

An Overview of “Purchase for Progress”

Connecting Low-Income Farmers to Markets

What is Purchase for Progress?

- ✓ A concept... to leverage WFP food assistance programmes in support of low-income farmers in promotion of market and agricultural development.
- ✓ An opportunity... to undertake adjustments and experiments in WFP programming and procurement modalities.
- ✓ A plan... to strengthen and extend WFP’s network of partners and tap into technical expertise, especially on the supply-side.

Concept

In line with WFP's future strategic direction to better use its purchasing power to support the sustainable development of food security, WFP is launching a set of pilot activities, primarily in Africa, to further explore programming and procurement modalities. This effort is known as “Purchase for Progress” or P4P.

The vision behind P4P is for agricultural markets to develop in such a way that many more low-income or small-holder farmers, the majority of whom are women – will produce surpluses of food, sell them at a fair price and increase their incomes. With increased incomes, education, sanitation, and health services would become more accessible to these farmers and their families.

WFP plans to combine its food assistance programmes with innovations in local and regional procurement and market development. P4P will take a more strategic look at WFP food purchases to see that we maximise our positive impact on development. WFP will enhance marketing tools in promotion of agricultural development.

Working with national governments and alongside bilateral partners, UN agencies, NGOs, farmers, traders, processors and research institutions, P4P will help create a platform of demand for food staples grown by small farmers in countries where WFP has operations. The aim is to help reduce the risks they face and boost farmers’ incentives to invest in technologies and practices to increase and improve production.

The practice will contribute to putting more cash in the hands of the farmers. WFP will ensure that its actions are not displacing or disadvantaging the private sector, but rather promote fair prices and trade practices.

Opportunity

WFP has decades of operational experience and an extensive deep-field presence as well as a strong procurement background.

With the support of donor governments, WFP has been procuring food locally for decades and has spent over US\$1.2 billion in food purchases in Africa alone from 2001 to 2007. In 2007, 80% of

WFP's overall food purchases were made in developing countries, representing over US\$612 million or 1.6 million mt. 56% of the total quantity purchased was procured in least developed and low-income countries, while 24% was procured in middle-income developing countries.

Africa is the continent where WFP procured the highest volume of food over the last three years, followed by Asia. In terms of quantity, the top countries where WFP procured in 2007 include: Uganda, Pakistan, India, Zambia, Sudan, Malawi and Kenya. In terms of value, the top countries where WFP procured in 2007 include: Uganda, Ecuador, Pakistan, Indonesia, India, Sudan and Kenya. WFP purchases of blended foods in developing countries also increased, from 20,000 mt in 2000 to over 178,500 mt in 2007.

The question may well be, why now? It is a combination of factors. The realities of a rapidly changing global environment and economy, climate change, high commodity prices, fuel costs and freight rates mean that WFP needs to revisit its modus operandi to meet challenges ahead and reposition itself strategically for the future. It is against this backdrop and in expectation of a rise in beneficiary needs that WFP is placing even more emphasis on local and regional procurement practices.

WFP is cognisant that it cannot compromise its cost effectiveness and timely delivery. WFP is also very aware of the challenges in measuring the impact on agriculture and will be closely evaluating the potential trade-offs on the procurement side.

In sum, priority will be given to local food purchases when this does not conflict with other requirements of WFP operations, namely the provision of adequate and timely food assistance. Procurement activities will also help producers and service providers to build the skills and capacities they need to produce higher-quality food able to reach more developed markets, thereby promoting sustainability. WFP will create synergies by conducting procurement that complements supply-side interventions by other partners such as micro credit and seed inputs.

Plan

New partnerships are needed to raise farmer productivity and income through improved farming systems, supply of farm inputs, training of farmers and increased availability of markets.

Ten African countries¹ have initially been pre-selected by WFP and the Bill and Melinda Gates Foundation, with whom WFP is discussing potential five-year sponsorship, to participate in pilot activities based on whether (1) there has been a high level of food procurement in the country in recent years, (2) the country is a priority for the Alliance for a Green Revolution in Africa (AGRA) and (3) a country's government has demonstrated a commitment to support the initiative.

Five additional countries have been pre-selected for assessment with the Howard G. Buffett Foundation, which will finance a regional assessment and two year plans in Central America (with initial focus on Guatemala and Nicaragua) and in Liberia, Sierra Leone and Sudan.

¹¹ Burkina Faso, Malawi, Mali, Mozambique and Uganda in the first phase and then Ethiopia, Kenya, Rwanda, Tanzania and Zambia

Support has also been received from the Belgium Government² for the Democratic Republic of Congo.

Extending to a few countries in Asia, in particular Afghanistan and Laos, is under discussion internally.

Objectives: Using WFP's current procurement and gender policy and practice as a basis, and with a particular focus on low-income and small-holder farmers, P4P aims to:

1. Identify and share best practices for WFP, NGOs, governments and agricultural market stakeholders to increase profitable engagement in markets.
2. Increase farmers' capacities in order to raise their income from agricultural markets.
3. Identify and implement best practices for increasing sales by low-income farmers to WFP.
4. Transform WFP food purchase programmes so that they better support sustainable production and address the root causes of hunger.

Activities: P4P activities will be designed to respond to the specific conditions in countries where WFP has operations. There are four main categories:

1. Enhancing and expanding competitive tendering practices (for example, reducing tender sizes, waiving bag markings or performance bonds, and purchasing ex-warehouse).
2. Purchasing directly from local groups (i.e. farmers' associations and local traders) to help stimulate the livelihoods of the producers.
3. Contracting in smallholder areas to reduce risk and create greater certainty for farmers in their planning (i.e. forward contracting and partnerships with micro-credit and insurance schemes).
4. Developing processing options.

Key to these four core activities will be complementary activities to promote partnerships and training, monitoring and evaluation and policy analysis, advice and advocacy.

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For more information or feedback, please write to WFP.P4P@wfp.org

² Belgium and Sweden sponsored a WFP Technical Meeting on Food Procurement in Rome in May 2007.