

# Purchase for Progress (P4P)

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**World Food Programme**

# Purchase for Progress (P4P)

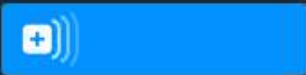
VIDEO: Progress so far



## Purchase for Progress: Progress So Far

WFP's Purchase for Progress (P4P) initiative is generating a wealth of information on connecting smallholder farmers to markets. As the pilot initiative goes into its final year, this video shares important lessons learned and challenges identified to date.

 Like  0



Date **12 November 2012**

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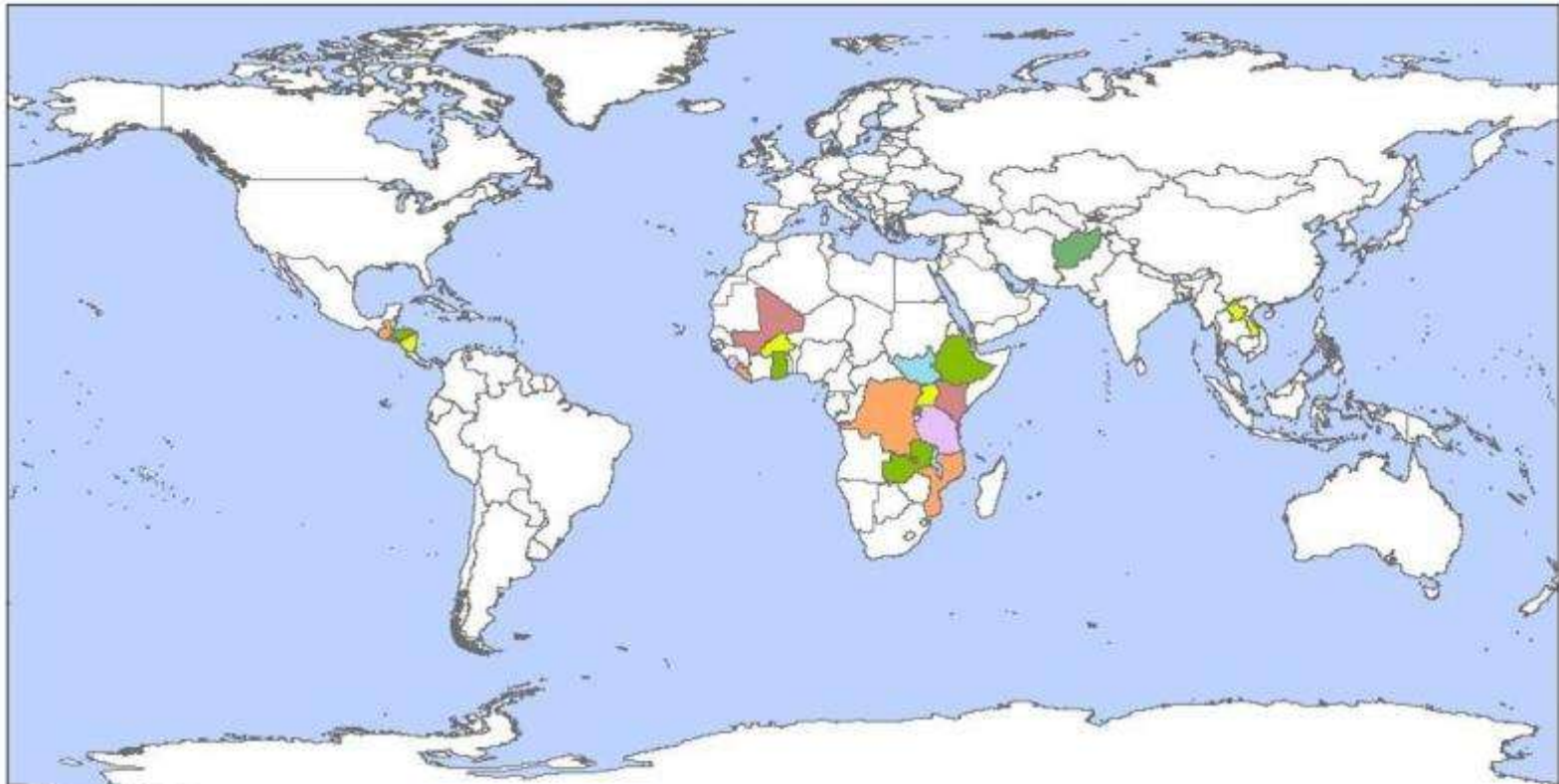
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wfp.org

## P4P rationale

- As the world's largest humanitarian agency, WFP is a major buyer of staple food.
- In 2013, WFP bought US\$1.16 billion worth of food globally.
- **Shift from food aid to food assistance** : use WFP's purchasing power to catalyse development of agricultural markets
- Historically mainly in-kind food aid, but now more than 80 percent of this in developing countries.
- P4P one step further: pilot to test if we can procure directly from smallholder farmers.

# P4P Quick facts



**World Food Programme**

**P4P** Purchase for Progress

Guatemala  
Honduras  
El Salvador  
Nicaragua

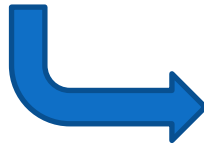
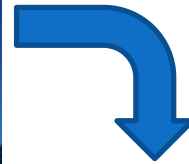
Mali  
Burkina Faso  
Ghana  
Sierra Leone  
Liberia

Ethiopia  
South Sudan  
Kenya  
Uganda  
Democratic Republic of the Congo

Rwanda  
Tanzania  
Malawi  
Zambia  
Mozambique

Afghanistan  
Laos

# P4P Development hypothesis

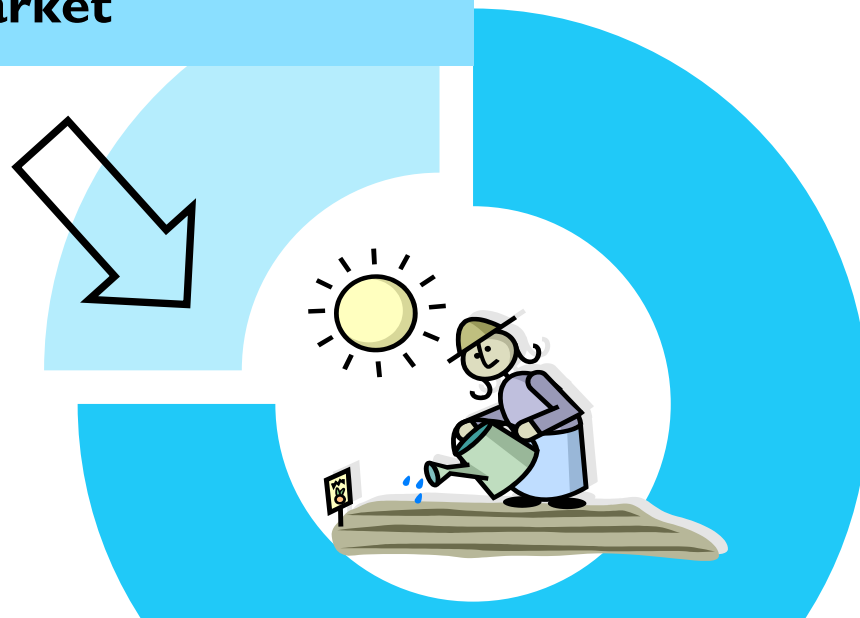




# The P4P entry point

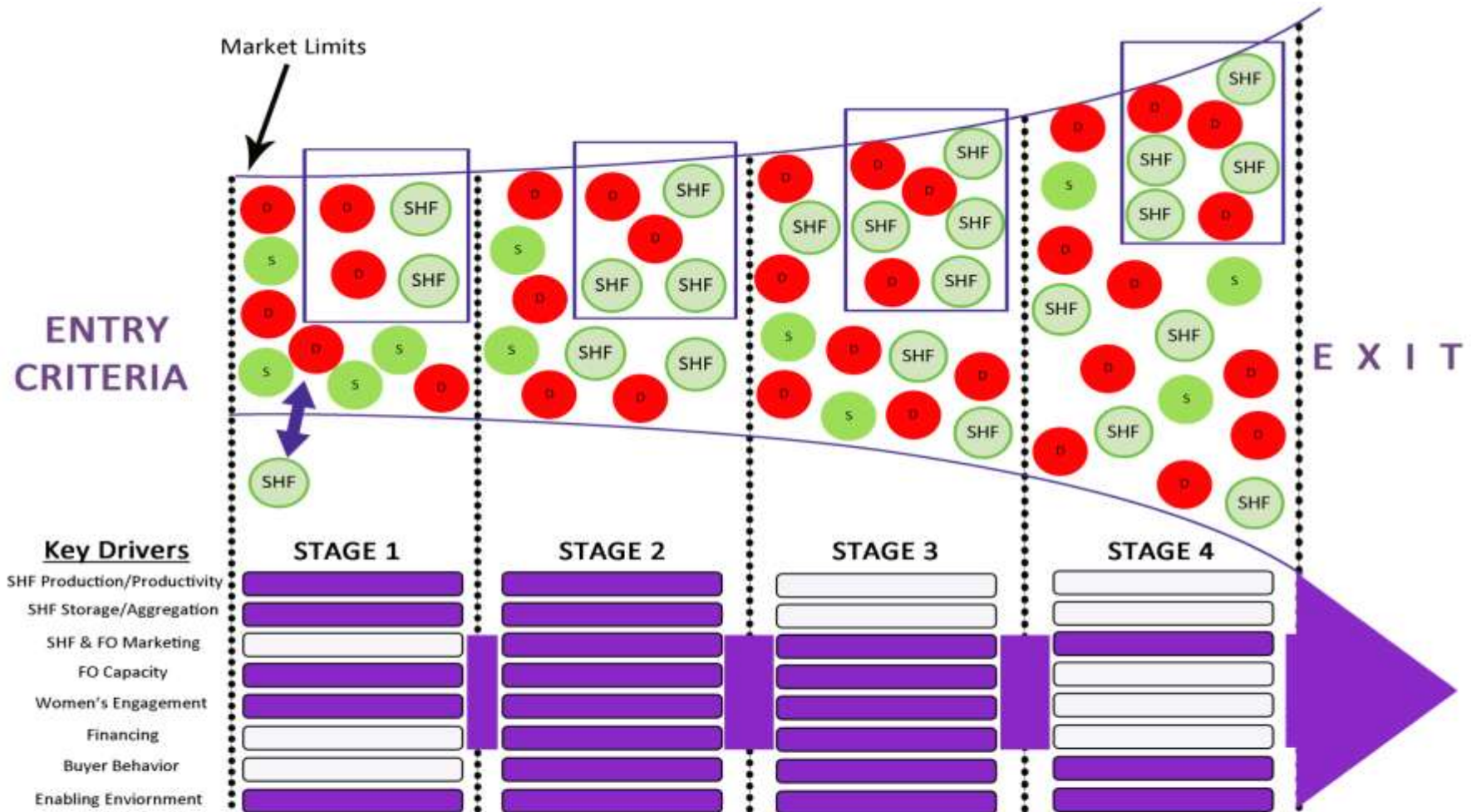
P4P = Procurement (WFP) + Capacity Building (Partners) [*P4P Writeshops, 2011*]

**WFP procurement** – WFP  
brings the market



**Govt, NGOs, UN agencies and private sector**  
already supporting the smallholder sector (farmers  
& FOs) – **capacity building & technical assistance**

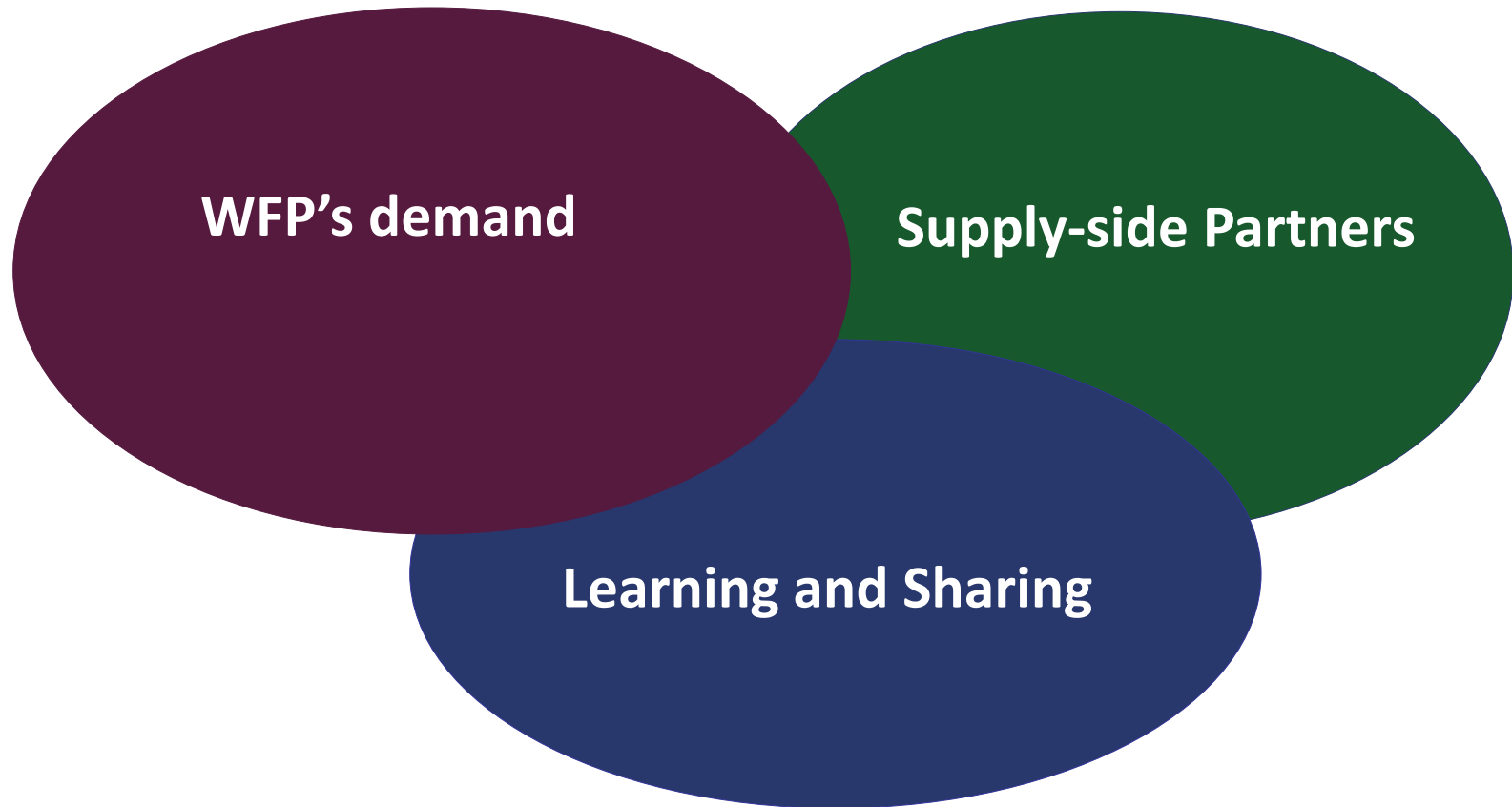
# Approaches



SHF market access and changing emphasis on key drivers over time

● s Supply    
 SHF SHF Supply    
 ● D Demand    
 □ Institutional buyers market    
 ■ Emphasized Driver

# How does it work?

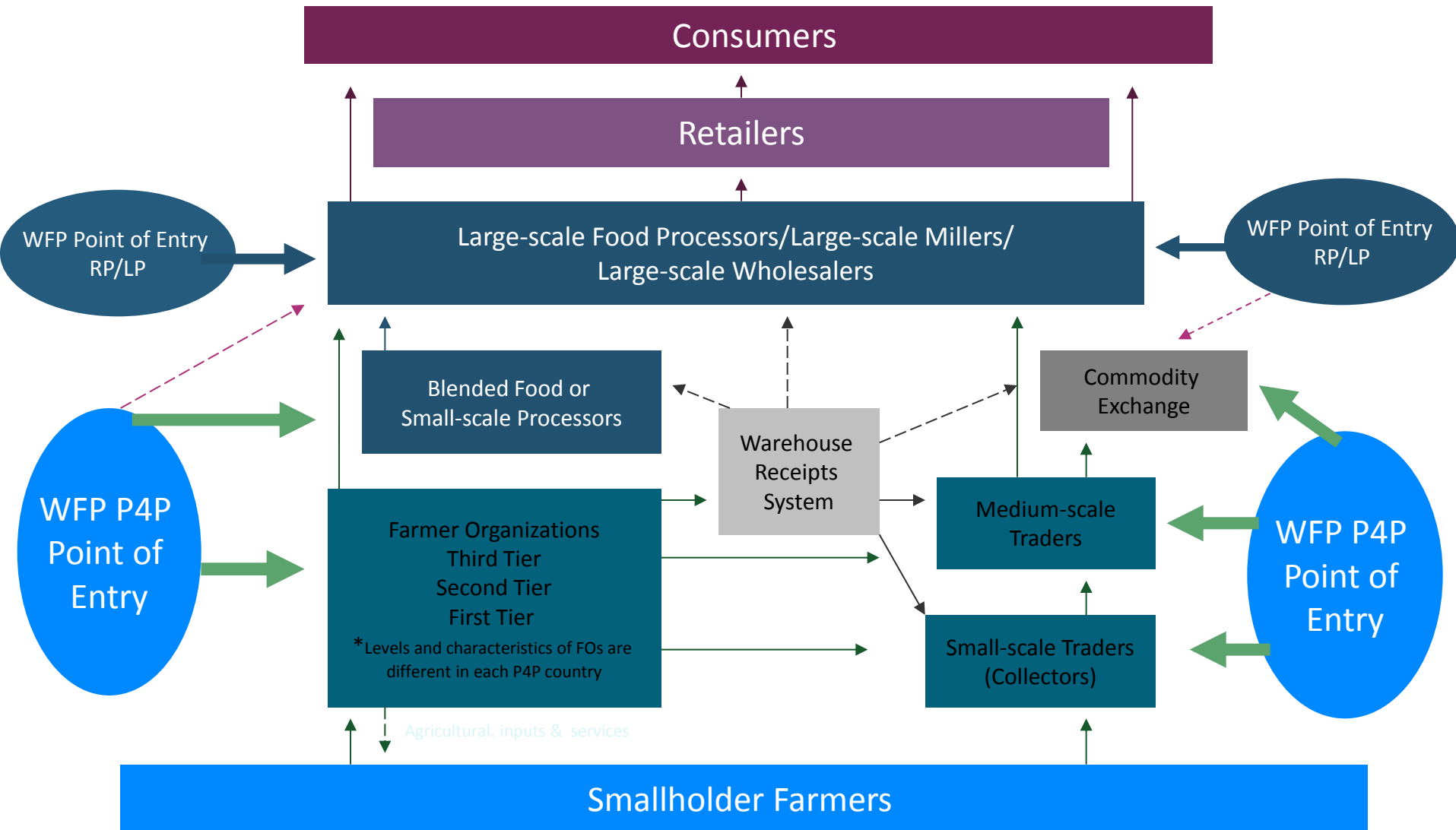


## **WFP Local Procurement – the Foundation of P4P**

Principles of acceptable, timely and cost efficient food procurement has remained the same for P4P purchases.

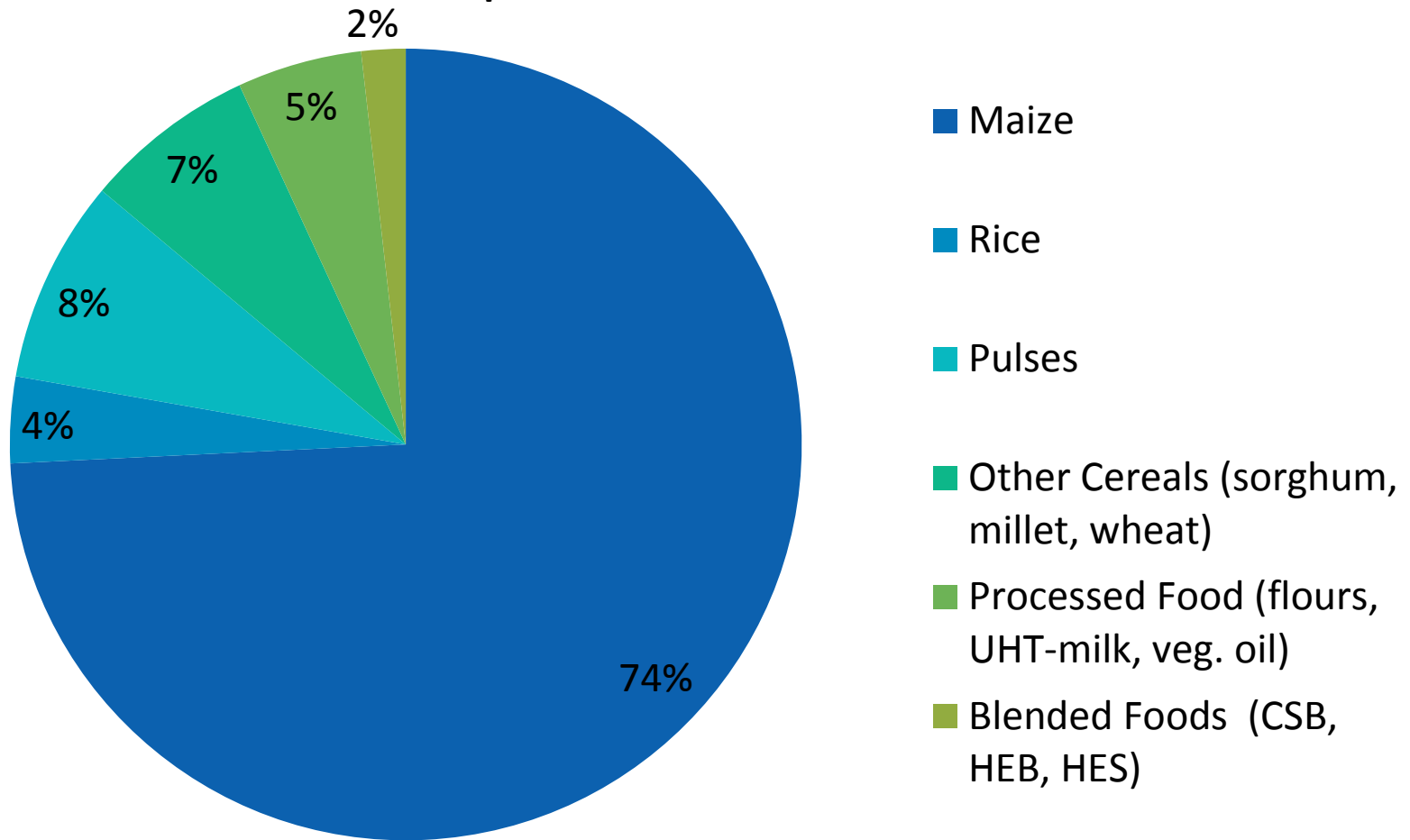


# Targeted P4P Market Entry Points



# Commodities purchased

Contracted quantities (mt) in 20 pilot countries, by commodity  
Sept 2008 - June 2012



# Beneficiary farmers and FOs

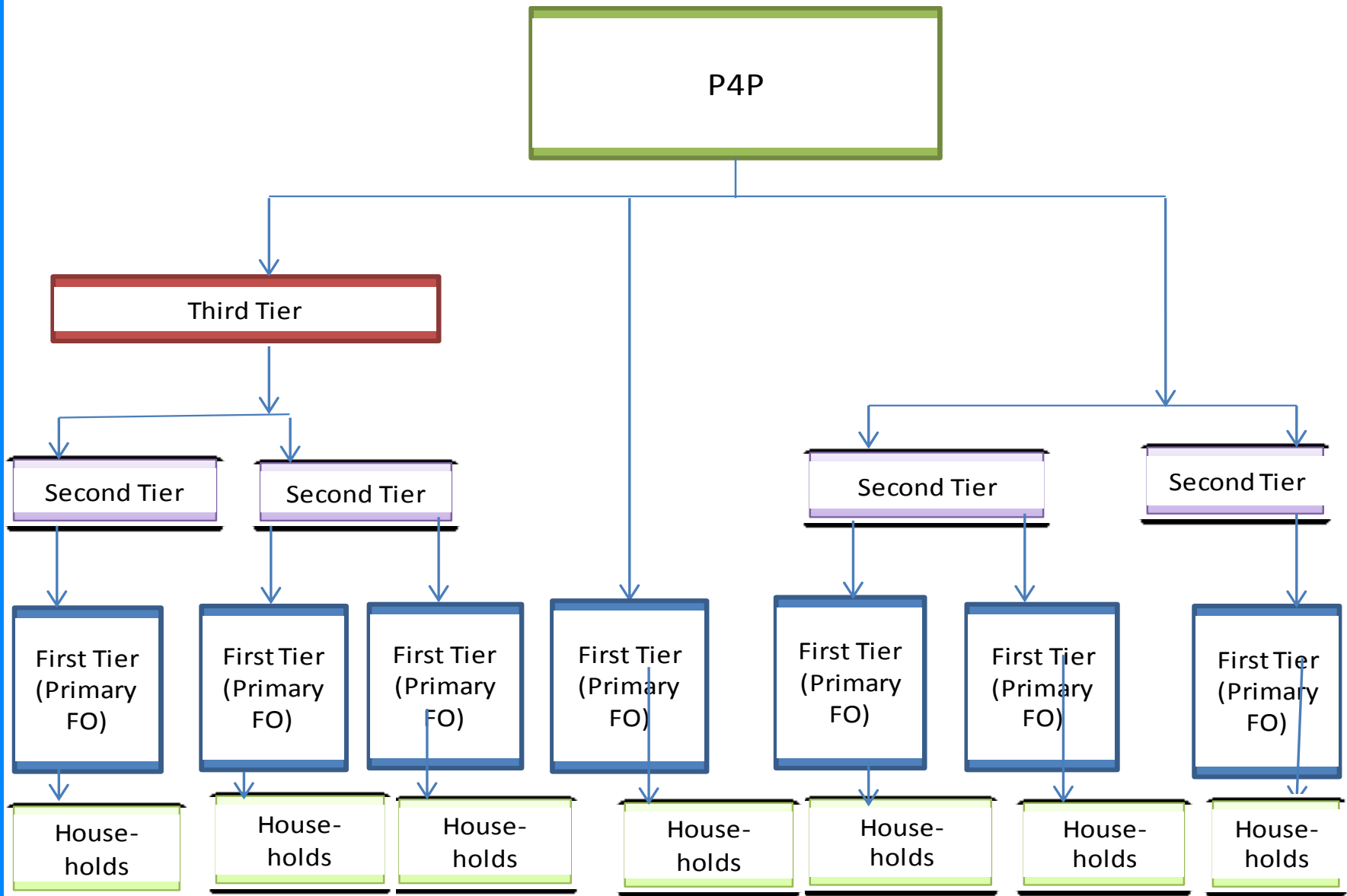
P4P Countries	FOs currently targeted under P4P	# of Farmers currently targeted under P4P	% Women Members
Afghanistan	7	584	0%
Burkina Faso	7	<b>292,607</b>	50%
DRC	13	9,346	34%
El Salvador	20	8,588	34%
Ethiopia	30	<b>587,127</b>	13%
Ghana	26	1,524	48%
Guatemala	64	8,033	37%
Honduras	21	10,080	24%
Kenya	74	9,955	60%
Liberia	26	2,744	70%
Malawi	21	14,581	45%
Mali	12	19,432	48%
Mozambique	20	38,943	39%
Nicaragua	15	8,920	34%
Rwanda	28	24,933	45%
Sierra Leone	23	7,385	55%
South Sudan	11	2,912	31%
Tanzania	28	18,999	41%
Uganda	55	55,364	56%
Zambia	58	5,049	44%
<b>Grand Total</b>	<b>559</b>	<b>1,127,106</b>	<b>29%</b>

# FO general targeting criteria - criteria for entry

Although targeting criteria are **country-specific**, FOs usually selected based on fairly **common (across countries) selection criteria**, such as:

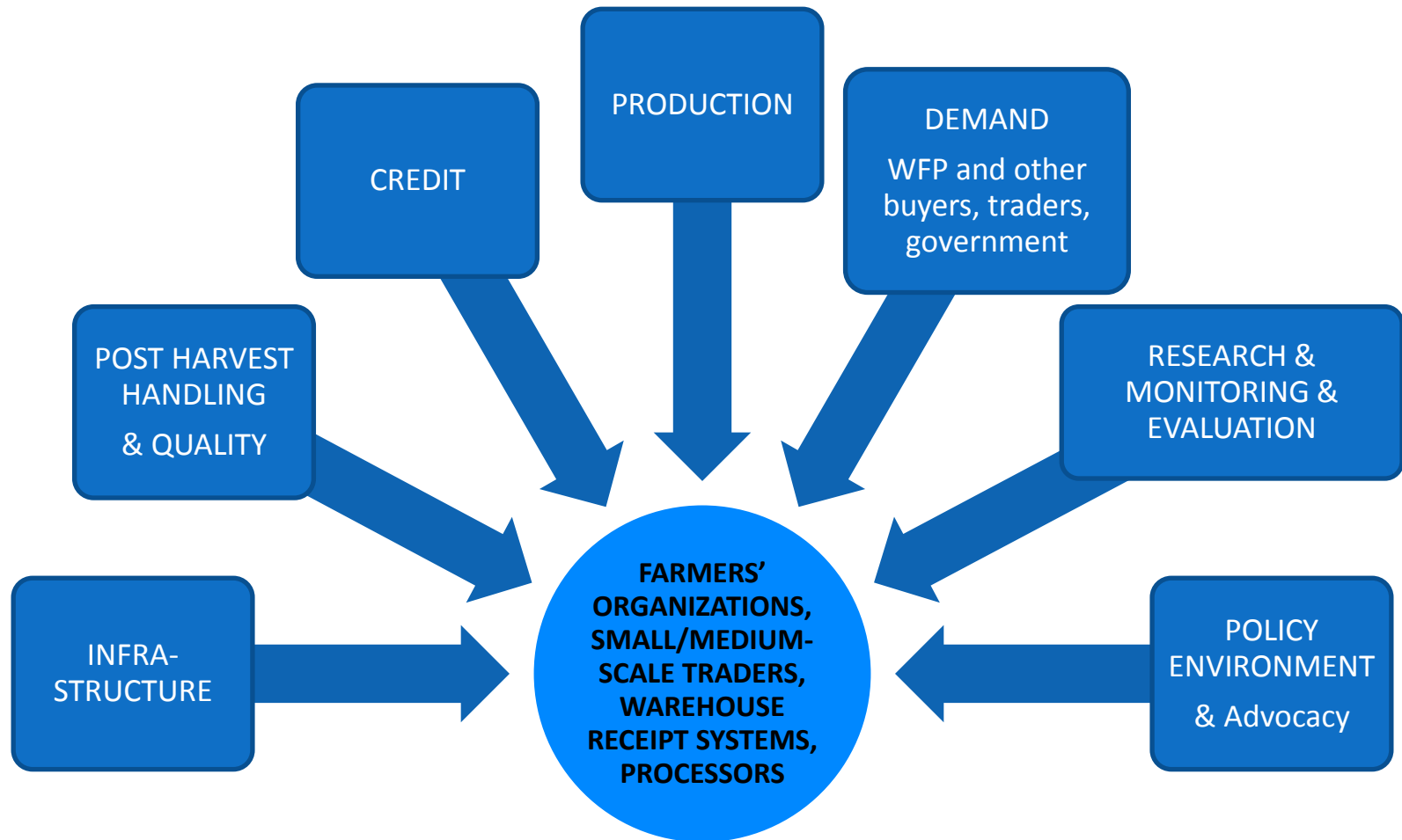
- Presence of supply-side partners supporting the FO on production and post-harvest
- FOs focused on staple commodities
- FOs capable of producing a surplus and capable of aggregating a min quantity (country specific)
- Composed largely of smallholder farmer members (country specific definition)
- Legally registered and possess a bank account
- With a minimum set of women represented as members and/or in leadership position, or with the intention to achieve an increased gender balance (30-50% women)

# Farmers' Organizations targeted (Sep 2013)





# Reliance on Partnerships across the value chain



Capacity Development

# Women's social and economic empowerment



# Achievements



# P4P Procurement levels and achievements

## ○ WFP

- **431,542 mt** contracted, at a value of US\$ 167 million.
- **287,041 mt** delivered to WFP (66%), worth US\$ 117 million put more directly in the pockets of SHFs
- **455 FOs** have **signed contracts** with WFP in 20 countries, 379 FOs have so far **delivered**
- **21% default** on completed contracts
- **Procurement levels** increased during 2010 as more COs started implementation, decreased during 2011 (drought year) and resumed in 2012.

- **Procurement from FOs** has been the main modality/entry point, but wide variety in type and capacity levels of P4P FOs. Most are considered “low capacity” and have had little collective marketing experience prior to P4P

## ○ Beyond WFP

- **Estimated sales over 200,000 mt**, at a value of over US\$ 50 million

- Governments are starting to procure portions of their strategic reserves (often 30-40 percent, more directly from smallholders, using P4P as an example.
- Private sector is starting to recognize the potential of investing in smallholders as new suppliers.

# Capacity building

## ○ **Training**

- **Over 712,000 smallholder farmers**, lead farmers, agricultural technicians, small and medium traders, school staff and warehouse operators have participated in training activities
- On average **28% of trainees were women**

## ○ **Equipment and infrastructure**

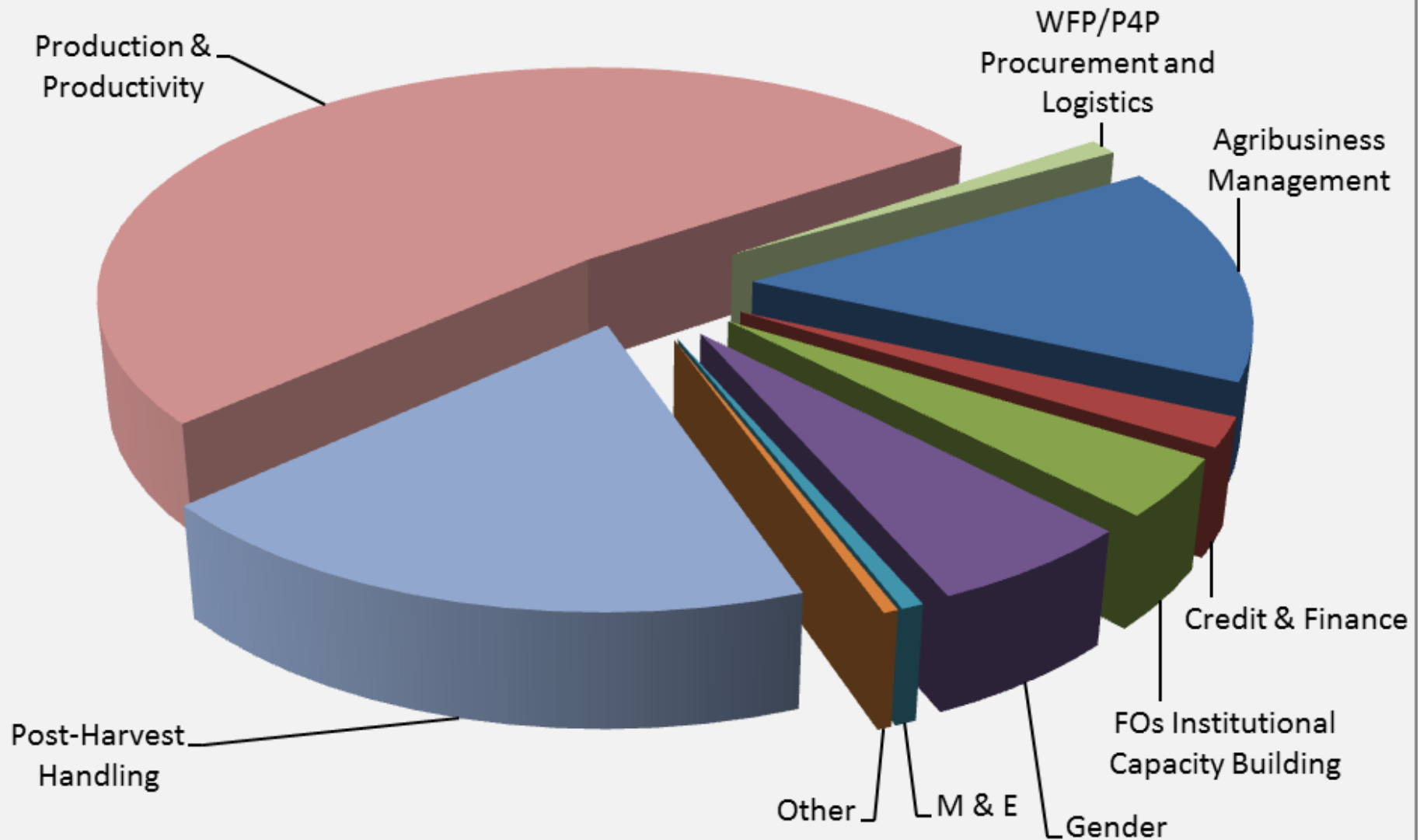
- Storage
- Post-harvest handling equipment
- Processing equipment (labour-saving for women)

## ○ **Access to credit**

- Facilitate relationships with financial institutions

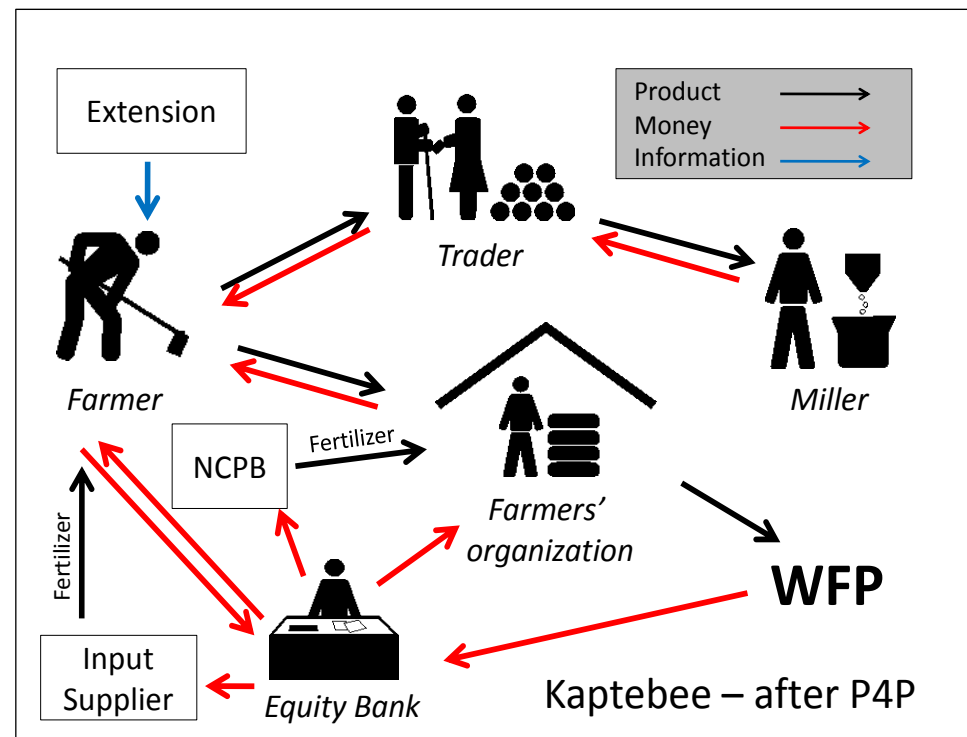
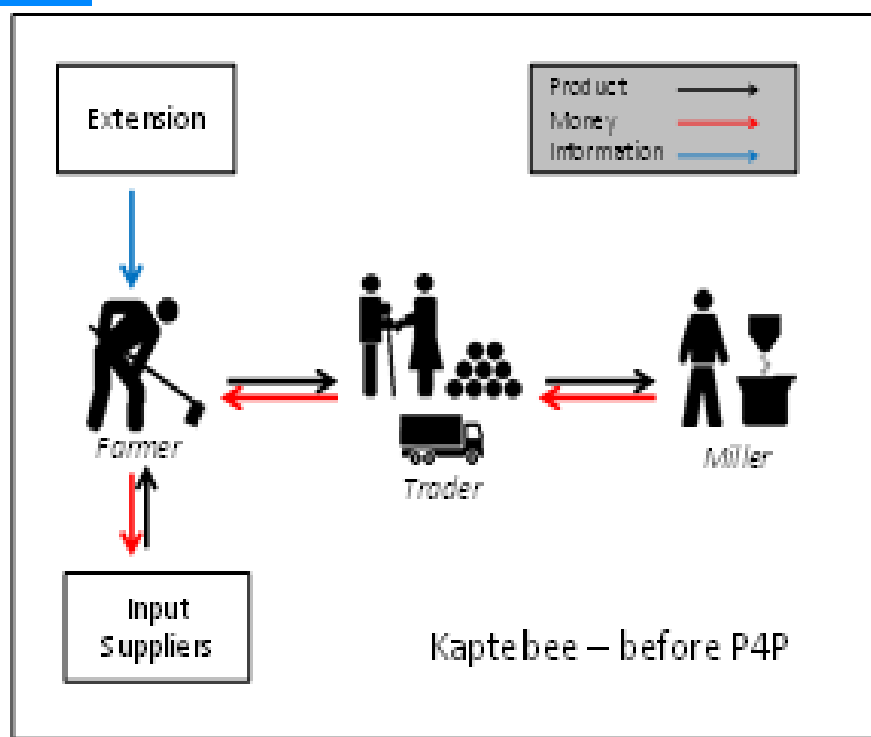


# Type of Training Topics under P4P



Presence of WFP as a buyer has attracted other value chain supporters, such as financial institutions.

### Kaptebee Sach-Angwan Youth Group, Kenya



# “Passing the torch”



# Challenges



# Key Challenges when engaging with FOs

- Changing mind-set and practices – not likely in 5 years timeframe for low capacity FOs.
- Risk of **creating dependency on a “good and patient” buyer** such as WFP.
- **Unrealistic price expectations** from FOs
- **Defaults & delays** increase when you work with lower capacity FOs => risk to WFP pipeline (or to Govt’s National SF pipeline)
  - Partly also linked to long procurement procedures and price volatility
- **Trickle down to the farmer?**



# Learning & Sharing

Thursday, May 17, 2012

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**AERC**  
Providing the evidence base for policy making in Africa

**PRINCIPAL OBJECTIVE:** To strengthen local capacity for conducting independent, rigorous inquiry into problems pertinent to the management of economies in Sub-Saharan Africa

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AERC, established in 1988, is a public not-for-profit organization devoted to advanced policy research and training in economics.

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- Tuesday, May 08, 2012

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**P4P Purchase for Progress - A Primer**

World Food Programme

**Effective Natural Resource Management for Inclusive and Sustainable Growth in Africa**

**Training Manual for Improving Grain Postharvest Handling and Storage**

**Experiences of P4P capacity building efforts and procurement from farmers' organisations**

Kenya, Tanzania, Burkina Faso, Mali, El Salvador, and Nicaragua  
With contributions from Guatemala, Honduras and Rwanda

World Food Programme

# More information from P4P

**Web:** [www.wfp.org/p4p](http://www.wfp.org/p4p)

**Email:** [wfp.p4p@wfp.org](mailto:wfp.p4p@wfp.org)

**Twitter:** [@WFP\\_P4P](https://twitter.com/WFP_P4P)  
[#Purchase4Progress](https://twitter.com/WFP_P4P)



# Good governance

- Thorough procedures are important for accountability and transparency
- Core mandate around food recipients → price and quality constraint
- For the other parameters : flexibility

	Standard LRP	P4P
Suppliers	Pre-qualified suppliers (mostly larger traders), that are legal registered, have financial capacity, delivery capacity, and a good performance record.	Pre-qualified smallholder FOs and small and medium traders
Contracting mechanisms	Competitive tenders	<ul style="list-style-type: none"> <li>• Competitive tenders</li> <li>• Pro-smallholder competitive tenders (section 3.4.1)</li> <li>• Direct contracts</li> <li>• Forward contracts</li> <li>• Commodity exchanges<sup>8</sup></li> <li>• Purchasing through warehouse receipts systems</li> <li>• Developing links with food processors</li> </ul>
Procurement requirements		
*Price	Determined by authorized contracting mechanisms but not to exceed import parity	Determined by authorized contracting mechanisms but not to exceed import parity
Quantities	Preference for relatively large quantities	Will consider much smaller quantities to accommodate suppliers' capacities
Performance bond	5–10%	None
*Quality	WFP standards (or relevant recipient country standards)	WFP standards (or relevant recipient country standards)
Bagging	Bagged in 50 kg bags and marked with WFP logo	Flexible: may subsidize bagging and/or waive marking as needed to accommodate capacity of supplier
Delivery terms	DDU to specified destination (usually WFP warehouse) on specified date	Flexible: WFP may collect the commodity, modify delivery locations, allow extended delivery times, etc.

# Procurement modalities & channels

Procurement/Contract modalities	Procurement channels/sources-approach
<p><b>1. Competitive (adjusted) tenders</b></p> <p>FOs/suppliers <b>compete among each other</b> but tenders are “adjusted” to suit suppliers’ capacities</p>	<p><b>1. Farmers’ Organizations</b> (<i>1<sup>st</sup> tier, 2<sup>nd</sup> tier, 3<sup>rd</sup> tier; low/medium/high capacity levels</i>)</p> <p><b>2. Small &amp; Medium Traders – linked to SHFs:</b> <i>procurement through SMTs but <b>SMT act as collectors of SHFs’ produce</b> and/or distribute inputs to SHFs/FOs</i></p>
<p><b>2. Direct contracts</b></p> <p><b>Competition is waived</b> &amp; quantities/prices directly negotiated with the suppliers. Prevailing local market prices, IPPs and price of last tenders taken as reference</p>	<p><b>3. WRS/CEX – linked to SHFs &amp; FOs:</b> <i>procurement through WRS/CEX &amp; <b>building SHFs/FOs capacities to access WRS/CEX</b></i></p> <p><b>4. Processors – linked to SHFs &amp; FOs:</b> <i>procurement through Processors &amp; <b>linking SHFs/FOs to processors</b></i></p>
<p><b>3. Forward delivery contracts</b></p> <p>Competition waived. Contract negotiated at planting season or in advance of harvest to provide assured market to supplier, help plan production/marketing and facilitate access to credit. Prices can be renegotiated closer to delivery</p>	



# P4P Approaches

## Approach 1: *Buying from FOs*

- **Buying from FOs of various capacities** (high, medium, low) who are receiving supply-side support on production and marketing
- Linking procurement modalities to FOs capacities – **progression** from non competitive to competitive modalities
- **Investment** in storage & warehousing equipment

## Approach 2 Support to emerging structured trading systems

### Supporting WRS & Commodity Exchanges through

- direct support for the establishment of WRS
- purchasing through WRS/CEX to create a “pull-in/follow-in effect”

Working with farmers’ organisations to build their capacities to participate in structured trade

Ethiopia, Malawi, Tanzania, Uganda and Zambia

## Approach 3 Small and medium traders

### Enhance competition among buyers & provide alternative market for farmers’ surpluses

- Engage traders as collectors of farmers’ produce (agro-dealers in Kenya)
- Investment in marketing equipment– stitching machines, weighing scales

Mozambique and Kenya

## Approach 4 Developing local food processing capacities

### Connecting farmers’ organizations to established food processors

Developing local processing capacity – biscuits, supplementary feeding products

Afghanistan, Ethiopia, Guatemala, Mozambique, Zambia

Common approach in all countries

Approaches are combined to fit country context