represented by an ‘umbrella’ association of FOs, the tier with which P4P in Mozambique works directly. There are currently 10 such “umbrella” FOs in Mozambique participating in P4P. As of 2012, WFP has bought almost 10,000 metric tons (mt) of maize, beans and pulses from these FOs, valued at \$5.8 million.

Apart from selling to WFP, P4P is helping FOs to identify sustainable and fair markets for sales beyond WFP. Prior to participating in the P4P initiative, many farmers had limited or no experience in selling collectively to markets. In 2009, sales beyond WFP were only 644 mt, tripling by 2012 to 1,800 mt. The table below summarizes crops sold by all 10 FOs under P4P in Mozambique and the income generated from sales per year.

P4P’s support to smallholder farmers in accessing markets for crops such as maize, beans and pulses has had a positive impact. When P4P began in 2009, soybean was the most sold commodity by P4P supported FOs (2,480 mt). Maize was second at 926 mt, sesame third with 699 mt, followed by pigeon peas at 538 mt of sales. The possible profit margin for growing and selling maize is beginning to compete with the profits available in the soy and sesame trade, although commercial maize value remains low compared to other commodities. Buyers that are purchasing commodities from these FOs are:

- Soybeans: Livestock companies, NGOs, and informal traders
- Maize: Livestock companies, exporters, processors, wholesalers, and informal traders
- Pigeon Pea: Processors, millers, exporters, and energy companies
- Sesame: Supermarkets
- Peanut: Processors

The volume of products marketed in relation to the number of buyers demonstrates that the market in Mozambique is neither structured nor stable. There are often a high number of buyers intervening at the same time in more than one crop. Quality issues are often secondary for many buyers, as product availability is often considered more important.

While marketing platforms still have a long way to go in Mozambique, participating in P4P has helped with sales to markets beyond WFP. The relative consistency of having WFP as a buyer and the training provided by P4P and partners has helped many FOs meet the demands needed for selling to other buyers of quality.

#### **Malawi – How a farmers’ organization is progressing**

Kafulu Smallholder Farmers Organization (FO) was established in 2003. At the time of its establishment, Kafulu had two clear objectives: to achieve food security in the area and to find markets for their surplus. Currently the FO has 1,400 members (of which 500 are women) and with assistance from the National Agricultural Smallholder Farmers Association of Malawi (NASFAM), they have been able to build a warehouse. Kafulu had experience of selling maize collectively before P4P started in Malawi, however, since joining P4P they have been given the opportunity to learn the skills needed to achieve better deals with buyers.

##### *A Challenging Beginning*

Though Kafulu has progressed in their ability to connect to markets, the process has not been without difficulty. When the FO decided to participate in P4P it obtained credit in the 2008/2009 season, allowing them to expand their inputs loan scheme. In the 2009/2010 season, the organization again had access to credit, but faced severe problems in repayment. Loans were given to individuals and not directly to the FO and as a result, some individuals were unable to meet repayment obligations causing tensions among members. In addition, Kafulu signed a contract with WFP for the sale of 526 metric tons (mt) of maize, but was not able to deliver anything at all due to quality problems. The FO then had to sell the maize to other buyers who were not looking for high quality and they received a lower price.

In spite of these difficulties, Kafulu persevered. They managed to retain most of the membership despite the credit repayment issue, and tried to sell to WFP once again. In the 2010/2011 season, Kafulu delivered 100 mt of maize to WFP, this time with no quality issues.

##### *Towards Graduation*

By then, Kafulu farmers saw a clear way ahead: “We want to sell to people like WFP, because they

are able to get a lot of money at one time and they offer fair prices for quality produce”, stated one of the members of the Executive Committee. Although Kafulu farmers did not know then, they were completing the first step towards graduation - they had learnt how to condition their crop for higher quality standards and they had managed to aggregate at least twice. This placed them in a better position to compete with other FOs.

In the 2011/2012 season, Kafulu managed to aggregate 460 mt of maize, which they deposited into the warehouse receipt system (WRS) at the beginning of the season. From this deposit, they managed to get 70 percent of the receipt value as credit, which allowed them to wait until later in the season to sell when better prices were available.

*Market Experience Today*

In February 2013, Kafulu was awarded a contract for almost 230 mt of maize from WFP. They competed directly with medium and big traders in the Malawi market. By that time, they had already sold half of their maize to other buyers, at prevailing prices of around 90 MWK/kg (USD 0.27), making a good profit and enabling them to repay the credit and fees for the warehouse.

Kafulu FO still has problems with its membership stemming from past individual loan defaults and it is now dealing with the challenges of managing a WRS on its own. However, the FO has more knowledge of markets and is now prepared to engage competitively in them.

Other lessons learnt : Since P4P's launch in September 2008,

- Over 800 farmers' organizations representing more than 1 million farmers (of which 500,000 are in Ethiopia) have been identified to participate in P4P- so far, over 360 of those farmers' organizations have contracted to sell food commodities to WFP.
- Over 193,000 farmers, warehouse operators and small & medium traders have been trained in skills including organization management, farming techniques, quality control, & post harvest handling.
- Working relationships specific to P4P with approximately 220 different partners including- Governments (ministries & other agencies), UN agencies, local and international NGOs have been established
- Almost 300,000 metric tons (mt) of food through P4P in 20 countries have been contracted.

**Typical problems**

**Solutions**

Supplies

Some Challenges....FOs also need credit to purchase grains from their members. Processing equipment is also necessary to clean and dry the grains. Silos or warehouses are needed to store the stocks required by industrial buyers or exporters.....Some SolutionsStrategic partners such as local banks, cooperatives and projects sponsored by IFAD are identified and contacted. The FOs have been developing by-laws for credit committees to handle the demands of higher level financial requirements.

[eLENA Link](#)

[Conditional cash transfer programmes and nutritional status](#)

