

After Action Review Consolidated Report

Pro-SHF Contract Modalities

Pilot implementation in Zambia, Tanzania, Malawi and Honduras

2017/2018



Introduction

This report summarizes the results from the pilots implemented in 2017/18, where new pro-SHF contract modalities were implemented in four countries: Zambia, Tanzania, Malawi and Honduras. The pilot projects were intended to test innovative contract modalities and pricing mechanisms in countries and operations of different contexts, in order to allow adjustments for future roll out in other countries. Separate After Action Review (AAR) reports were produced for each of the piloting countries and can be consulted for further details.

Background

In 2017 Zambia, Tanzania, Malawi and Honduras were selected as countries to pilot new contracting and procurement modalities for smallholder food commodity purchase operations. These new modalities are designed to increase the percentage of WFP food commodities procured from smallholder farmers and to streamline procurement processes both internally and externally.

CO Zambia primarily selected the Food Supply Agreement (FSA) to contract a network of 17 aggregators who had been supplying to WFP for several years. The digital application, 'Virtual Farmers Market' and the commodity exchange 'Zamace' were also included. 5,965 mt were purchased out of the total 6,689 mt of pulses planned as per the concept note, involving a total of 17 aggregators. Following a sample of farmers supplying 37 percent reported to own between 0-5 hectares, classifying them as smallholders and 24 percent were women suppliers. The Virtual Farmers Market successfully digitally procured 62 mt via Ambassador farmers. Meanwhile Zamace did not supply.

After considering all the three new modalities, **CO Tanzania** opted for the mandate contract, which implied the intermediation of a local miller, buying from a set of WFP identified farmer organizations on WFP's behalf. Out of the total 6,000 mt of maize planned to be purchased with this arrangement, 4,500 mt was purchased until mid-2018.

CO Malawi opted for the Direct FSA, which implies direct purchases from Farmers Organizations (FOs), and the Conditional Contract, which operates like a regular tender with traders, but includes a clause that defines a minimum percentage of the total volume to be purchased from Smallholder Farmers (SHFs). Out of the total 3,411 mt of maize planned to be purchased with the two contract modalities, 2,288 mt were procured in 2017. The low tonnage was justified by the contracts being signed with delay when compared to the harvest. The contracts remained in place in 2018 allowing the purchase of an additional quantity of 3,149 mt.

Starting from October 2017, **CO Honduras** used a Direct non-committal FSA to procure an estimated quantity of 2,865 mt of small red beans and 50 mt of rice directly from selected FOs. The food procured has been dispatching to schools, as part of the School Feeding Programme. Out of the total 2,865 mt of red beans planned to be procured under this arrangement, 205.30 mt was purchased until November 2017. During the first two quarters of 2018, an additional quantity of 149 MT was done. The gap between planned and effective tonnages was mainly due to fund limitations from the Government of Honduras, that led to a restriction of the School Feeding Programme to only two regions.

Table 1: Summary of purchases

Country	Contract modality	Aggregator	Planned (MT)	Actual (MT)	Value (USD)	FOs involved in sales	Price (USD/MT)
Zambia	Direct FSA	P4P aggregators	6,689	5,965	3,049,726	17	511.27
Tanzania	Mandate	Musoma Food Company	6,000	4,500	1,526,850	20	339.30
Malawi	Direct FSA, Conditional	P4P FOs, Rab Processors	3,411	5,437	1,069,458	9	196.70
Honduras	Mandate, Direct FSA	IHMA, P4P FOs	2,915	354	374,971	1	1,059.00
Total			19,015	16,256	6,021,005	47	370.39

Results

The AAR is intended to serve as a basis for learning from the pilot's successes and failures, providing insights into specific strengths and weaknesses and critical feedback to improved performance.

The AAR aimed to answer four **major questions**, in line with the programme's activities and processes:

1. What was expected to happen?
2. What actually occurred?
3. What went well and why?
4. What can be improved and how?

The above questions guided the discussion around four identified **thematic areas**:

- i. Identification of suppliers
- ii. Pricing mechanism
- iii. Procurement process
- iv. Traceability

The tables below consolidate the findings from the AAR exercise in the four pilot countries.

Theme 1: Identification of suppliers

	Guiding questions			
Country	What was expected to happen?	What actually occurred?	What went well and why?	What can be improved and how?
Zambia	The criteria for selection of aggregators for the 2016/2017 buying season: who performed well in the previous buying season.	Not all aggregators who performed well were selected due to the limited tonnage. 17 aggregators were identified to supply pulses using the new contract modalities i.e., food supply agreement (FSA). A meeting was held with the aggregator to explain the new contract modalities and the difference between committal and non-committal contracts.	The piloting of the new contract modalities led to fewer defaults compared to the previous buying season. WFP only created commitments (Commodity Purchase Orders) once the inspection company confirmed availability of commodity at the aggregator. Having few aggregators made the procurement process more manageable and easier to monitor	Identify other farmer organizations and traders with potential to supply pulses through the Farm to Market Alliance (FtMA) and the Ministry of Agriculture (MOA).
Tanzania	Identify commercial mill(s) ideally located on the route from Dodoma to the refugee camps. Identify a list of FOs in the regions neighbouring the Shinyanga province and strengthen their capacities, with the aim to develop them as reliable suppliers to the mill through a longer-term arrangement.	Three millers in the Shinyanga province were visited and Musoma Food Company was the only miller found compliant. 20 FOs already part of the FtMA network were identified. However, such FOs were all located in the southern part of the country. Therefore, the rationale of sourcing food from the same area where the food was required was not met.	Both the miller and the FOs were able to effectively perform their aggregation role: the FOs managed to aggregate and sell the required quantities of maize and the miller was able to purchase from the FOs and resell to WFP.	Expand the network of farmer organizations, taking into consideration the geographical location and experience and capacities built through the P4P pilot. Work with RBAs, and other partners to identify new FOs. Leverage on the government's undertakings with SHF (database of registered FOs, extension services).
Malawi	Target SHFs/FOs from P4P pilot. Request traders to engage only with these FOs. Target traders with network of outlets and warehouses across the country.	Out of the initial shortlist, 5 FOs were selected for the direct purchases. Lower capacity FOs were identified to take part in the mandate contract. A competitive tender was done, stating that 10% of the total quantity should have come from SHF. Four traders replied to the tender.	The planned tonnage was purchased from the shortlisted FOs, who were able to provide the required quantities. A good coordination was registered between P4P, Supply Chain, HQ and IT.	Explore new ways for communicating with FOs and to verify and update their contacts. Leave the trader the possibility to procure from FOs he usually engages with. A stronger traceability system should be put in place in this case.
Honduras	Identify FOs included in the P4P shortlist or supported by NGOs and local partners. FOs to be registered in In-Tend, have a vendor number and accept WFP standard procurement terms and conditions.	Due to funds limitations, the Government decided to restrict the School Feeding programme to two regions: the Dry Corridor and La Mosquitia. Based on that, the initial list of 75 FOs reduced to 3 and finally only one FO was contracted.	Collaboration with external partners (Technoserve, Fintrac) which shared the list of their supported FOs.	Honduras CO has very limited internal resources to deal with SHF. Explore further local partnerships capacity assessment, identification of suppliers and technical assistance.

Theme 2: Pricing mechanism

	Guiding questions			
Country	What was expected to happen?	What actually occurred?	What went well and why?	What can be improved and how?
Zambia	Prices were to be arrived at by the Price Determination Committee which comprised of WFP, FAO and Ministry of Agriculture. MOA provides the gross margin which is passed on to the PDC who in turn determines the buying price at the beginning of the season.	The PDC sat every 2 weeks to review the buying price and to determine any changes upwards or down in the first three months of the marketing season. Based on the gross margin price WFP came up with a pricing structure on what to pay the aggregators as follows. All pulses were purchased at the same price regardless of the region.	The purchase price, handling fee and commission were widely discussed and agreed upon with the aggregators. FtMA monitored prices of commodities in the regions where they were operational and these prices were passed on to procurement for price review if need be.	Need for ToRs for the PDC to ensure full participation from all parties involved. Continuous sensitization of SHF on the prevailing market prices, price fluctuations and factors related to supply and demand. Involve the MOA more to support SHF regarding information on buyers, crop storage and when to sell cowpeas considering its short shelf life.
Tanzania	Define the buying price based on a price assessment done directly by WFP with selected FOs and comparison to prevailing market prices in the region.	Due to limited capacities at CO level, it was not possible to follow the procedure. The final price in the contract was defined by FtMA at the time of the first deliveries, but no revisions were done. This caused a discrepancy between the actual market price and the price paid by the miller.	From the discussions with the farmers, it was confirmed that the miller actually paid to the FOs the price he declared. Further, farmers were generally satisfied with the price.	Make sure that the chosen price reference is continuously updated to reflect market conditions. Need to strengthen CO resources to deal with SHFs. Leverage on VAM and Government for price references. Better communicate the contract conditions with the miller and ensure full comprehension of the pricing mechanism.
Malawi	Establishment of an internal "Pricing committee" including Procurement, P4P and VAM. The committee was intended to establish prices on a weekly basis and to update them according to a pre-defined frequency, allowing WFP to keep track of market prices during the whole marketing season.	Committee was established composed of Finance, mVAM, P4P and Procurement. The PSC convened multiple times between August and December. With the support of IT, SMS were used to communicate prices to the FOs.	The PSC followed a detailed and rigorous methodology to determine the price. ToR were established outlining the PSC objectives and responsibilities. A good collaboration was also noted with IT.	Consider the inclusion of external actors in the PSC, for instance from FAO, NGOs or local partners. Establish coordination mechanisms with FOs, to allow a constant 2-way communication on prices and available production. The difference to farmers between Direct FSA and Conditional was relevant. Interviewed farmers requested for more transparency on price definition and asked WFP to determine and fix the price the trader should be buying from them.
Honduras	Purchasing prices to be defined for each call off based on multiple sources of price information. Local price committee to recommend final price for management approval.	Price negotiation with FOs referenced on prices from several sources. The committee approved the price and the quantity to be allocated to the call-off. The selected FO accepted the price proposed by WFP and the call-off letter was signed.	From the discussion with the FO emerged that farmers originally considered the price a fair one.	Collection of price information from the FOs on a regular basis. Given the limited CO capacity, it is essential to have reliable field partners able to provide WFP with constant and up-to-date information on FOs' available quantities and prices, quality of produce, post-harvest and transport capacity etc.

Theme 3: Procurement process

	Guiding questions			
Country	What was expected to happen?	What actually occurred?	What went well and why?	What can be improved and how?
Zambia	Direct FSA with FOs and conditional contracting for procurement of maize through the Zambia Commodity Exchange (ZAMACE).	Both Committal and non-committal contracts were issue to the aggregators. The Conditional Contract was not implemented due to lack of operational capacity on ZAMACE side and to WFP internal processes not being in line with commodity exchange systems.	Creation of PO only when the commodity has been confirmed available and inspected led to no defaults.	Clear SOPS and guidelines to be shared with all relevant teams on the new contracting modalities and some of the challenges expected from using them. Allow the creation of several PRs and link to POs as opposed to creation of one bulk PR that lead to constant PR amendments. Additional staffing in procurement particularly during the buying period is highly recommended
Tanzania	Purchases from selected FOs to start in July 2017 in the region near the mill to minimize transport cost. WFP was expected to do several small call-offs (depending on the availability of funds from GCMF), with prices aligned to the market.	Due to delays in signing the agreement and obtaining approval of the PO, purchases started later than expected. Three POs were sent for purchasing three lots of 500 MT.	The movement of commodities and the quality checks went well from a WFP perspective, as the organization managed to buy the maize with quality and quantity as required.	The procurement process was initiated late vis-a-vis the agricultural calendar. Lack of human resources to follow the initiative was also an issue. Need to better communication with parts to ensure that all have the same understanding of the contract provisions and procurement procedures. A possible solution could be kick off meetings for all SHF contracts.
Malawi	Purchases from FOs to start in July 2017, which coincides with the start of the marketing season. Instead, the conditional contract was intended to be used outside the marketing season.	Uplifting of commodities from FOs started only at the beginning of December, due to non-availability of funds. Conditional contract was signed in October 2017, at the end of the marketing.	Overall, the final objective of procuring the required tonnage directly from the selected FOs was met and no major issues occurred.	The main challenge was the timing and length of the entire process. It was suggested to have the FSA already in place around May-June, straight after the harvest season and before the marketing starts. There should be better communication between farmers and trader on available quantities for uplift.
Honduras	Non-committal FSA with FOs from September 2017 to August 2018. Payments expected to be made every 7 days for the quantity delivered, to allow a constant flow of money to FOs, as they cannot provide credit to their members.	In mid-October, only one FSA was signed as the other two FOs showed problems of produce availability. Due to lack of funds, by the time the mission occurred, only one call off had been done in the end of October 2017. Payment to the FO was made through a bank transfer 20 days after the end of deliveries.	Farmers were generally satisfied with the process, especially comparing it with the sales they do to IHMA, the other FO's main market. WFP payment was quicker, as IHMA payments usually take from 2 to 4 months.	Lack of alignment between the time funds are available and the time the FOs have produce to sell. Government releases funds with a very short deadline to execute purchases. A solution to this could be to issue more call offs for smaller quantities, instead of one single big call off.

Theme 4: Traceability

	Guiding questions			
Country	What was expected to happen?	What actually occurred?	What went well and why?	What can be improved and how?
Zambia	The use of farmer registers to record tonnage supplied, the prices and farmer details. Deployment of temporary staff to monitor prices paid to farmers and ensuring records are in place.	The use of registers was implemented with a limited number of FtMA aggregators (6). However, FtMA and Virtual Farmers Market (VFM) teams carried out price monitoring in their areas of operation.	Prices paid to farmers were fair. Sample survey was an efficient and cost-effective way to determine traceability	Come up with a record keeping system at aggregator's level that can capture farmer details and the commodity sales for all aggregators. SHF supplier sample survey format and methodology require strengthening. More engagement with MOA and Extension Officers in buying areas to help determine that the right price is being paid to the farmers.
Tanzania	Digital traceability solutions were expected to be employed to control if prices paid by traders were those defined by WFP in each call-off and to track farm income improvement and ensure traceability to mill for high gains and long-term benefits.	Given the limits in term of time, resources and capacities, the initiative eventually relied on the usual record keeping and traceability procedures.	Even without a digital solution, the quantities and prices stated by the miller actually matched those reported by the FOs interviewed.	Promote a unified and harmonized system of record keeping at FO level, by training FOs in standardized record keeping procedures and techniques. Consider the piloting of the digital traceability system.
Malawi	Pending the development of an electronic traceability system for the pilot, the traceability was expected to be limited to work with FOs already known to WFP.	Interviewed FOs stated to have specific members (chairman, secretary), taking care of registering purchases from farmers in record books and issuing corresponding receipts to members.	Farmers reported to have received fair prices even without a specific traceability solution being used.	In the eventuality of a post-pilot phase, the possibility to use the traceability system piloted in Honduras CO. Rab Processor (trader) showed interest in implementing a traceability system in collaboration with WFP for its normal procurement from SHFs.
Honduras	A field trial of SCOPE and MDCA as traceability solutions to track the purchases from farmers to FOs to trader.	Selected FOs and IHMA (trader) participated in a training session provided by WFP in April 2018. Required resources (cards, POS) were provided for usage during the buying season.	FO leaders and IHMA's representatives successfully acquired the knowledge to use the traceability systems. High level of engagement and support from TEC (both in HQ and RBP).	The systems could not be thoroughly tested as planned due to the small number of transactions that happened. Further testing is necessary.