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SUMMARY REPORT OF THE STRATEGIC MID-TERM EVALUATION OF WFP'S AGRICULTURE AND MARKET SUPPORT IN UGANDA

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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EXECUTIVE SUMMARY

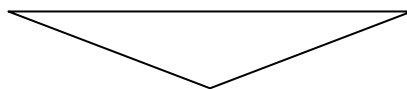
The Agriculture and Market Support project represents a logical development of two decades of WFP local procurement in Uganda. It is one of the country office's three strategic priorities for 2009–2014 and its goal is to put farmers and traders in a position to sell to WFP more than US\$100 million annually of locally produced food. Project activities focus on developing market infrastructure, improving post-harvest handling, increasing and diversifying local purchase, and contributing to the productivity and diversification of agriculture in northern Uganda. The purpose of this evaluation is to reflect on the project's contributions and limitations in the spirit of learning and improving practice.

The overall level of procurement has fallen short of target. The share purchased directly from farmers' organizations – through direct purchase and forward contracting – has decreased, while that from the warehouse receipt system has increased. However, the tonnage purchased through these Purchase for Progress modalities represents only a small fraction of all purchases, contrary to what was initially intended.

Considerable effort has been made to improve post-harvest handling, notably through training and the distribution of equipment to farmers' organizations. There has also been significant progress in the development of market infrastructure; more than US\$7 million has been spent on this, but the approach might not be sustainable. The project also clearly supported development of the warehouse receipt system in Uganda, and WFP's role as the main buyer has jump-started the trade in dry, clean grain.

The evaluation recommendations encourage WFP to invest further in the warehouse receipt system, as a market development strategy; communicate better about challenges and shortcomings in order to manage expectations; learn from phase 1 of infrastructure development and capacity development of farmers' organizations; adapt the monitoring and evaluation system to make it more reactive and help the monitoring of outcomes; and continue efforts to reinforce technical capacity for agriculture and market support in key sectors.

DRAFT DECISION*



The Board takes note of “Summary Report of the Strategic Mid-Term Evaluation of WFP’s Agriculture and Market Support in Uganda” (WFP/EB.2/2011/6-A) and the management response in WFP/EB.2/2011/6-A/Add.1 and encourages further action on the recommendations, taking into account considerations raised by the Board during its discussion.

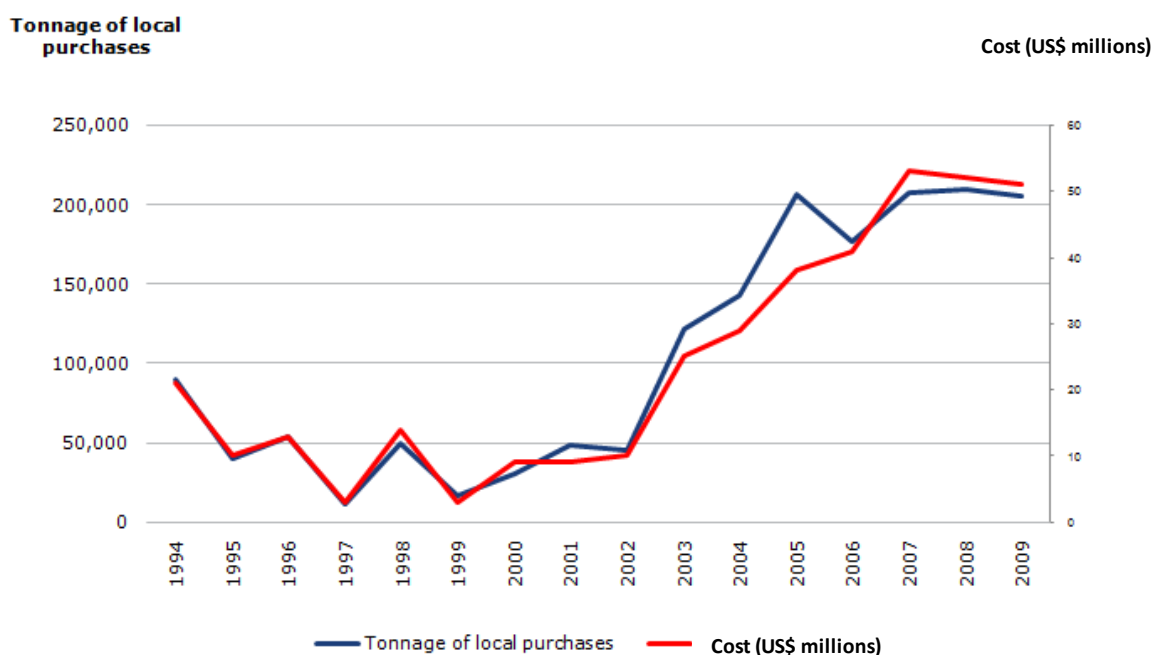
* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

BACKGROUND

Context

1. WFP originally obtained all its food from donor countries. However, since the early 1990s, it has been buying it increasingly from surplus-producing areas of the countries or regions where the food is destined. Growing interest in optimizing the development impact of its local procurement led WFP to launch Purchase for Progress (P4P) in September 2008. The five-year pilot initiative aims to involve smallholder farmers in the market in a manner that secures their sustainable access to incomes. Its stated goal is to increase agricultural production and sustained market engagement, thus increasing incomes and livelihoods for participating smallholders.
2. WFP has purchased cereals and pulses in Uganda since 1991, and Uganda consistently ranks in the top ten developing countries where WFP purchases food. The country office has gradually increased the volume of food procured locally and now typically purchases up to 200,000 mt per year, valued at US\$50 million (Figure 1). WFP's procurement has been massive, particularly for maize, which is largely produced as a cash crop in Uganda. WFP's demand has been a major market driver and its procurement modalities have shaped the supply chain that services it. While most of the locally purchased food initially went to support relief activities in Uganda, more than 60 percent of the food purchased now is destined for WFP operations in neighbouring countries.

Figure 1: Local Purchase Tonnage and Cost in Uganda, 1994 to 2010



3. Since the late 1980s, economic liberalization and privatization have been prominent features of Uganda's economic policy. Trading of cash and food crops has been largely liberalized, and government marketing boards have been dismantled or privatized. In 2000, Uganda launched the Plan for the Modernization of Agriculture. This 20-year programme outlines the Government's medium- and long-term vision for shifting the agriculture sector from a subsistence-based to a commercial orientation driven by private sector development. The share of government budget devoted to agriculture was 4.0 percent in the 2005/06 fiscal year; through the Comprehensive Africa Agriculture Development Programme, a commitment has been made to increasing this to 10 percent.

Evaluation Features

4. The objectives of this evaluation were to assess the achievements of the Agriculture and Market Support (AMS) project in terms of performance and effectiveness (accountability) and to determine the reasons for these results, to draw lessons from which to identify best practice (learning). The evaluation focused on assessing: i) the relevance of the initiative and the appropriateness of its design; ii) its quality of performance and results, including efficiency, effectiveness, cost-effectiveness and the sustainability of the approach; and iii) the factors contributing to and explaining these results.
5. The Overseas Development Institute (ODI) conducted the evaluation between January and August 2011 with a team that included in-house experts in rural development, food security, procurement, value chain development, gender and evaluation. Local researchers with long-term experience of working with ODI were also brought in. This team was part of the wider ODI evaluation team that carried out the concurrent mid-term evaluation of the P4P initiative.
6. The approach adopted included desk reviews of documents and qualitative surveys, along with quantitative analysis of value chains and farmers' livelihoods. Information was sought from WFP senior management and staff and external stakeholders, including some donors, representatives from government and partner organizations, smallholder farmers and traders.
7. A 17-day field visit in March 2011 concluded with debriefing workshops for WFP staff and in-country stakeholders. Quality assurance was ensured through peer review of all evaluation products by ODI's quality assurance panel and by following the Evaluation Quality Assurance System of the Office of Evaluation (OE).

The AMS Project

8. The AMS project is a logical development from two decades of local procurement in Uganda and from WFP's shift to providing food assistance. It is one of the country office's three strategic priorities for 2009–2014, together with emergency humanitarian action, and food and nutrition security. The AMS goal is to put farmers and traders in a position to sell to WFP more than US\$100 million annually of locally produced food. To achieve this, AMS includes a broad set of activities focusing on:
 - i) developing market infrastructure, to integrate farmers further in the expanding agricultural market;
 - ii) improving post-harvest handling, to reduce losses, ensure quality standards, ensure productivity and add value for selected commodities;

- iii) increasing and diversifying local purchase, to help stimulate growth in the agriculture sector by creating additional market demand for Ugandan commodities; and
 - iv) contributing to the productivity and diversification of agriculture in northern Uganda.
9. Uganda is one of the 21 P4P pilot countries, and the local P4P initiative is seen as a supportive subset of the broader AMS project. P4P focuses in particular on supporting improvements in the agriculture sector that will benefit smallholders and on purchasing from smallholders with a view to increasing their incomes and generating learning on best practices. Specific P4P outcomes and targets relate to increasing the marketable surpluses of farmers' organizations (FOs) and their volumes of sale to WFP, improving the quality of maize produced, imparting improved business skills to farmers, and enhancing farmers' market engagement. The P4P pilots are different in each country; the Uganda pilot is unique in its inclusion of small traders, support to the warehouse receipt system (WRS) and significant infrastructure development.
10. The overall cost of AMS is US\$101 million; about US\$14 million has been secured to date. Funds for food purchases are not included in this budget as they come from cash contributions to the WFP operations for which the food is destined, including those of neighbouring country offices. The AMS project funds are meant to finance infrastructure investments, grants for supply-side partnerships, technical assistance, capacity development, and monitoring and evaluation (M&E). Although the AMS budget does not cover food purchases, the AMS project is part of a regular WFP operation – the Uganda country programme –and is a pioneer in WFP for non-food-based operations.

EVALUATION FINDINGS

Relevance

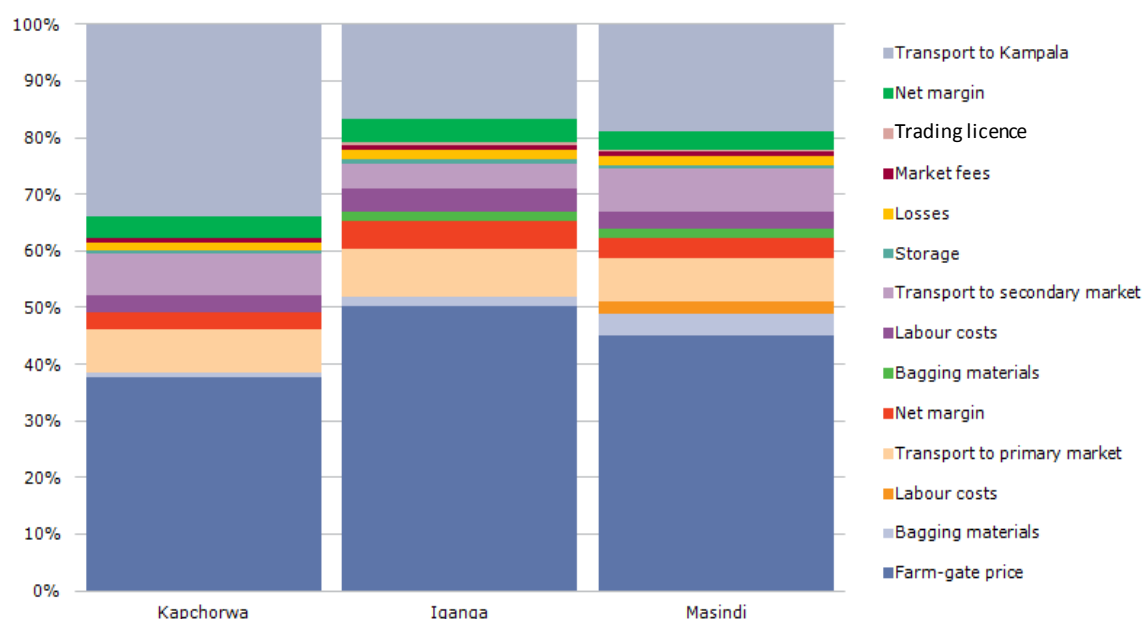
11. The AMS project is highly relevant to both Uganda and WFP because it reflects Uganda's competitive advantage in regional grain production, the relatively supportive policy environment, the significance to the market of WFP's local procurement, and the value of using a procurement platform to support a country's development. The initiative is also supportive of government policies and helps WFP to mitigate negative effects over its role in stimulating the supply of maize and other commodities. However, in light of its shift from food aid to cash and vouchers, WFP might have only a short period as the most important single buyer of food crops in Uganda, during which it can use its procurement to contribute to improving the shape of the market.

Adequacy of the Design

12. The AMS project lacks a logical framework (logframe) capturing its objectives and results chain. Project objectives and targets have to be inferred from the country programme, the P4P country implementation plan and the Joint Action Agreement on AMS with the Government, which are not fully coherent among themselves. The country office is developing a more coherent logframe based on the objectives in the Joint Action Agreement.
13. Nonetheless, following the long history of innovation in local purchase in Uganda, the project's analytical basis is fairly robust. The design was based on evidence about the impact of WFP local purchases on the development of structured grain markets and their efficiency, which had not been as thoroughly examined in the other P4P pilots. As shown in Figure 2, low farm-gate prices tend to reflect the characteristics of farmers and the inefficiencies caused by poor market infrastructure rather than providing evidence of

exploitation by traders. The narrow margins of intermediaries between farmers and the wholesale market in Kampala, and the narrow price gradients among different places, are indicative of an efficient market. This explains the different and more effective approach the Uganda country office took in working with traders – including in the P4P component – encouraging the WRS, and emphasizing increased storage capacity and improved maize quality.

Figure 2: Marketing Costs from the Farm Gate to Kampala, 2002



Source: Wandschneider and Hodges. 2005. *Local Food Aid Procurement in Uganda*. Chatham, UK, Natural Resources Institute.

14. However, the evaluation questions the extent to which the AMS project drew on work already done with FOs by WFP and others. This is important because FOs have a prominent role in AMS, which seeks to provide input and output support to farmers and envisages that collective structures will manage market infrastructure. As evidenced in the P4P mid-term evaluation, the AMS logic is also based on a number of meta-assumptions, which were not sufficiently acknowledged or tested at the design stage. These are that: i) collective action through FOs is an efficient way to address failures in input and output markets; ii) grain production has the potential to help smallholders increase their incomes and to contribute to poverty alleviation; and iii) women can be empowered through participation in FOs. Risks were also insufficiently acknowledged in the AMS design, and markets are inherently risky, particularly the cereal export markets in Uganda, which are subject to political influence and arbitrary state action. This compounds the inherent risks faced by marginal farms engaged in rainfed crop production in areas with very poor economic infrastructure.
15. The project targets are diverse and sometimes bold, notably the doubling of its annual procurement to US\$100 million. Although this target is based on extended experience with local procurement, it represents a leap in local procurement, even given the extent of supply-side support envisaged. The smallholder targets are also highly ambitious, especially the US\$50 increase in annual income and the targets for procurement from FOs, reaching 50 percent of local procurement by 2014. Gender is a fundamental issue for both AMS and P4P, but the related target focuses on participation – women accounting for 50 percent of participation in FOs – rather than on ensuring that women have influence in FOs

or even that they benefit from their participation. The country office recognizes that changing gender relations within the duration of the project is very ambitious.

16. The M&E framework and system focus more on measuring the achievement of targets than on learning. However, AMS is an innovation for the country office, which needs to be able to learn from the experience. The project would have benefited from being conceived as an action research intervention with an M&E system that provided more rapid feedback to assist learning about the project and the appropriateness of its activities.

Achievements

⇒ Local procurement

17. In 2010, WFP's overall procurement in Uganda was 125,700 mt, valued at US\$33 million, which falls short of the US\$100 million goal. This is not surprising given the unpredictable factors affecting WFP's procurement, such as the production and price levels in national and regional markets, and the availability of funds. Maize continues to be the main food item procured, and the anticipated move towards different items such as sorghum, cassava chips, millet, sesame and fish has not yet occurred.

18. Although AMS aimed to increase the share of tonnage purchased through P4P modalities to 35 percent by 2012, the proportions achieved were 6.1 percent of local and regional procurement (LRP) in 2009 and 3.2 percent in 2010. Of these amounts, the share purchased directly from FOs – through direct purchase and forward contracting – has decreased, along with the number of FOs contracted directly, from 14 in 2009 to five in 2010. By contrast, the share purchased through the WRS has increased, to reach nearly 60 percent of the 3,800 mt purchased through P4P modalities in 2010 (Table 1).

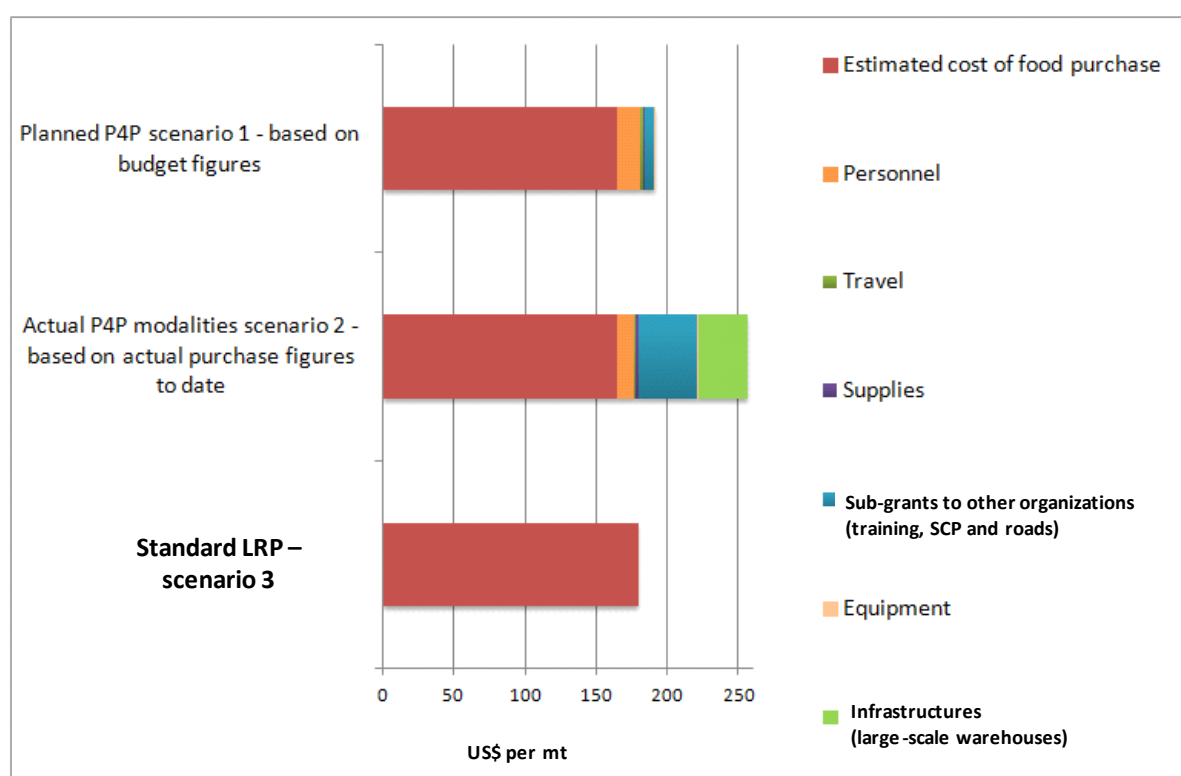
TABLE 1: SUMMARY OF PROCUREMENT THROUGH P4P MODALITIES				
	2007	2008	2009	2010
Overall actual tonnage (<i>mt</i>)	7 101	3 807	7 107	3 848
Tendering (%)	-	90	48	36
Direct purchase (%)	-	10	52	64
% of total LRP	3.4	-	6.1	3.2
Commodity purchased				
Maize (<i>mt</i>)	7 101	3 473	6 426	3 793
Beans (<i>mt</i>)	-	335	681	55
Procurement direct from farmer organizations (FOs)				
Number of FOS supplying	18	8	14	5
Quantity sold to WFP (<i>mt</i>)	7 101	3 759	5 331	1 608
Procurement through warehouses (WRS)				
Numbers of WRS supplying	-	1	3	3
Quantity sold to WFP (<i>mt</i>)	-	48	1 796	2 240

Source: WFP P4P procurement report.

19. Ambitious and widely communicated AMS plans created expectations among partners and farmers that have sometimes limited WFP's ability to purchase through P4P modalities. With disappointing progress towards target achievement, communication needs to be carefully managed so that mounting expectations do not turn into disillusion.

20. Default rates have been significant for both regular local procurement and P4P procurement; the latter stood at 29 percent for the period 2008–2010. There are several reasons for this: quality is more difficult to guarantee for maize than for other cereals; increases in market prices in 2010 contributed to side-selling, as contracts based on prices agreed early in the year became unattractive; and FOs and suppliers of warehouse stocks have found WFP procurement and payment procedures cumbersome.
21. Lack of data made it impossible to conduct a precise cost-efficiency comparison between P4P purchases and standard local purchases, which would be the alternative if P4P were unable to source food in Uganda. Figure 3 is therefore only indicative.

Figure 3: Cost Comparison Under Different Scenarios



SCP = satellite collection point.

Sources: Uganda procurement report and P4P synthetic expenditure report.

22. Nonetheless, Figure 3 suggests that although the food itself is purchased more cheaply through P4P than non-P4P sources, the full cost of P4P purchases is about 50 percent higher because of the costs of grants to partner organizations and of transporting grain, which are exaggerated owing to the low tonnages purchased by P4P to date. The first scenario illustrates the impact on the full cost of P4P if the planned tonnage targets are met. Because the same fixed costs are divided by far higher tonnage figures, the price per mt of P4P grain is much closer to the standard procurement figure.
23. This analysis suggests a number of trade-offs. If P4P operates at the scale envisaged in the design documents, it can spread the considerable costs of developing farmers' capacity over a large procurement volume, implying only a small increase in unit costs compared with regular local purchase. If the developmental impact on smallholders of a small and temporary additional cost per mt exceeds the impact of standard local and regional purchases, the P4P concept is demonstrably viable. If, however, the additional costs of P4P are large and ongoing, and/or the impact of P4P is not significantly better for smallholders than the impact of local and regional purchases is, the cost-benefit ratios turn against P4P.

24. Looking ahead, it appears that direct purchases are likely to remain more expensive than standard tendering unless WFP organizes inspection and logistics services more competitively. This would suggest that seeking more efficient ways of working directly with farmers should be a priority. The WRS can generate savings in logistics and intermediaries' margins, compared with standard tendering, while higher financing costs under the WRS may be offset by the benefits of eliminating supply defaults, augmenting existing market intermediaries and reducing price volatility. However, the cost of re-bagging grain – to meet donors' bag-marking requirements – is significant.

⇒ *Supporting agricultural productivity*

25. Several planned activities related to cassava, rice, vegetables and fruit production in northern Uganda had started at the time of this evaluation, but the evaluation focuses on those crops that are relevant to P4P: maize and beans. Most AMS operational partners are working on productivity enhancement through training activities and/or facilitating access to inputs. Although this supply-side support cannot be attributed directly to AMS, the intention of connecting market support activities with opportunities for improved agronomic practices is an important element of the AMS partnership strategy.

26. Strategies to enhance productivity often include a forward contracting plan, as this provides a guaranteed price in advance, which should provide an incentive for farmers to invest in improving production techniques. However, the ambitious forward purchasing plans under AMS have thus far been given low priority – owing to concerns about committing funds long in advance of the need to purchase commodities and about side-selling – leaving some external parties frustrated.

⇒ *Supporting value-addition*

27. Considerable effort has been invested in improving post-harvest handling, particularly through training in post-harvest handling and grain marketing, with some partners also training FOs in governance, administration and management. By December 2010, about 15,700 smallholders, agricultural technicians, small and medium traders and warehouse operators had been trained, mainly through a network of farmer field schools and area cooperative enterprises. This represents 63 percent of the target for phase 1, which concluded in June 2011. Men and women farmers expressed satisfaction with capacity development activities, which are having a perceptible impact on post-harvest handling knowledge.

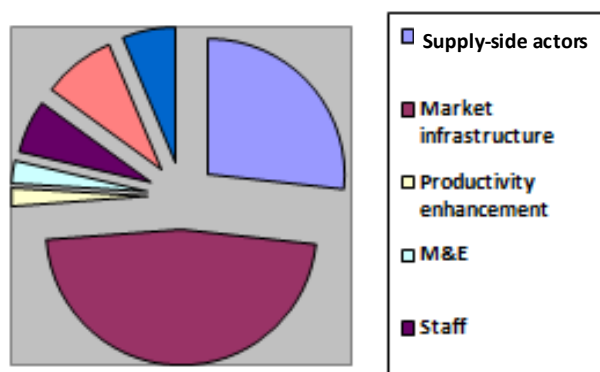
28. Through AMS, FOs also received a range of equipment – generally free of charge but occasionally on a revolving fund basis – including tarpaulins, moisture meters, sampling spears, scales and pallets and, in some cases, metal sieves and mobile shelters. It is too early to assess the impact of these activities on practices, which should be carefully monitored by the M&E system.

29. So far little support has been provided to the milling and fortification of local products, but the country office has embarked on a plan to support private sector millers.

⇒ *Developing sustainable market mechanisms*

30. There has been considerable progress in the development of market infrastructure, with more than US\$7 million being spent on this. Figure 4 illustrates the significance of infrastructure and supply-side partnerships to AMS and P4P activities in Uganda.

Figure 4: Expenditure of the US\$14.2 Million of AMS and P4P Funding to Date



31. Two large warehouses in Gulu and Tororo have been rehabilitated and are now operational as Uganda Commodity Exchange (UCE)-licensed warehouses. By March 2011, work had started on 63 percent of the 58 village-level satellite collection points (SCPs) initially planned. Although completion was expected by June, at the time of the evaluation only 15 percent of the planned total had been completed, implying that few facilities are yet operational: 17 percent have been cancelled and 20 percent are on a different schedule.
32. The approach to planning market infrastructure raises concerns about sustainability. Some of the partners with whom WFP has signed contracts have limited experience in agricultural marketing. Within short contract periods of 12 to 15 months, partners are responsible for identifying FOs, building their organizational capacity, planning and building SCPs and roads, and training the FOs to operate through SCPs. Despite the adoption of a participatory approach to site identification, the market intermediaries – particularly traders and transport service providers – who are supposed to utilize the facilities were rarely consulted regarding their location, management and maintenance.
33. Utilization will depend on the location of the infrastructure and the quality of its management, and will determine sustainability. The evaluation team has concerns regarding both of these aspects. In particular, managing storage capacity and maintaining roads demand a lot from collective structures. This needs careful consideration in light of AMS's far larger plans for commercial market infrastructure for 2011–2014: 22 drying and cleaning sets, 27 warehouses, 101 SCPs, and a large processing and fortification plant. If this ambitious plan is conducted, and utilization has reached the planned 40,000 mt by 2014 – some ten times larger than the 2010 figure – the costs of infrastructure would be about US\$17 per mt of grain. If capacity utilization is low, the costs are likely to outstrip the benefits of the project. It is suggested that a more efficient way of providing the necessary infrastructure may be through a market incentive in the form of a premium price for P4P grain, and through allowing the private sector to provide directly the market infrastructure required to achieve the ambitious procurement targets in AMS/P4P. The WRS is already a move in this direction.

34. WFP has supported the Grameen Foundation to provide 90,000 farmers with current market information through a network of community workers. A spot check of the information provided raised questions about the accuracy of Grameen's sources.
35. The AMS project clearly contributed to supporting development of the WRS in Uganda: an increasing portion of its P4P purchases come from the WRS; it is supporting the installation of new licensed warehouses; and it is a committed partner to UCE, through a formal agreement. Although UCE/WRS achievements cannot be attributed to AMS support only, WFP demand has been a powerful driver. Its purchases have expanded demand for dry, clean grain, allowing warehouses to tap into existing or latent demand from parts of the private sector that seek better-quality maize. For example, the total deposits into licensed warehouses were 8,133 mt in 2010, most of which was sold to buyers other than WFP.
36. This is a significant improvement on the market system that developed in response to WFP's local procurement activities in Uganda; it has been characterized by a small number of large traders holding very limited stocks and using WFP contracts to obtain private finance for purchasing grain to bring to their Kampala warehouses. There are several important positive benefits from a system that requires the holding of more grain as stock in decentralized locations and that can help farmers gain access to finance on deposit and sell grain when prices are high. There is evidence that banks are beginning to provide warehouse receipt-holders with loans, secured against the receipt, and that farmers are beginning to feel secure about leaving their stock in the warehouse. However, evidence points to limited participation so far of FOs as depositors to the licensed WRS compared to medium-scale farmers and traders.
37. The main downsides are that grain tends to be more expensive, because the cost of storage is internalized, and that there is the risk of operators of licensed warehouses acting fraudulently.

⇒ *Benefits to smallholder farmers*

38. The M&E systems have not yet generated estimates of the gains for small farmers because the baseline survey had not been released at the time of the mid-term evaluation. However, it is clear that falling short of the procurement volume targets limits the potential benefits to a smaller number of farmers than anticipated. To estimate the possible income gains for smallholders selling to WFP through direct purchase, the evaluation team assumed two possible scenarios: i) no premium offered by WFP, as was the case in 2010, but not in earlier years; and ii) a premium of 20 Uganda shillings per kilogram, which corresponds to the profit margin realized by small traders met in the field.
39. Table 2 illustrates these scenarios. A to C represent different production systems, while 1 to 3 represent different marketing channels. It is assumed that the starting point is scenario B1, and increments are comparisons with this scenario. The most likely short-term effect of AMS is to help households reach scenario B2, with about US\$20 more per household for bulking their outputs, and B3, with an additional US\$20–40 per household for improving quality. However, the desired scenarios are C2, with an additional US\$55 per household, and C3, with an additional US\$55–85, but these scenarios depend on high inputs.

TABLE 2: SCENARIOS FOR POTENTIAL SMALL FARMERS' GAINS					
		Production system scenario			
		Home-saved seeds	Improved seeds-low inputs	Improved seeds-high inputs	Hybrid seeds-high inputs
Marketing outlet scenario		A	B	C	D
Production per 0.5 ha (kg)		625	1 250	1 900	2 500
Income per 0.5 ha at market price (US\$/household)	1	0	25	50	90
Additional household income from bulking premium (US\$0–20/kg)	2	+ 10 US\$/A1	+ 20 US\$/B1	+ 30 US\$/C1	+ 40 US\$/D1
Potential quality premium from WFP	3	-	+ 0 to 20 US\$/B2	+ 0 to 30 US\$/C2	+ 0 to 40 US\$/D2

Source: Joint United Nations value maize chain study (production and income figure according to production systems scenarios), interviews (order of magnitude for premiums).

40. This exercise suggests that it is unlikely that many households with average landholdings will achieve annual net income increases of US\$50. The strategies most likely to boost income are productivity enhancement and bulking, both of which are important elements of the AMS project, as previously discussed.
41. Interviews with farmers and focus group discussions revealed farmers' perceptions of the benefits and challenges associated with AMS. These are summarized in Table 3.

TABLE 3: AMS STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS	
Strengths	Weaknesses
<p>Farmers' understanding</p> <ul style="list-style-type: none"> ➤ FO leaders seem to have understood the quality requirement. ➤ FOs have learned a certain amount about post-harvest handling and storage. There is evidence of farmers' satisfaction with training. <p>Perception of potential benefits</p> <ul style="list-style-type: none"> ➤ Farmers recall that WFP paid higher prices when there were bumper harvests (prior to 2010). <p>Appreciation of AMS package</p> <ul style="list-style-type: none"> ➤ Farmers appreciate that AMS is about not only production or marketing, but also the whole market chain. 	<p>Maladapted transaction procedures</p> <ul style="list-style-type: none"> ➤ The WFP payment procedure is too long, which discourages some farmers. ➤ The WRS is distant from farmers – organizing and paying for transportation is difficult. ➤ Delayed payments are more problematic in a rising market. In 2010, WFP prices rarely matched traders' prices by the time of payments. <p>Understanding potential WRS benefits</p> <ul style="list-style-type: none"> ➤ The WRS is still poorly understood by farmers. ➤ The WRS has only marginally improved access to credit. Exceptions are the savings and credit cooperative societies in Massindi, and the start of private lending against warehouse receipts. <p>Gender</p> <ul style="list-style-type: none"> ➤ Few women are involved in grain marketing; therefore, is the strategy of getting women involved in FOs appropriate?
Opportunities	Threats
<p>Access to credit</p> <ul style="list-style-type: none"> ➤ AMS could help farmers to obtain better access to credit, which they feel is a serious need. <p>Predictability</p> <ul style="list-style-type: none"> ➤ The maize market tends to fluctuate more than other markets; a predictable market could help to stabilize prices. <p>Demand for information</p> <ul style="list-style-type: none"> ➤ Farmers and FOs are asking for more information about the WRS. 	<p>Weak appreciation of potential risks and benefits</p> <ul style="list-style-type: none"> ➤ Failure to meet quality standards dramatically increases transaction costs, which is a risk for farmers. ➤ The final WFP price is sometimes higher than local market prices, but the cost of meeting the quality standard is not carefully estimated. ➤ Farmers are reluctant to pay for bulking without knowing the potential benefits. <p>Farmers' expectations</p> <ul style="list-style-type: none"> ➤ The cumbersome registration process for FOs implies high transaction costs and delayed engagement in a commercial relationship with WFP. A very small fraction of registered FOs have supplied WFP so far. <p>Building trust</p> <ul style="list-style-type: none"> ➤ Confidence in group leaders and/or WRS operators is limited. ➤ Not all farmers have the same interests or capacities to benefit from the market for products of WFP quality.

Source: Farmer interviews.

EXPLANATORY FACTORS

42. The performance of AMS has benefited from Uganda's liberal policy towards the grain trade, but high and rising prices compounded the handicap of its slow procurement and financial procedures and made it very difficult for WFP to buy food using P4P modalities.
43. WFP has been able to identify and subcontract an important network of partners. Field-level coordination is very satisfactory, and dissemination activities are generating positive feedback from partners and helping AMS to build a positive image. However, the management and implementation of AMS have been arduous, owing to the complexity of

the project, ambitious targets and the limited experience in some AMS activities of WFP and most of its partners.

44. Because AMS in Uganda is a flagship initiative, the AMS team is under high pressure to deliver – notably from senior management at the country office and Headquarters. This has created a very powerful drive for innovation and implementation. Different interpretations of the implementation strategy have resulted in some tension between the procurement and AMS units.
45. A number of learning events have been organized in Uganda, including a Global P4P Technical Committee meeting on innovative market institutions and, more recently, a learning meeting for AMS stakeholders in Gulu. These events have been very useful, but were poorly informed by the M&E system, which was set up very late and is not yet making an adequate contribution to the learning process.

CONCLUSION

46. AMS is an innovative project that covers an unusually diverse and broad range of activities along the market chain and that has strong support from the Government of Uganda and senior WFP management at the country and Headquarters levels. These important advantages risk being undermined by the challenges of managing a large and complicated project, and it would be a great loss if the late delivery of the M&E system meant that little was learned from implementing it.
47. It is important that the intervention coherently follows on from the conceptual approach to implementation and M&E, to avoid becoming a miscellaneous collection of different elements that do not support each other. For instance, decisions on the location, management and maintenance of market infrastructure for a market development programme should involve consultation with the commercial value-chain actors who are expected to use the assets.
48. The sustainability of WFP's direct procurement from FOs is questionable. To date, this modality has been expensive and unreliable, and the positive impact on farmers' livelihoods is likely to be limited. Although it is important to maintain a diversity of modalities, the evaluators believe that more emphasis should be put on the WRS, to allow it to operate at a scale at which it can function sustainably. Uganda is almost uniquely well located to support a WRS, which must be run at a much larger scale than at present if it is to be financially sustainable. WFP's purchasing power could help achieve this scale.

RECOMMENDATIONS

49. **Recommendation 1: Invest further in the WRS, as a market development strategy.** WFP has been a great supporter of the Uganda WRS's first steps, but the system needs to operate with much larger volumes before it can take off. AMS could make a significant contribution to the grain marketing system in Uganda by progressively and predictably adopting the WRS as a mainstream local procurement system.
 - The priority should be to move progressively from almost complete reliance on conventional tendering to a more balanced share of local procurement going to the WRS/commodity exchange combination, to provide the incentive for existing suppliers to make the switch and invest in the necessary equipment and procedures. As each modality has different costs and benefits, a detailed cost–benefit analysis should be conducted of each.

- There should be clear agreement with the Government, UCE members and other stakeholders about the strategy for developing the WRS/commodity exchange combination and about the structure, governance and autonomy of UCE.
 - The country office should consider progressively divesting itself of its warehousing operations in favour of UCE-licensed warehouse operators, with a view to building a cadre of competent national operators that can service both public- and private-sector clients. WFP should monitor the governance of licensed warehouses and should immediately stop purchasing from operators that do not comply with governance rules. If WFP decides to move out of the in-house storage of food, the transition should be handled carefully to avoid destabilizing existing commercial warehouse operations.
50. **Recommendation 2: Communicate better about challenges and shortcomings in order to manage expectations.** AMS has created high expectations regarding AMS that are becoming difficult to meet; the expectations should be lowered.
- Make sure that all partners, including the Government, understand that AMS is a pilot initiative, especially regarding its non-procurement elements, which are new territory for WFP and many of its cooperating partners.
 - Make sure that targets are realistic, particularly those in the partnership agreement with the Government.
 - Take action to reduce FO expectations of WFP as a buyer. Smallholder aggregation should be promoted as a valuable activity in its own right; less priority should be attached to registering FOs as potential suppliers to WFP. Farmers should see WFP as one of several customers, and one with demanding procedures and requirements that may not suit them. Registration should mainly be limited to FOs with a track record of aggregation and that are prepared for the challenges of working with WFP.
51. **Recommendation 3: Learn from phase 1 of infrastructure development and FO capacity development.**
- In 2012, a year after all the infrastructure in phase 1 has been completed, AMS should run a cost–benefit analysis of infrastructure and capacity development exercises. This should compare AMS with alternative projects pursuing similar objectives.
52. **Recommendation 4: Adapt the M&E system to make it more reactive and to help the monitoring of outcomes.**
- Develop a comprehensive and coherent AMS logframe to manage and monitor AMS until the end of the project, including a detailed analysis of assumptions and risks to farmers, traders and WFP.
 - Start logging data on purchases and attempted purchases, with a view to more accurately identifying problems in the procurement system, and to allow robust calculation of the full costs of P4P purchases. Information should be collected on the whole process, from the beginning of negotiations to final payment. The country office should also institute a system of annual reporting on the cost of procuring through each of the P4P modalities, and on projections of the new modalities' impacts on costs in subsequent years.
 - It is urgent to define a list of proxy indicators for measuring outcome achievements, and regularly to collect and analyse these. The outcome monitoring system should include qualitative interviews with farmers, evaluating their perceptions of the benefits they could get from AMS.

53. **Recommendation 5: Continue efforts to reinforce AMS technical capacity in key areas.**

- Management should continue to bring specialist expertise into the AMS team. Capacity development of FOs and to develop market institutions should be prioritized. AMS should seek to enhance and formalize partnerships with technical partners, preferably those with experience in project implementation.

ACRONYMS USED IN THIS DOCUMENT

AMS	Agriculture and Market Support (project)
FO	farmers' organization
HH	household
LRP	local and regional procurement
M&E	monitoring and evaluation
MTE	mid-term evaluation
ODI	Overseas Development Institute
P4P	Purchase for Progress
SACCOS	savings and credit cooperative society
SCP	satellite collection point
UCE	Uganda Commodity Exchange
WRS	warehouse receipt system