

Strategic Evaluation

WFP's Agriculture and Market Support (AMS) in Uganda 2009–2014: Mid-Term Evaluation

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TABLE OF CONTENTS

ACRONYMS.....	IV
MAP.....	V
SUMMARY REPORT	VI
1. INTRODUCTION	1
1.1. EVALUATION FEATURES	1
1.2. CONTEXT.....	3
<i>Uganda.....</i>	<i>3</i>
<i>WFP past agriculture and market support in Uganda</i>	<i>4</i>
<i>Good practice in agriculture and market support.....</i>	<i>6</i>
1.3 THE AGRICULTURE AND MARKET SUPPORT PROJECT	8
<i>Description of AMS.....</i>	<i>8</i>
<i>Purchase for Progress</i>	<i>10</i>
<i>AMS costs, budget and management.....</i>	<i>11</i>
2. EVALUATION FINDINGS	12
2.1. RELEVANCE AND DESIGN.....	12
<i>Relevance of AMS.....</i>	<i>12</i>
<i>Adequacy of the AMS design</i>	<i>14</i>
2.2. PERFORMANCE AND RESULTS	21
<i>AMS outputs.....</i>	<i>21</i>
<i>Cost efficiency and reliability</i>	<i>30</i>
<i>AMS objectives.....</i>	<i>36</i>
<i>Sustainability.....</i>	<i>41</i>
2.3. FACTORS EXPLAINING PERFORMANCE AND RESULTS	44
<i>External factors.....</i>	<i>44</i>
<i>Internal factors.....</i>	<i>45</i>
<i>M&E</i>	<i>47</i>
3. CONCLUSIONS AND RECOMMENDATIONS.....	48
ANNEXES	49
ANNEX 1: SUMMARY TERMS OF REFERENCE.....	51
ANNEX 2: LIST OF PEOPLE INTERVIEWED.....	54
ANNEX 3: POTENTIAL ADVANTAGES OF THE WAREHOUSE RECEIPT SYSTEM/COMMODITY EXCHANGE COMBINATION.....	60
ANNEX 4: COMPARISON OF P4P PRICES WITH PRICES PAID TO LARGE TRADERS	62
ANNEX 5: BIBLIOGRAPHY	64

Acronyms

ACE	Area Cooperative Enterprise
AMS	Agricultural Market Support (initiative)
BMGF	Bill and Melinda Gates Foundation
CKW	Community Knowledge Worker
CO	Country Office
CSB	corn-soya blend
CKW	Community knowledge worker
DDU	delivered duty unpaid (Incoterm)
DFID	UK Department for International Development
EAS	East African Standard
EWRS	electronic warehouse receipt system
FCA	free carrier (Incoterm)
FO	farmer organisation
KACOFA	Kapchorwa Commercial Farmers' Association
LRP	local and regional procurement
M4P	Making Markets Work for the Poor
M&E	monitoring and evaluation
MADFA	Massindi District District Farmers' Association
MAAIF	Ministry of Agriculture, Agricultural Industries and Fisheries
MoU	memorandum of understanding
MTE	mid-term evaluation
MTTI	Ministry of Tourism, Trade and Industry
ODOC	other direct operational costs
P4P	Purchase for Progress (project)
PMA	Plan for the Modernisation of Agriculture
RATIN	Regional Agricultural Trade Intelligence Network
SACCOS	Savings and credit cooperative society
SCP	satellite collection point
UCE	Uganda Commodity Exchange
WRS	warehouse receipt system

Map

WFP WAREHOUSING 2010



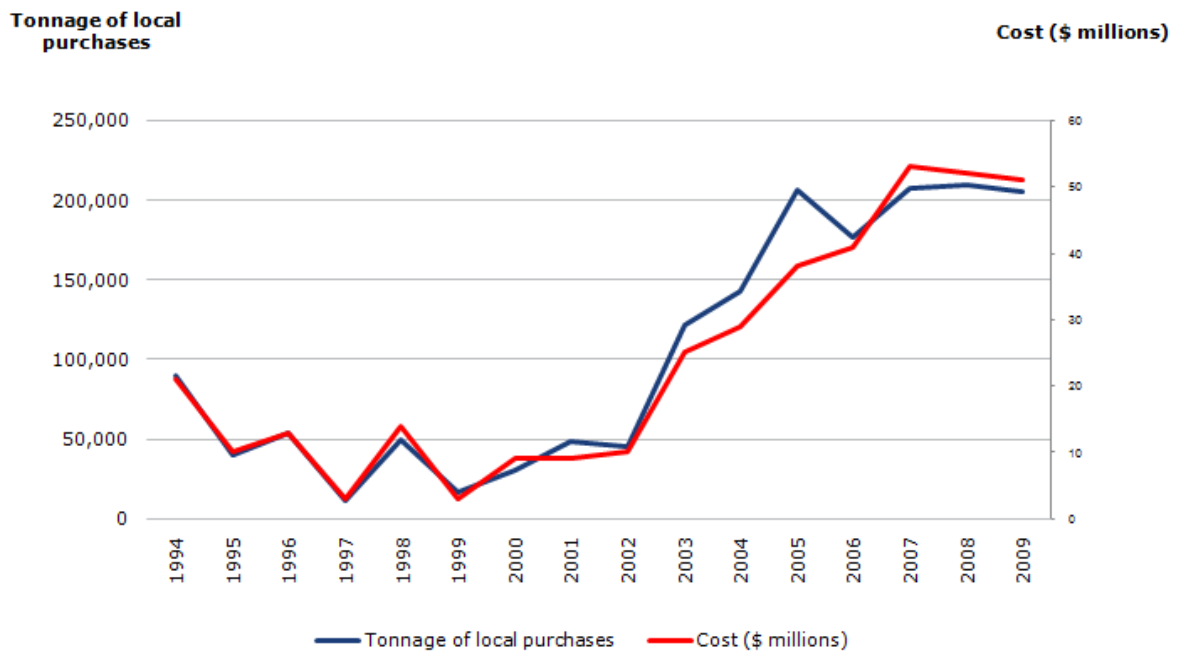
Executive Summary

BACKGROUND

Context

1. WFP originally obtained all its commodities from donor countries but, since the early 1990s, has been increasingly sourcing them in surplus-producing areas of countries or regions where the food aid is destined. Growing interest in optimising the development impact of its local procurement led WFP to launch P4P in September 2008. This five year pilot initiative aims to expose smallholder farmers to the market in a manner that secures their sustainable access to incomes. Its stated goal is to: increase agricultural production and sustained market engagement, and thus increase incomes and livelihoods for participating smallholders.
2. WFP has purchased grain and pulses in Uganda since 1991 and Uganda consistently ranks in the top ten developing countries where WFP purchases food. The Country Office (CO) has gradually increased the volume of food procured locally and now typically purchases up to 200,000 tonnes per year valued at \$50 million. See figure 1. WFP's procurement footprint, particularly for maize, which is largely produced as a cash crop in Uganda, has been massive. WFP's demand has been a major market driver and its procurement modalities have shaped the supply chain that services it. While the majority of the locally purchased food initially went to support relief activities in Uganda, over 60% of the food purchased is now destined to other WFP operations in neighbouring countries.

Figure 1: Local purchase tonnage and cost in Uganda 1994 to 2010



3. Since the late 1980s, economic liberalisation and privatisation have been key features of Uganda's economic policy. Trading of cash and food crops has been largely liberalised, with government marketing boards dismantled or privatised. In 2000, Uganda launched the plan for the Modernisation of Agriculture (PMA). This 20-year programme outlines the Government's medium and long-term vision for shifting the agricultural sector from a subsistence-based to a commercially orientated one driven by the engine of private sector development. The government budget devoted to agriculture was 4.0% in the 2005/06 financial year and, through the Comprehensive African Agriculture Development Plan (CAADP), a commitment has been made to increase this to 10%.

Evaluation features

4. The objectives of this evaluation are to assess what has been achieved by the Agriculture and Market Support (AMS) project in terms of performance and effectiveness (accountability) and determine the reasons thereof to draw lessons to start identifying 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 sustainability of the approach; and iii) the contributory and explanatory factors.
5. The Overseas Development Institute (ODI) was contracted to conduct the evaluation between January and August 2011. The team included in-house experts in rural development, food security, procurement, value chain development, gender and evaluation. Local researchers, long-standing collaborators of ODI, were brought also brought in. This team was part of the wider ODI evaluation team, which carried out the concurrent mid-term evaluation of the Purchase for Progress Initiative (P4P).
6. The approach adopted included a rich blend of research methods ranging from desk reviews of documents, qualitative surveys, to more quantitative value chain analysis and livelihoods analysis of farmers. Information was sought from a broad range of WFP stakeholders (senior management and staff from relevant business areas) and external stakeholders (including some donors and representatives from Government, partner organisations, smallholder farmers and traders).
7. A 17 days field visit took place in March 2011. It was concluded by debriefing workshops with 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 Office of Evaluation Quality Assurance System.

The AMS Project

8. AMS represents a logical development of two decades of local procurement in Uganda and of WFP's shift to a food assistance agency. It is one of three CO strategic priorities for 2009 – 2014 together with emergency humanitarian action and food and nutrition security. The AMS goal is that farmers and traders are in a position to sell to WFP more than US\$100 million

annually in locally-produced food. To achieve this, AMS includes a broad set of activities focused upon:

- i) developing **market infrastructure** to further integrate farmers in the growing agricultural market;
 - ii) improving **post-harvest handling** to reduce losses, ensure quality standards, ensure productivity and add value for selected commodities;
 - iii) increase and diversifying **local purchase** to help stimulate growth in the agricultural sector, by creating additional market demand for Ugandan commodities; and
 - iv) contributing to **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 sub-set of the broader AMS project. Through P4P, a special focus is placed on supporting improvements in the agricultural sector that will benefit smallholders and on purchasing from them with a view to increase their incomes and generate learning on best practices. Specific P4P outcomes and targets relate to increasing FOs marketable surpluses and their volumes of sale to WFP, improving the quality of maize produced, imparting farmers with improved business skills and enhancing their market engagement. While the P4P pilots are different in each country, the Uganda one is noteworthy in its unique inclusion of small traders, support to the warehouse receipt System (WRS) and significant infrastructure development.
10. The estimated overall cost of AMS is US\$101 million and about US\$14 million have been secured to date. Funds for commodity purchases are not included in this budget as they come from cash contributions to the WFP operations (including in neighbouring client COs) for which the commodities are destined. The AMS funds are meant to finance infrastructure investments, grants for supply-side partnerships, technical assistance, capacity-building and M&E. It is noteworthy that, while the AMS budget does not relate to food purchases, it is part of a regular WFP operation - the Uganda Country Programme – making it a pioneer in WFP for non-food based operations.

EVALUATION FINDINGS

Relevance

11. AMS 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 of WFP local procurement in the market; and the value of the idea to use a procurement platform to support the development of a country. The initiative is also supportive of government policies and helps WFP to mitigate downsides over its role in stimulating the supply of maize and other commodities. However, in light of the gradual move from food aid to cash and vouchers, WFP might only have narrow window of time during which it is the most important single buyer of food crops in Uganda and can use its procurement footprint to influence the shape of the market for the better.

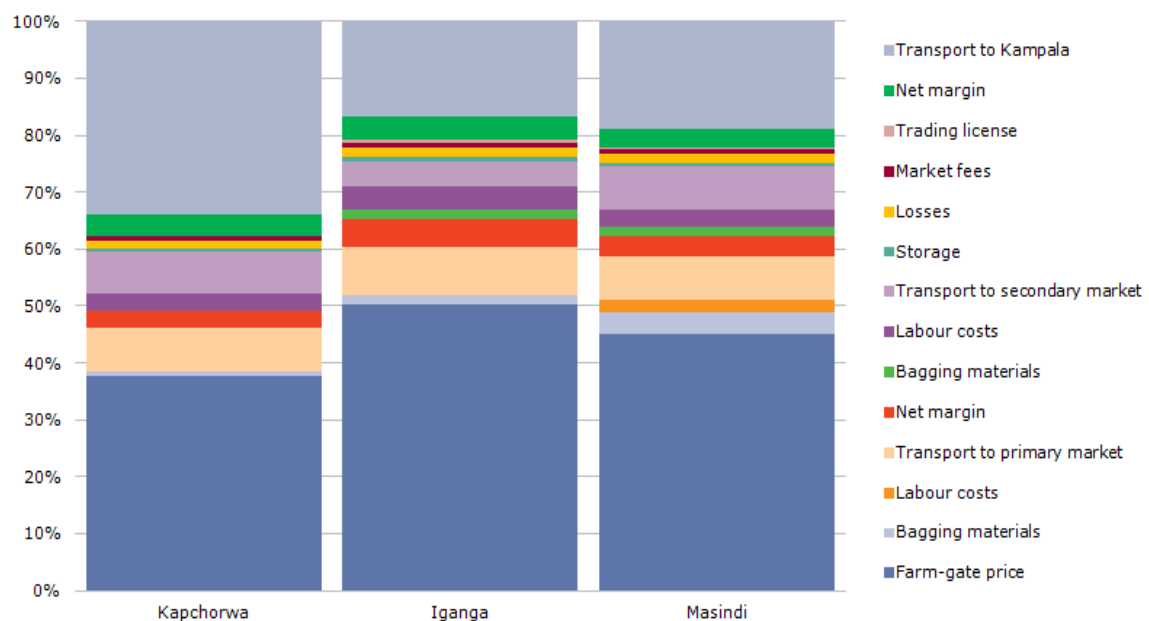
Adequacy of the design

12. AMS lacks a log-frame capturing the different objectives of the project and its results chain. The programme objectives and targets currently have to be inferred from the Country

Programme, the P4P Country Implementation Plan and the Joint Action Agreement with the Government on AMS, which are not fully coherent amongst themselves. The Country Office (CO) is currently developing a more coherent log-frame based upon the objectives in the Joint Action Agreement.

13. Nonetheless, as a result of the long history of innovation in local purchase in Uganda, the analytical basis of the project is fairly robust. In particular, the design was based on evidence about the impact of WFP local purchases on the development of structured grain markets with high specifications in Uganda. It was also grounded on evidence relating to the efficiency of grain markets, (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 inefficiencies caused by poor market infrastructure rather than any evidence of exploitation or unusual profits by traders. The narrow margins of intermediaries between farmers and the wholesale market in Kampala, together with the narrow price gradients between different places are indicative of an efficient market. This explains the positively different approach taken by the Uganda CO to work with traders including as part of the P4P component, to encourage the WRS and to place emphasis on increasing storage capacity and on improving maize quality.

Figure 2: Marketing costs from farm-gate to Kampala, 2002



Source: Wandschneider and Hodges (2005) *Local Food Aid Procurement in Uganda*

14. However, the extent to which AMS has tapped into WFP's own, and others, rich institutional memory about working with FOs is questioned. This matters because FOs have a prominent role in AMS. They seek to provide input and output support to farmers and envisages that collective structures will manage the market infrastructure. As was evidenced in the P4P MTE, the AMS logic is also based on a number of meta-assumptions, which have not been sufficiently acknowledged or tested at design stage. These are that: 1) collective action through FOs is an efficient way to address market failures in input and output markets; 2) grain production has the potential to help smallholders increase their incomes and contribute

to poverty alleviation; and 3) women can be empowered through participation in FOs. Risks were also insufficiently acknowledged in the AMS design while markets are inherently risky, particularly the cereal export markets around Uganda, which are subject to political influence and arbitrary state action. This compounds the inherent risks of rain-fed crop production on marginal farms in areas with very poor economic infrastructure.

15. The targets for the programme are diverse and at times bold, notably the target to double its annual procurement footprint to \$100 million. Although this target is based upon extended experience with local procurement, it represents a step change in local procurement performance - even with the extent of supply-side support envisaged. The smallholder targets are highly-ambitious, notably the \$50 increase in annual income as well as the targets for procurement from FOs (50% of local procurement by 2014). Gender is a fundamental preoccupation of both AMS and P4P but the related target with its focus on participation (50% women participation rate in FOs) rather than women necessarily having an influence on FOs or even benefitting from their participation. The CO recognise that changing gender relations within the duration of the project is very ambitious.
16. The AMS M&E framework and system are more focussed on measuring the achievement of targets rather than learning. But the CO is innovating through AMS and 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 providing more rapid feedback loops that would assist in learning about the project and the appropriateness of its activities.

AMS Achievements

Local procurement

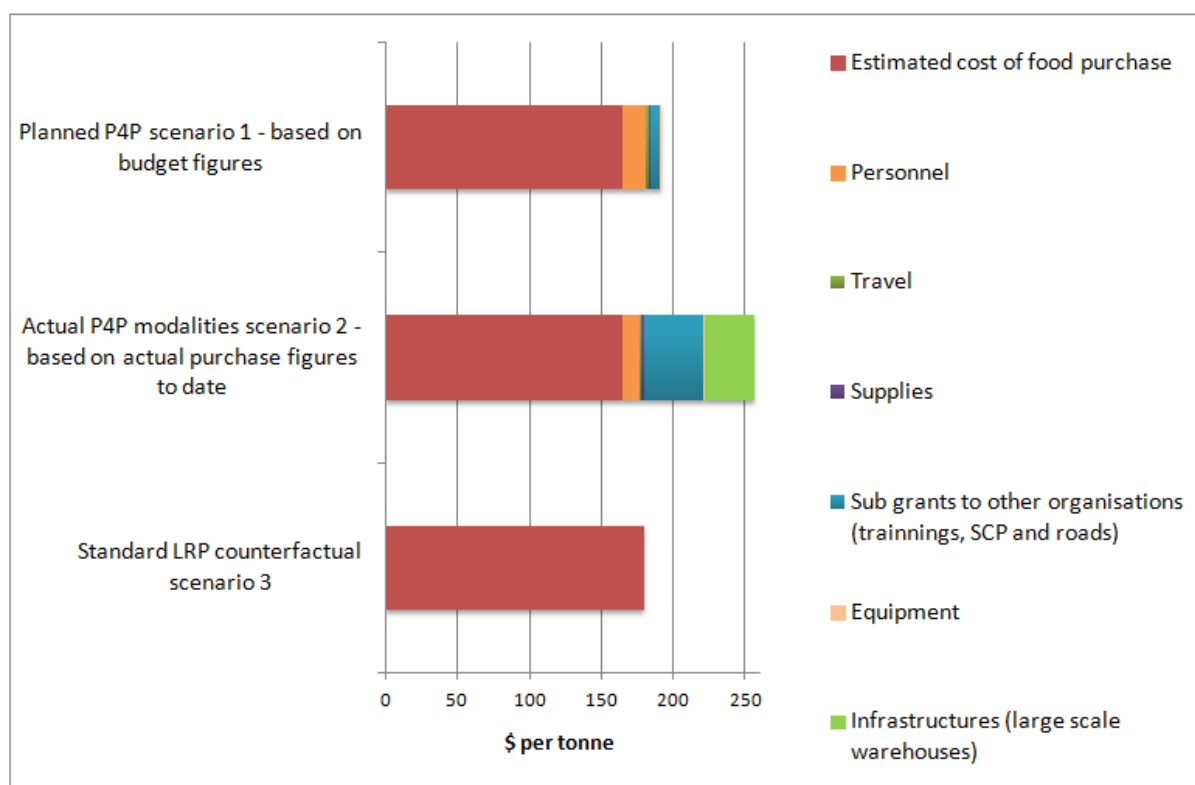
17. The overall level of procurement by WFP in Uganda was 125,700 tonnes in 2010 valued at US\$33 million, which falls short of the US\$ 100 million goal. This is not surprising given the imponderables affecting WFP's ability to procure e.g. levels of production and prices in national and regional markets and the availability of funds. Maize continues to dominate procurement and the anticipated move towards non-traditional commodities (sorghum, cassava chips, millet, sesame and fish) has not yet occurred.
18. While AMS aimed to increase the share of tonnage purchased through P4P modalities to 35% by 2012, the proportion of the tonnage purchased through P4P modalities represented 6.1% and 3.2% in 2009 and 2010 respectively. Amongst these, the share purchased directly from FOs (i.e. through direct purchase and forward contracting) has decreased as did the number of FOs contracted directly (from 14 in 2009 to 5 in 2010). By contrast, the share purchased through the WRS has increased. Within the 3,800 tonnes purchased with P4P modalities, the WRS accounted for nearly 60% of the total tonnage in 2010. See table 1.

Table 1: Summary of procurement by P4P modalities (Source: WFP P4P procurement report.)

	2007	2008	2009	2010
Overall actual tonnage	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 tonnage	7,101	3,473	6,426	3,793
Beans tonnage	-	335	681	55
Procurement direct from FOs				
Numbers supplying	18	8	14	5
Tonnes sold to WFP	7,101	3,759	5,331	1,608
Procurement through warehouses (WRS)				
Numbers supplying	-	1	3	3
Tonnes sold to WFP	-	48	1,796	2,240

19. Partner and farmers expectations have been created by ambitious and widely-communicated AMS plans. Such expectations have sometimes limited the ability for WFP 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. Defaults rates have been significant, both for regular local procurement and for P4P procurement, which for the latter stood at 29% for the period 2008 - 2010. There are several reasons for this: quality is difficult to guarantee for maize (more so than for other cereals) and increases in market prices in 2010 has contributed to side selling as contracts based upon prices agreed early in the year became unattractive. Also, FOs and suppliers of warehouse stocks have found WFP procurement and payment procedures convoluted.
21. Lack of data made it impossible to conduct a precise cost-efficiency comparison between P4P purchases and standard local purchases, which is the counterfactual scenario in the sense of this being the local purchase modality which prevails if P4P is unable to source food in Uganda. Figure 3 is therefore just indicative and should be interpreted with care.

Figure 3: Cost comparison, Regular LRP versus P4P under 2 scenarios



Source: Uganda procurement report and P4P synthetic expenditure report

Note: See research method explained in text beneath Figure 8

22. It suggests nonetheless that, although food itself is purchased more cheaply under P4P than from non-P4P source, the full cost of purchases is about 50% higher because of the costs of grants to partner organisations and of transporting grain, which are exaggerated due to the low tonnage 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 being divided by much higher tonnage figures, the price per tonne of P4P grain is much closer to the standard procurement figure.
23. This analysis suggests a number of trade-offs. If P4P can operate at the scale envisaged in the design documents, it can spread the considerable costs of farmer capacity building over a large procurement volume - so only imply 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 tonne exceeds the impact of standard LRP, the P4P concept is demonstrably viable. If however, the additional costs of P4P are large and on-going and/or the impact of P4P is not significantly better for smallholders than LRP, the cost benefit ratios turn against P4P.
24. Looking ahead, it appears that direct purchase are likely to remain more expensive than standard tendering unless WFP organise inspection and logistics services more competitively. This would suggest that seeking more efficient ways to work directly with farmers should be a priority. WRS can generate savings in logistics and intermediary margins, compared with standard tendering and higher financing costs under WRS may be offset by the benefits of

eliminating supply defaults, augmenting existing market intermediaries and reduced 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 the production of cassava, rice, vegetables and fruit in selected areas of Northern Uganda had started at the time of the MTE. This evaluation has retained a focus on crops which are relevant to P4P – so it was agreed to focus upon maize and beans.. Most AMS operational partners are working on productivity enhancement through training activities and/or facilitation of access to inputs. Even if this supply-side support cannot be attributed to AMS, the intention to connect market support activities with opportunities for improved agronomic practices is a strong and important element of the AMS partnership strategy.
26. Forward contracting plan is often included as part of a strategy to enhance productivity, as it provides a guaranteed price in advance – which should incentivise farmers to invest in improving production techniques. However, the AMS ambitious plans for forward purchasing have thus far been given a low priority (due to concerns with committing funds long in advance of the need to purchase commodities and with side-selling) leaving some external parties frustrated.

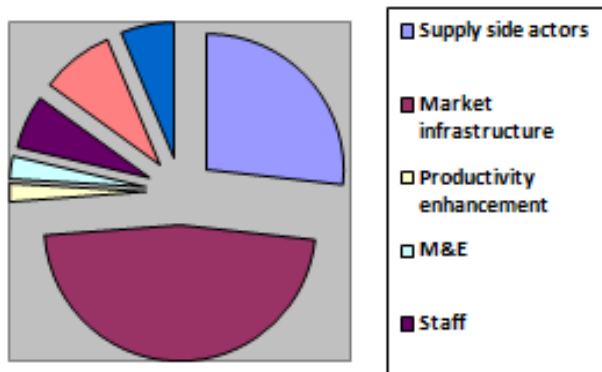
Supporting value-addition

27. Considerable effort has been invested in improving post-harvest handling. A major effort has been invested in 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% of the target for phase one, which concludes in June 2011. Men and women farmers expressed satisfaction with capacity building activities, which is having a perceptible impact on post-harvest handling knowledge.
28. FOs also received through AMS a range of equipment (generally free of charge but on occasion provided 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 impact of these activities on practices, which should be carefully monitored by the M&E system.
29. There has been so far little progress made with respect to support to milling and fortification of local products but the CO has now 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 and over US\$7 million has been spent on these. Figure 4 below illustrates the significance of infrastructure and supply-side partnerships to AMS and P4P activities in Uganda are clear.

Figure 4: Expenditure of the \$14.2 million of AMS & P4P spent to date



31. Two large warehouses in Gulu and Tororo have been rehabilitated and are now operational as UCE-licensed warehouses. By March 2011, work had started on 63% of the initial 58 planned village level, Satellite Collection Points (SCP). While completion is expected by June, the completion rate so far is only 15% implying that few facilities are yet operational (17% have been cancelled and 20% are on a different schedule).
32. However, the approach adopted to the planning of market infrastructure raises concern with respect to sustainability. WFP has signed a series of contracts with partners but some of these have limited experience in agricultural marketing. Within short contract periods (12-15 months), partners are responsible to identify the FOs, build their organisational capacity, plan and build the SCPs and roads and train the FOs to operate their business in the SCP. Despite adopting a participatory approach to site identification, market intermediaries – and particularly traders and transport service providers – who are supposed to utilise the facilities were often not consulted on their location, management and maintenance.
33. Utilisation, which will depend on the location of the infrastructure and the quality of its management, will determine sustainability. The evaluation team have some concerns on both of these aspects. In particular, managing storage capacity and maintaining roads are very demanding of collective structures. This needs careful consideration in light of AMS' much 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 utilisation is as planned (40,000 tonnes by 2014 – some ten times larger than the 2010 figure), the costs of infrastructure would be about \$17 per tonne of grain. If capacity utilisation is low, the costs are likely to outstrip the benefit of the project. It is suggested that a more efficient way of providing the necessary infrastructure may be to provide a market incentive – in the form of a premium price for P4P grain – and allow the private sector to directly provide 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 also partnered with the Grameen Foundation, to provide up-to-date market information to around 90,000 farmers through a network of Community Knowledge Workers. A spot check of prices reported raised questions about the accuracy of Grameen's source of market data.

35. AMS clearly contributed to supporting the development of WRS in Uganda. An increasing portion of its P4P purchases are coming from WRS; it is supporting the installation of new licensed warehouses; and is a committed partner of the UCE through a formal agreement. While the UCE/WRS achievements cannot be attributed to the AMS support only, WFP as the main committed buyer has been a powerful driver. Its purchases have primed the pump for the trade in dry, clean grain, - allowing the warehouses to tap into existing or latent demand from part of the private sector that wants better quality maize. For example, the total deposits into licensed warehouses were 8,133 tonnes in 2010 and the majority was sold to other buyers than WFP.
36. This is a significant improvement on the current market system which has grown up around WFP's local procurement activities in Uganda characterised by a small number of large traders holding very limited stock and using WFP contracts to leverage private finance with which to purchase grain to bring to their warehouses in Kampala. There are several important positive benefits from a system which requires more grain to be held in stock in decentralised locations and which can help farmers gaining access to finance on deposit and selling grain when the 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 a limited participation of farmer groups as depositors to the licensed WRS so far compared to medium-scale farmers and traders.
37. The main downside is that grain will tend to be more expensive (because the cost of storage is internalised) and there is the threat of licensed warehouse operators acting fraudulently.

Benefits to smallholder farmers

38. Estimates for small farmers' gains have not yet been generated by the M&E systems as the baseline survey had not been released at the time of the MTE but 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 possible income gains of smallholders selling to WFP through direct purchase, we assumed two possible scenarios: (i) no premium offered by WFP (as was the case in 2010 but not in earlier years); and (ii) a 20 Uganda Shilling per kilogram premium, which corresponds to the profit margin realised by small traders we met in 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 compared to this scenario. The most likely short-term effect of AMS is to help a households get to scenario B2 (about +\$20 per household for bulking outputs) and B3 (between +\$20 and +\$40 per household for improving quality). But the desired scenario is C2 (+\$55 USD per household) or C3 (+\$55 to +\$85 per household), which only comes as a consequence of 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 (USD/HH)	1	0	25	50	90
Additional HH income from bulking premium (0–20 USD/kg)	2	+ 10 USD / A1	+ 20 USD / B1	+ 30 USD / C1	+ 40 USD / D1
Potential WFP quality premium	3	-	+ 0 to 20 USD / B2	+ 0 to 30 USD / C2	+0 to 40 USD /D2

HH = household.

Source: Joint UN 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 on average landholdings will achieve an annual net income increase of \$50. The strategies most likely to boost income are productivity enhancement and bulking, which are both important elements of the AMS programme as discussed above).
41. MTE interviews with farmers and focus group discussions also revealed farmers' perceptions of the benefits and challenges associated with AMS. These have been summarised in table 3.

Table 3: Synthetic representation of AMS benefits and challenges

Strengths	Weaknesses
<p><i>Understanding of key messages by farmers</i></p> <ul style="list-style-type: none"> Farmer group leads seemed to have understood the quality requirement well. Important messages have been picked up by farmer groups, especially on post-harvest, handling and storage. Evidence of farmers' satisfaction with training so far. <p><i>Perception of potential benefits</i></p> <ul style="list-style-type: none"> Farmers recall higher WFP prices at times of bumper harvests (prior to 2010). <p><i>Appreciation of AMS package</i></p> <ul style="list-style-type: none"> Farmers appreciate that AMS is not only about production or marketing, but about the whole chain. 	<p><i>Transaction procedures maladapted</i></p> <ul style="list-style-type: none"> WFP payment procedure too long, which discouraged some farmers. WRS is distant from farmers – organising and paying for transportation is difficult. Delayed payments are even more problematic in a rising market. In 2010, WFP prices rarely matched traders' prices by the time of the payment. <p><i>Understanding potential WRS benefits</i></p> <ul style="list-style-type: none"> WRS still poorly understood by farmers. Until now, WRS brought limited improvement on access to credit. Exceptions – SACCOS in Massindi, private lending against warehouse receipts has started. <p><i>Gender</i></p> <ul style="list-style-type: none"> Women tend not to be involved in grain marketing: therefore, is the strategy to get women involved in farmer groups appropriate?

Opportunities	Threats
<p><i>Access to credit</i></p> <ul style="list-style-type: none"> ▪ AMS could help farmers to get better access to credit, which is perceived as much needed. <p><i>Predictability</i></p> <ul style="list-style-type: none"> ▪ Maize market tends to fluctuate more than those for other products – a predictable market could help to stabilise prices. <p><i>Demand for information</i></p> <ul style="list-style-type: none"> ▪ Farmers and farmer groups are asking for more information about WRS. 	<p><i>Weak appreciation of potential risks and benefits</i></p> <ul style="list-style-type: none"> ▪ Failure to meet the quality standard dramatically increase 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><i>Farmers' expectations</i></p> <ul style="list-style-type: none"> ▪ The registration process for groups is 'heavy', implying high transaction costs and delayed engagement in a commercial relationship with WFP. A very limited fraction of registered groups have supplied WFP so far. <p><i>Building trust</i></p> <ul style="list-style-type: none"> ▪ Confidence in group leaders and/or in WRS operators is limited. ▪ Group cohesion: not all farmers have the same interests and capacities to benefit from WFP quality market.

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 business processes and made it very difficult for WFP to buy food through 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 are helping AMS build a positive image. Yet, the management, and implementation of AMS has been arduous due to the complexity of the programme, ambitious targets, and limited experience of WFP and most of its partners in some of the AMS activities
44. Because of the flagship nature of the AMS in Uganda, the AMS team is under high pressure to deliver - notably from senior management at CO and HQ levels. This has been a very powerful drive to innovation and implementation. Some tension between the procurement and AMS units has resulted from different interpretations of the implementation strategy.
45. A number of learning events have been organised 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 various events have been very useful, but poorly informed by information generated by the M&E system. This has been set up very late, and is not yet making an adequate contribution to the learning process.

Conclusion

46. AMS is an innovative project, which covers an unusually diverse and broad range of activities along the market chain and has strong support from the Government of Uganda and senior

WFP management at country and HQ levels. These important advantages risk being undermined by the challenges of managing a large and complicated programme and it would be a shame if the late delivery of the M&E system meant that little was learned from implementing the project.

47. It is important that the intervention follows through coherently from the conceptual approach to implementation and M&E to avoid becoming a potpourri of different elements, which do not support each other. For instance, decisions on the location, management and maintenance of market infrastructure in a market development programme should involve close consultation with the commercial value chain actors who are intended to use the assets.
48. The sustainability of WFP undertaking direct procurement from FOs is questionable. To date, this modality has been expensive, unreliable and the positive impact on farmer livelihoods is likely to be rather muted. . Whilst it is important to maintain a diversity of modalities, we believe more emphasis should be on WRS to allow this to operate at a scale where it can function sustainably. Uganda is almost uniquely well located to support a WRS, which requires to run at a much larger scale than at present to be on a financially-sustainable footing. WFP's purchasing power could assist this scale to be achieved.

Recommendations

Recommendation 1: Further invest in WRS as a market development strategy. WFP has been a great supporter of the first steps of the WRS in Uganda but the system needs to operate on much larger volumes to take off. AMS could make an historic contribution to the grain marketing system in Uganda by progressively but steadily and predictably adopting the WRS as a mainstream local procurement system.

49. **R_{1.1}** The priority should be to progressively move from an almost complete reliance on conventional tendering to a more balanced share of local procurement going to the WRS/CE combination in order to provide the incentive for existing suppliers to make the switch and invest in the necessary equipments and procedures. As all modalities have a different range of costs and benefits, a detailed cost-benefit analysis of each should be conducted.
50. **R_{1.2}** There should be a clear agreement with the Government, UCE members and other stakeholders about the strategy for developing the WRS/CE combination and about the structure, governance and autonomy of UCE.
51. **R_{1.3}** The CO should consider progressively divest itself of its warehousing operations in favour of UCE-licensed warehouse operators, with a view to building a cadre of competent national operators who can service both public and private sector clients. WFP should carefully monitor the governance of licensed warehouses and immediately stop purchasing from operators that do not comply with agreed governance rules. If WFP announces its intention to move out of in-house storage of food, the transition can be carefully handled to avoid destabilising existing commercial warehouse operations.

Recommendation 2: Management of expectations: better communication about challenges and shortcomings. AMS has created important expectations, which are becoming difficult to manage. It is critical to reduce the level of unrealistic expectations around AMS.

52. **R_{2.1}** Make sure AMS is understood as a pilot initiative by all its partners, including the Government of Uganda, especially the non-procurement elements of AMS which are new territory for WFP and to many of its cooperating partners.
53. **R_{2.2}** Consideration should be given to reviewing targets to ascertain their realism, particularly those in the Partnership agreement with the Government of Uganda.
54. **R_{2.3}** Take action to reduce FOs' expectations of WFP as a buyer of commodities. The concept of smallholder aggregation should be promoted as a valuable activity in its own right, and less priority should be attached to registering farmer groups as potential suppliers to WFP. Farmers should see WFP as one of various customers, and one with demanding procedures and requirements that may not suit them. Registration should be mainly limited to FOs with a track record of aggregation, and which are prepared for the challenges of working with WFP.

Recommendation 3: Learn from phase 1 of infrastructure development and FO capacity building

55. **R_{3.1}** In 2012, one year after all infrastructures of the phase one have been completed, AMS should run a detailed cost benefit analysis of infrastructure and capacity building exercises. This evaluation should compare AMS with alternative programs pursuing similar objectives.

Recommendation 4: Adapt the M&E system to make it more reactive and to help monitoring outcomes

56. **R_{4.1}** Develop a comprehensive and coherent AMS logical framework until the end of the program to manage and monitor AMS, including a detailed analysis of assumptions and risks to farmers and traders and WFP.
57. **R_{4.2}** Start logging data on purchases and attempted purchases with a view to better pinpoint issues and bottlenecks in the procurement system, and allow for a robust calculation of the full costs of P4P purchases. Information should be collected on the whole process from beginning of negotiations to final payment. The CO should also institute a system of annual reporting on the incremental cost of procuring through each of the P4P modalities, and projections of how the new modalities will impact on costs in subsequent years.
58. **R_{4.3}** It is urgent to define a list of proxy indicators to measure outcomes achievements, and regularly collect and analyse them. The outcome monitoring system should include qualitative interviews of farmers, evaluating their perceptions of the benefits they could get from AMS.

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

59. **R_{5.1}** Management should continue to bring specialist expertise into the AMS team. Building capacity in market institution development and FOs capacity building should be prioritised. AMS should seek to deepen and formalise strategic partnerships with technical partners, preferably with significant experience of programme implementation.

1. Introduction

1.1. Evaluation features

1. To allow WFP to deploy efficiently in Uganda, the Country Office (CO) has developed a Country Strategy 2009–2014. This strategy reflects: public policy priorities in Uganda; WFP’s comparative advantage in the country; the transformation of WFP globally from a food aid agency to a food assistance agency, with a more nuanced and market-sensitive set of tools to address hunger; and the competitive advantage of agriculture in Uganda. This Country Strategy has three main priorities for Uganda: (i) emergency humanitarian action; (ii) food and nutrition security; and (iii) agriculture and market support. This mid-term evaluation (MTE) is concerned with this third pillar of the WFP Uganda Country Strategy.
2. The rationale for the evaluation is partly because of recent changes to the Agriculture and Market Support (AMS) initiative in Uganda. For example, the introduction of ambitious tonnage targets, the introduction of new activities and the deepening relationship with government are significant evolutions. These require independent review to assess their strengths, weaknesses and possible side effects. The reason AMS warrants a separate evaluation from the Purchase for Progress (P4P) MTE is that AMS is different from P4P. AMS is integrated into the mainstream activities of the CO (unlike P4P, which is a separate project financed externally) and local procurement activities are larger and have been established longer than in most of the other 20 P4P pilot countries.
3. Key evaluation questions set out in the terms of reference (see Annex 1) focus on the following issues:
 - **Relevance of the project and appropriateness of the design:** the extent to which the project goal is in line with the international development agenda and priorities of recipient countries; and the appropriateness of the design process and assumptions.
 - **Quality of performance and extent of results:** which focus on the level of efficiency; the extent to which intended objectives are likely to be achieved; less tangible and unintended effects of the project; cost-effectiveness; harmony with WFP’s main mission; and the extent to which approaches being tested by AMS are likely to be sustainable.
 - **Contributory and explanatory variables:** factors relating to WFP’s organisational capacity to manage AMS and to the external operating environment outside WFP.
4. During the inception period, these evaluation questions were scrutinised in detail and evolved into the long list of more specific questions in the evaluation matrix. These were agreed during the inception period (summarised in Annex 2). The scope of this MTE is framed by the terms of reference, the evaluation matrix and the initiative itself. The evaluation focuses on AMS as defined in the Joint Action Agreement with the Government of Uganda. The activities it considers include: P4P activities, systems, processes, guidance, funding, staffing and partnerships. The MTE covers the period from early 2009, when the Country Strategy was being prepared, until today. The primary geographical focus is where AMS activities are taking place in Uganda, although use will be made of comparative experience in other places that is of relevance to AMS.

5. AMS is a large initiative and so the evaluation team focused mainly on aspects that leveraged WFP's procurement footprint in Uganda, namely new procurement modalities, post-harvest capacity building, and the development of infrastructure to help farmers supply the market.
6. The main users of this evaluation will be the AMS Unit and pilot countries, WFP management and staff in other parts of the organisation, the Executive Board, donors and AMS partners. To a lesser extent, practitioners from government and UN agencies, NGOs and commercial interests and academics involved in agricultural market-support programmes are also expected to find value in the evaluation findings. This evaluation will inform the implementation of later stages of the project and the prioritisation of improvements, contribute to the development of normative work and support decision making regarding a possible mainstreaming and scaling-up of the project.
7. This Report is based on the work of a four-person team comprising:
 - Jonathan Coulter (team leader), a freelance specialist in agricultural marketing and post-harvest economics, with considerable experience in warehouse receipt systems and commodity exchanges
 - Henri Leturque, an agricultural economist and member of staff of the Overseas Development Institute. He was looking at supply chain aspects and brought to the team knowledge and experience of the relief sector, and
 - Rosemary Kaduru, a rural development specialist from the Ugandan company Research, Development and Training (RDT), supported by Maria Pardo of the same institution. Their task was to investigate the impact of AMS on farming communities in Uganda.
8. The team spent 17 days on mission in Uganda in March 2011, with methodology, itinerary and activities as detailed in Annex 2. On the basis of the evaluation matrix agreed in the Inception Report (see Annex 3), the team developed lists of questions for interviews with each kind of respondent. Focus groups were carried out with farmers in Busoga, Gulu and Massindi areas, with separate interviews for groups who had sold directly to WFP, groups who had sold via the WRS and groups who had not sold to WFP (control groups). An interview was also held with a group of farmers convened by Nyakatonzi Cooperative Union. The team also interviewed Field Officers working for the USAID LEAD project, most of whom have many years of experience working in the promotion of farmer organisations (FOs). Much use was made of the voluminous secondary information provided by the Office for Evaluation.
9. The team had intended to base much of its supply chain analysis on a procurement log that had been designed to elicit very clear information on the timing of events related to each purchase since the beginning of AMS and on the problems arising and how they were handled. The log was requested in mid-February, but has not been made available. However, by combining information from interviews, standard lists of purchase orders involving conventional tendering and P4P modalities and other documentary sources, the team was able to reach sufficiently clear conclusions to answer the evaluation questions.
10. Obtaining information on the cost of AMS has proved very time consuming and difficult. An important contributory factor is that WFP does not have a sophisticated system of cost and management accounts. It accounts for the actual amount it pays to grain suppliers, and to each donor for items it finances, but has no system for computing the overall cost of procuring grain or for providing the breakdown of direct costs and overheads, the deviation of actual

from standard costs or the variation of costs between procurement modalities. The team had hoped to use a 'procurement log' to inform its supply chain and cost analysis; it was designed to elicit very clear information on the timing of events related to each purchase since the beginning of AMS, the problems arising and how they were handled. This was requested from WFP in mid-February, but has not yet been provided.

1.2. Context

Uganda

11. Since the late 1980s, economic liberalisation and privatisation have been key features of Uganda's economic policy. In the agricultural sector, trading of cash and food crops has been largely liberalised, with government marketing boards dismantled or privatised. Traders and other private sector operators face few regulatory barriers to participation in agricultural markets and prices are largely determined by supply and demand.
12. Since 1997, the Government of Uganda has promoted a development agenda based on its Poverty Eradication Action Plan, with generally positive consequences for welfare and hunger indicators. The proportion of the population living below the national poverty line declined from 56% to 31% between 1992 and 2006. However, the disparity in livelihoods between urban and rural areas remains sharp. In 2006, 34% of the rural population lived in poverty whereas only 14% of urban population lived in poverty. The Ugandan economy has experienced high and steady growth as a result of peace and security in most of the country and sound macroeconomic policies. Notwithstanding this progress, Uganda remains a very poor country. In 2008, the national average income per head was \$420, which ranks 190th in the world. International poverty rates (i.e. \$1.25 and \$2 per person per day) were 57% and 80% respectively in 2002.
13. The plan for the Modernisation of Agriculture (PMA) outlines the Government of Uganda's medium and long-term vision for shifting the agricultural sector from a subsistence-based to a commercially orientated economic sector. Agricultural transformation is regarded as critical for achieving food security and reducing poverty. Launched in 2000, this 20-year programme will be driven by the engine of private sector development. The role of government is to facilitate agricultural transformation through the provision of economic infrastructure, agricultural research and extension systems and by creating an enabling business environment. The government budget devoted to agriculture was 4.0% in the 2005/06 financial year and, through the Comprehensive African Agriculture Development Plan (CAADP), a commitment has been made to increase this to 10%.
14. However, even though Uganda's economy is largely agriculture-based – with agriculture accounting for 38% of gross domestic product (GDP), 73% of the labour force and 85% of export earnings¹ – agricultural growth rates have lagged behind the rest of the economy. Cereal yields have scarcely increased over the past 20 years, from 1.48 tonnes to 1.52 tonnes per hectare in 1990 and 2008 respectively. These yields are very low by international

¹ WFP (2008) Purchase for Progress Country Assessment Report.

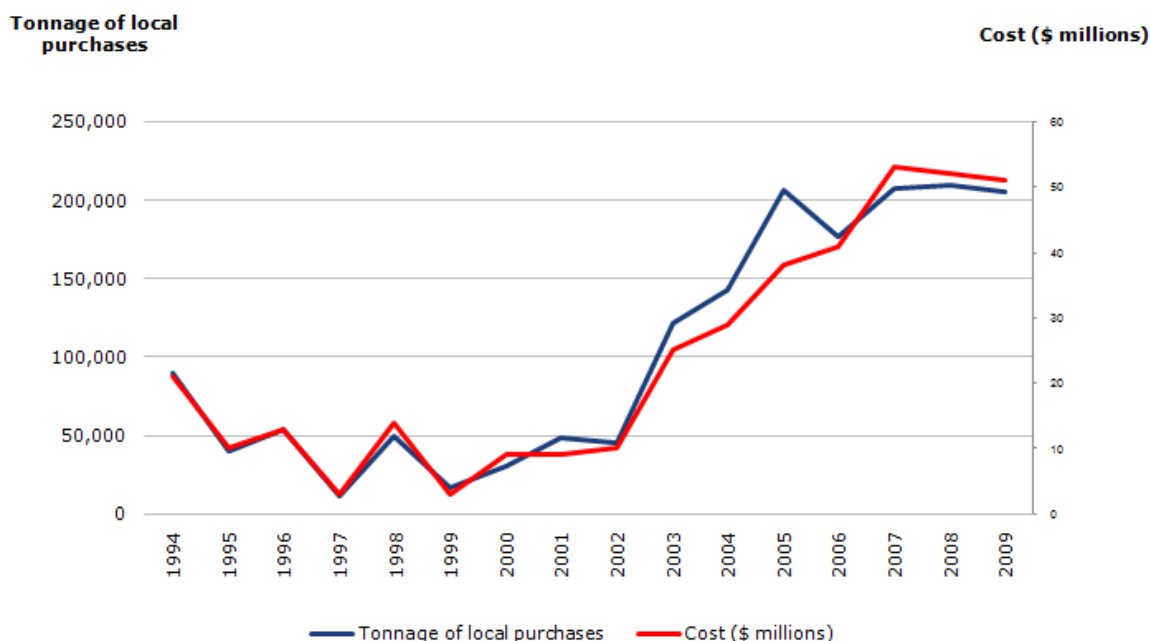
standards. In 1990, Ugandan cereal yields were just over half the world average figure, and by 2008 the figure had dropped to 45% as world average cereal yields rose to 3.4 tonnes per hectare. The consequence of these low yields, the small farm sizes and the large agricultural workforce is that agricultural labour productivity is very low indeed. In 1990, agricultural value added per worker was \$175, and by 2007 the figure had only risen to \$191 (expressed in 2000 US\$).

WFP past agriculture and market support in Uganda

15. WFP has been involved in purchases of grain and pulses in Uganda since 1991. Between 2002 and 2009 it purchased over 950,500 tonnes of food commodities, and in 2007 alone it bought 210,000 tonnes, valued at US\$54.8 million. Uganda consistently ranks in the top ten developing countries where WFP purchases food. Until 2008, about 70% of locally purchased food was used to support relief activities in Uganda and the remaining 30% supplied WFP operations in neighbouring countries. With the end of the conflict with the Lord's Resistance Army within Uganda, internally displaced persons (IDPs) started returning home and this led in turn to a massive drop in their requirements for food from WFP. At the same time, there was a growth in overall demand from WFP operations in neighbouring countries, including Somalia, Kenya, Rwanda, Burundi, Democratic Republic of Congo and South Sudan. For 2011, the Uganda CO forecasts local demand at only 30,000 tonnes, while it estimates market potential in neighbouring countries at around 300,000 tonnes, a volume for which it must compete (and is well placed to compete) against alternative WFP supply sources, i.e. international and regional procurement, and other COs.
16. WFP originally obtained all its food grains from donor countries, but since the beginning of the 1990s has been increasingly sourcing them in surplus-producing areas of countries or regions where the food aid is destined, using cash contributions from donor countries to procure the grain. Local and regional procurement (LRP) has normally been carried out by competitive tender among suppliers who have met certain requirements and put up a bid bond, normally 5% or 10% of the contract value. The growth of LRP has led to increased interest in the cost-efficiency and development impact of WFP's purchases, particularly in countries such as Ethiopia and Uganda. Various research studies have been commissioned, notably by the UK Department for International Development (DFID) and WFP,² and WFP has published its own Policy Issues Paper on the subject (WFP, 2006). This growing interest in optimising the development impact of LRP led the Executive Director of WFP to sign an agreement with the Bill and Melinda Gates Foundation (BMGF) for the implementation of the P4P project in September 2008.
17. In terms of its presence in Uganda's grain markets, particularly for maize, WFP's procurement footprint is massive. Since 2005, WFP's annual food purchases have varied from 110,000 tonnes to 210,000 tonnes, with an average volume of 139,000 tonnes and an average value of US\$43 million (Figure 1). Maize has accounted for the lion's share of commodities, followed by maize-based products (maize meal and corn-soya blend; CSB) and beans.

² For particular relevance to Uganda, see reports by Wandschneider and Hodges (2005), Sserunkuuma & Associates Consult (2005), Coulter *et al.* (2007) and Tschirley *et al.* (2007).

Figure 1: Local purchase tonnage and cost in Uganda, 1994 to 2010



18. Unlike the situation elsewhere in southern and eastern Africa, farmers produce maize largely as a cash crop, while predominantly using bananas and root crops as their food staples. WFP is one of three major market outlets, along with domestic market uses (mainly posho milling³ and poultry feed) and exports to neighbouring countries. No other individual customer consumes a small fraction of the volumes procured by WFP. Since the 1990s, WFP’s demand for this commodity has been a major market driver, causing more land to be used for the crop. WFP has moreover been the ‘market maker’ for maize of standardised moisture and quality, and its procurement modalities have shaped the supply chain that services it and enables it to handle the large volumes it supplies to refugee and IDP camps in the region.

19. **The public health dimension.** Uganda has a bimodal rainfall pattern with two major harvests per year. Due to the wet conditions and the need to replant in the same fields, farmers find it difficult to field-dry crops and they therefore tend to sell it on quickly, at moisture levels above 15%, levels at which it is prone to moulding and development of mycotoxins, notably aflatoxins. There have been large scale fatalities from this in Kenya, and it is likely that resulting liver disease has blighted the life of much larger numbers of East Africans⁴. Because

³ Posho mills are usually small and combine decortication and hammer milling; they can be differentiated from larger roller mills, which produce package branded products and have a large share of the market for maize meal elsewhere in eastern and southern Africa.

⁴ Acute exposure to high levels of aflatoxins can result in liver failure and rapid death. Chronic exposure, in both humans and animals, exacerbates infectious diseases and can lead to cancer, liver cirrhosis, weakened immune systems, and stunted growth in children. Guantai (2011), quoting a variety of sources, says that 500 deaths were attributed to aflatoxin in Kenya since 2004, a country-wide survey in 2004/05 showing that 21.7% of grains samples had more than 20 parts per billion of aflatoxin (c/f official limit of 10 ppb), and that each year over 82,000 people were being diagnosed with cancer, mainly due to “dietary lifestyles”

(<http://www.slideshare.net/pchenevixtrench/aflatoxins-in-grains-aflacontrol-conference-southern-sun-hotel->

of its strict quality requirements, WFP-Uganda has not had significant problems with aflatoxin, and tests consistently show LRP maize to be within the East African tolerance of 10 parts per billion⁵. Apart from the one supported by WFP, Uganda lacks a proper commercial supply chain for dry, graded maize. Food and feed millers are grinding maize with moisture content as high as 19%, levels at which moulds develop and are prone to cause health problem in humans and mortality in poultry and other animals, notably fish which Uganda is increasingly seeking to produce by aquaculture⁶. If WFP can use its procurement muscle to leverage the development of the supply of dry grain of consistent quality/grade, it will help East Africa to gradually solve this problem.

20. Kenyans often reproach Uganda for the low quality of the grain it exports through commercial channels, though it normally does nothing to stem the informal cross-border trade on bicycles. However, in those occasional years like 2001 when there is a regional glut, Kenya is apt to apply strict phytosanitary controls so as to protect its own farmers from Ugandan competition. In such years, Ugandan exporters would be in a stronger negotiating position if they could supply certified to comply with East African grade standards.

Good practice in agriculture and market support

21. Current thinking in this area is dominated by value chain analysis, sometimes called subsector analysis. It includes the full range of activities required to bring a product or service from its conception to its end use, the firms that perform those activities in a vertical chain and the final consumers for the product or service. Development agencies use value chain analysis to identify how poor people, small enterprises or other target groups can play a larger and more lucrative role in a particular value chain and how a chain's structure or characteristics can be changed to enable it to grow in pro-poor ways.⁷ Value chain analysis is increasingly used to help develop a competitiveness strategy for a value chain or industry. The key point to note with regard to AMS is that it is a holistic approach, which looks both at everything that happens from the producer to the consumer and at the supporting services, such as extension, input supply, finance, storage, insurance etc. It is not just about engaging producers and WFP see their comparative advantage being located on post-production activities (post harvest handling and marketing)
22. Also of relevance is the Making Markets Work for the Poor (M4P) approach developed for DFID) and Swiss Development Cooperation. This developed out of a critique of 'traditional' supply-side enterprise support programmes, involving the use of copious development funds to provide goods and services to small business on a concessionary basis. The critique was

a). Another report by a Ministry of Agriculture official said that 265 people died of aflatoxin poisoning between 2000 and 2008, out of which 123 died in 2004 (<http://www.caadp.net/pdf/Ngetich%20PROGRAMMES.pdf>).

⁵ WFP has had significant problems with maize meal in the past, because the milling allows the mould to contaminate a greater surface area, and this has caused it to institute a much more rigorous system of quality control.

⁶ It is worth citing American regulations in this regard. In the USA there are no official tolerances or safe levels for aflatoxins in fish feed. The Food and Drug Administration, however, allows a maximum of 20 ppb in feeds or feed ingredients for immature animals (including poultry) or dairy animals.

⁷ See <http://www.value-chains.org/dyn/bds/docs/detail/424/1>

that this approach simply did not work. At a high cost per beneficiary, the impacts were small and generally evaporated when the flow of donor funds stopped. The relevance of the M4P approach to AMS is its focus on assessing how resource-poor people currently interact with markets and understanding whether there are bottlenecks to improving the pro-poor impacts of this interaction. The aim of M4P is to achieve systemic change in markets (to allow the poor to engage more productively) in order to achieve a significant and sustainable impact on the lives of poor people.

23. Various countries have sought to develop modern market institutions, such as commodity exchanges and warehouse receipt systems, to enhance the performance of private markets. Around the world there are a number of cases where such institutions have played a major role in developing efficient markets.
24. The Ugandan Commodity Exchange (UCE) was founded in 1998. The development sector's interest in commodity exchanges relates mainly to the view that this is a more transparent and efficient way of transacting trade between a (powerful) buyer and a (small-scale) seller than the traditional closed tender (where prices are submitted in sealed envelopes). A commodity exchange can allow for price discovery which, if communicated to producers, can strengthen their position when negotiating with traders at the farm gate. In markets such as Uganda, where the cereal trade is dominated by a small number of large traders, a commodity exchange can open up the market to a diversity of suppliers. For commodity exchanges to work they need to operate at significant scale and with clear quality standards, and there has to be an assurance that the commodities bought will be supplied. This is a challenge in contexts like Uganda, where the cereals market is small and output is produced by large numbers of small-scale farmers with significant post-harvest handling challenges. By severing the need for a relationship between the seller and the buyer – beyond the transaction itself – commodity exchanges can protect low-income producers from exploitation by buyers. However, often the buyers of goods do have a longer term relationship with small-scale farmers which provides support beyond the sale price of the crop (such as technical advice on farming or market trends), which is lost in a commodity exchange.
25. A warehouse receipt system (WRS) is a way of establishing a link between smallholder farmers, traders and quality-orientated markets. The system in Uganda is regulated by the UCE and functions by giving a receipt once commodities are deposited by a farmer, trader or FO in a UCE-certified warehouse. WRS can benefit farmers in two ways. First, by separating the act of depositing into a warehouse from the sale, the system allows farmers to sell crops at a time of their choosing – when prices are high – rather than immediately after harvest time when prices are low. Second, WRS can facilitate farmers' access to credit (banks lend money which is secured against the warehouse delivery receipt) – so that farmers can meet their cash needs (e.g. for school fees, for inputs for the next crop, for debts) without having to sell their crops when the prices are low. For buyers, the system makes it easier to purchase from smallholder farmers because it overcomes the two major headaches of unreliable delivery and poor quality (because quality-assured stock is available in licensed warehouses). For the market, the volatility in grain markets should be reduced as the amount of grain held in warehouses increases and buyers and sellers of grain are able to choose when and where to transact their business. The other key advantage of WRS is that it is about developing a market (rather than a supply chain specifically for WFP) – which should be

accessible to all potential suppliers and all buyers, whether or not WFP continues to purchase grain in Uganda.

26. The potential advantages of WRS require a number of preconditions before they can be delivered in reality. First, the significant costs of running a WRS only become affordable to end-users if the system operates at scale – so the cost of running the system is a small increment on each tonne of grain. If volumes traded are low, the system is either self-financing (and unattractive to buyers because it is expensive) or donor-funded (and therefore unsustainable). Second, the advantage to farmers of WRS is only realised if financial institutions are prepared to finance warehouse receipts in the rural areas in which farmers are based. Third, the governance of WRS has to be free of corruption, so that farmers feel secure enough to deposit their grain in licensed warehouses and buyers have confidence that grain purchased will meet the specified standards. As this evaluation indicates, although significant effort is being made to expand the network of licensed warehouses, these three preconditions cannot be assumed in East Africa.

1.3 The Agriculture and Market Support project

Description of AMS

27. WFP is supporting government efforts to improve the agriculture sector in Uganda in a way that benefits smallholder farmers. In 2008, the CO developed a Country Strategy for 2009–2014, with three priorities for WFP work in Uganda: (i) emergency humanitarian action; (ii) food and nutrition security; and (iii) agriculture and market support. Through the AMS initiative, the CO sought to scale up its purchasing from smallholders and incorporate new elements stemming from lessons learned.
28. This is the only case in WFP where part of an operation does not relate to distribution of food. It is also the only case where P4P is not being piloted under a trust fund modality, but has already been mainstreamed in a regular operation.
29. The **goal** of AMS is to promote linkages of farmers and small to medium traders to sustainable markets. The **outcomes** of AMS are as follows:
 - increased marketing opportunities and cost-effective WFP local purchases
 - WFP substantially increases local food purchases
 - farmers adopt best practices to enhance market engagement
 - smallholder farmer associations increase their volume of marketable surpluses of staple commodities (maize and beans)
 - smallholder farmers learn improved business skills
 - smallholder farmers and small to medium-scale traders increase sales to WFP and other buyers
 - pro-smallholder farmer procurement practices and principles operationalised by WFP
 - smallholder farmers produce quality maize that meets national and regional standards, and
 - increased involvement of the private sector in agriculture development.

30. AMS does not have a comprehensive logframe, though the Uganda Country Plan for 2009–2014 shows a ‘results and resources matrix’, with the part for Component 2 (AMS) showing the following targets:
- farmers and traders are in a position to sell to WFP more than US\$100 million annually of locally produced food
 - a 10% annual increase in local purchasing and in income of targeted farmers
 - 70% of the CO’s food purchases to be local, and 50% to come from smallholder farmer groups
 - a 10% annual increase in the number of targeted farmers that have access to district food markets, and
 - a 10% annual increase in the volume of surpluses meeting WFP quality standards.
31. To achieve the goal, outcomes and targets, the 2009–2014 AMS initiative includes a broad set of activities focused upon:
- developing market infrastructure to further integrate farmers in the growing agricultural market
 - improving post-harvest handling for selected commodities to reduce losses, ensure quality standards, ensure productivity and add value
 - increasing and diversifying local purchasing to help stimulate growth in the agricultural sector, by creating additional market demand for Ugandan commodities, and
 - supporting agricultural productivity and diversification in northern Uganda.
32. The main AMS activities are as follows:

Developing market infrastructure:

- Rehabilitate or construct market collection points, i.e. storage warehouses in agricultural areas, including in communities populated by smallholder farmers.
- Rehabilitate or construct feeder roads to boost market connectivity.
- Connect farmers, including smallholder farmers, to the warehouse receipts systems (WRS) of the Uganda Commodities Exchange (UCE) and to market information systems.
- Ensure that adequate market information is available to smallholder farmers.
- Support the Government, through the UCE, to establish and operationalise a trading floor for East Africa Grade 1 grain.

Improving post-harvest handling

- Promote improved practices in post-harvest handling and quality standards among Ugandan farmers, including smallholder farmers, notably through related food or cash for training programmes conducted in conjunction with technical partners.
- Through the market collection points, provide farmers with proper equipment for cleaning, drying and grading their produce.
- Support the promotion of milled, fortified and blended products, both on the supply side (i.e. production thereof based on an evaluation of demand) and on the demand side (i.e. through local purchases).
- Assist farmers in bagging their produce and in the drying, salting and smoking of fish.

Increasing and diversifying local purchasing: While large to medium-scale traders will play an instrumental role, focus will also be placed on integration of smallholder farmers and small traders.

- Use innovative purchasing techniques that are more friendly to smallholder farmers, such as direct purchasing and forward contracting, and increase smallholder farmer groups' market share in WFP's local purchasing.
- Provide production incentives – as a stable buyer, WFP provides assured demand for goods.
- Expand the range of food commodities purchased locally to include, for example, sorghum, millet, cassava, sim-sim and fish, in addition to maize and beans.

Supporting agricultural productivity and diversification:

- Support production of cassava, rice, vegetables and fruit in selected areas of northern Uganda.

Purchase for Progress

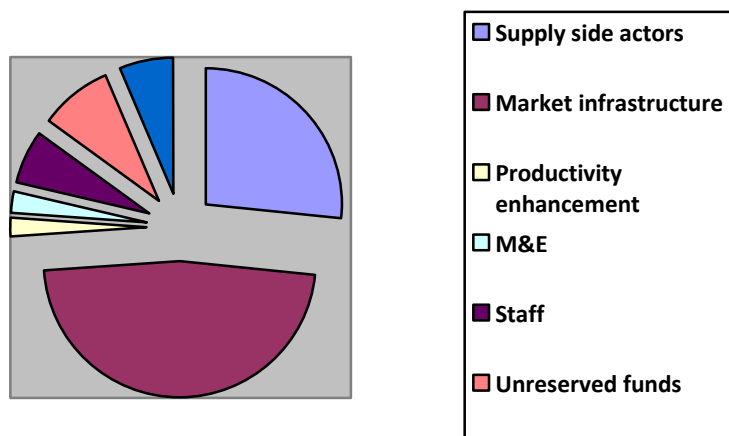
33. The P4P pilot project, which now involves 21 countries, including Uganda, was designed as an instrument for WFP to expose smallholder farmers to the market in a manner that secures their sustainable access to incomes. It was launched in September 2008 for a five-year period, and is being funded by BMGF, the Warren Buffet Foundation, the European Commission and the Governments of Belgium, Canada, France, Ireland, Luxembourg, the United States of America and the Kingdom of Saudi Arabia. The overall contributions received to date are around US\$140 million, and the stated goal is to: increase agricultural production and sustained market engagement, and thus increase incomes and livelihoods for participating low income smallholder farmers, the majority of whom are women. P4P should be seen as a supportive sub-set of the AMS initiative.
34. In each country, P4P would bring together a strong coalition of public and non-state partners to support the growth and development of the smallholder agriculture and marketing sector. The objectives are to:
- identify and share best practices for WFP, NGOs, governments and agricultural market stakeholders
 - increase profitable smallholder/low-income farmers' engagement in markets
 - increase smallholder/low-income farmers' capacity for agricultural production and market engagement in order to raise their incomes from agricultural markets
 - identify and implement best practices for increasing sales to WFP and others, with particular focus on smallholder farmers, and
 - transform WFP food purchase programmes so that they better support sustainable small-scale production and address the root causes of hunger.
35. It is intriguing how different P4P looks in the different countries. For instance, in Uganda, the inclusion of small traders, the support for the WRS modality and significant infrastructure development make the P4P implementation strikingly different from that in the other countries.
36. *Learning and sharing* is a key priority in P4P, to be promoted by a combination of partnerships and training, policy advice/advocacy and monitoring and evaluation (M&E). Donor funding covers the cost of technical assistance, capacity building and M&E, as well as grants for partners' supply-side activities designed to assist farmers in responding to WFP's procurement incentives. The funds to procure the commodities themselves would come from WFP's regular sources, including country, emergency and recovery programmes.

37. Apart from this, the P4P Implementation Plan for Uganda (dated March 2009) has a logframe for the first two years of operation (2009–2010) which applies only to the P4P activities, not to the whole of AMS. The stated goal is that at least 18,000 smallholder farmers (450 FOs) and 160 traders will have increased incomes of at least US\$50 per year through strengthened and sustainable capacity to engage in agricultural markets. The objectives are the same as those for P4P’s five-year logframe, but the outcome and output levels are greatly simplified. The P4P Implementation Plan also specifies the following gender targets: 50% registration of women in farmer associations; management teams are gender balanced, with women making up at least half the members; 50% women in training programmes; at least one woman as signatory or co-signatory in each FO bank account; and contracts with FOs having to detail payment dispersal arrangements to ensure women receive an appropriate share of earnings.

AMS costs, budget and management

38. The estimated overall cost of AMS is about US\$101 million. In addition to AMS funds, BMGF has contributed US\$5 million to finance the P4P component of AMS for the five-year period (2009–2014), to cover the cost of technical assistance, capacity building, M&E and grants for supply-side partnerships.
39. Figure 2 provides information on the funds expended and allocated for expenditure to date – including a crude estimate of contribution to headquarters overheads.⁸ It should be noted that neither AMS nor P4P funds cover the purchase of food, and this is paid for out of regular WFP programmes in Uganda and neighbouring (client) COs that find Uganda a competitive source of supply. AMS/P4P involves WFP in a certain amount of unbudgeted expenditure, notably extra costs that the logistics department and nine sub-offices (Gulu, Pander, Kitgum, Lira, Soroti, Iganga, Mbarara, Nakapiripirit and Abim) must bear on the side of training, supervision and quality control. Figure 2 clearly demonstrates the significance of infrastructure and supply-side partnerships to AMS and P4P activities in Uganda.

Figure 2: Breakdown of the \$14.2 million of AMS and P4P spent to date



⁸ To estimate this we have taken half of the budgeted headquarters P4P costs and related indirect support costs for the five-year period and divided it equally between the 21 countries participating in P4P to date.

40. While the budget for AMS has only partly been funded, it is planned to be very substantial: about two-thirds of the entire P4P budget in 21 countries. The budget for 2011–2014 is US\$74 million. About two-thirds of ODOC is for investment in storage warehouses, collection points and roads. ‘Unreserved funds’ are reserved in a pool pending commitment to on-going project activities.
41. As regards the management of AMS, the Uganda CO has a special AMS Unit with responsibility for design, management, implementation, monitoring and reporting on local-level projects, with nine staff members in Kampala. In addition, there are one or two full-time programme staff working on AMS in each of the relevant sub-offices. However, all purchases are made by the CO’s regular Procurement Office, which works in liaison with the AMS Unit.⁹

2. Evaluation findings

2.1. Relevance and design

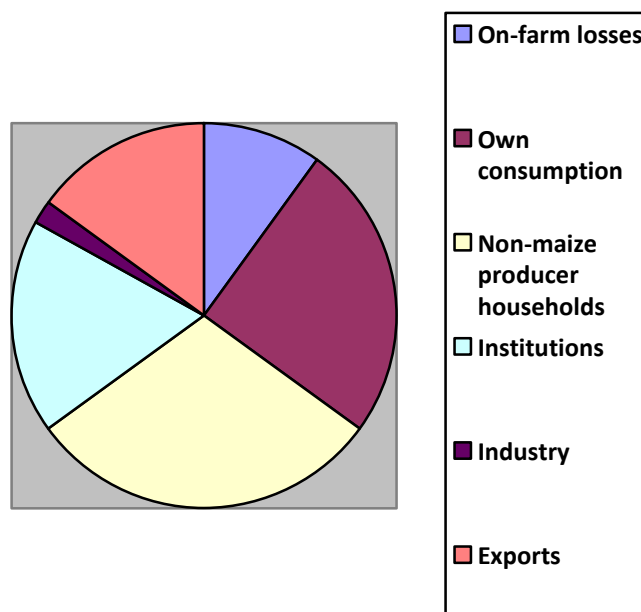
Relevance of AMS

42. AMS (including the P4P sub-programme) is relevant to Uganda because it reflects: the value of the idea to use a procurement platform to support the development of a country; Uganda’s competitive advantage in regional grain production; the significance of WFP local procurement in the market in Uganda; and the relatively supportive government policy environment.
43. First, AMS seeks to utilise WFP’s entire procurement footprint to positively influence agricultural development in Uganda, taking account of the valuable role of conventional tendering, attested by Tschirley (2007). He confirmed previous research showing that LRP produced major savings vis-à-vis in-kind food aid, although findings about the competitive nature of tendering in Uganda are mixed. He found that WFP had paid an especially large premium over market prices from September 2003 through October 2004, but over the succeeding 14 months had consistently paid market prices, with little if any premium. His overall assessment of LRP in Africa is generally favourable.
44. Second, Uganda is the breadbasket of the region. This is not due to a comparative advantage in the production of maize or beans – in terms of climate and soil, production should be buoyant throughout the region – and neither is it because the cereals sector is particularly productive in Uganda. But rather, ill-advised government policy and warfare have damaged the ability of Uganda’s neighbours to feed themselves with these staple crops. According to cross-border monitoring data from the Regional Agricultural Trade Intelligence Network (RATIN), between 2006 and 2009 Uganda exported an average of 107,000 tonnes per annum to Kenya and 50,000 tonnes to Rwanda. No data are available for shipments to other countries, but anecdotal information suggests that volumes flowing to South Sudan have been much higher than this in certain years. Beans, the other main commodity procured by WFP, are also of importance as a cash earner in the export market. RATIN data show that exports to Kenya averaged 99,000 tonnes per annum from 2006 to 2009, slightly less than maize exports in terms of tonnage, but much greater in value terms.

⁹ The division of responsibilities is set out in Guidance Note 1: P4P food procurement transactions.

45. Third, WFP is the overwhelmingly dominant purchaser of maize in Uganda – and so is well-placed to transform the smallholder agricultural sector. Of the roughly 1.55 million tonnes of maize produced in Uganda in 2010, some 0.54 million tonnes was consumed by producer households or lost in on-farm storage. A similar amount, some 0.5 million tonnes, was purchased by institutions (mainly schools and the army) and exported. This meant that only about half a million tonnes was available for non-producing households in the domestic market in Uganda. WFP consistently purchases 200,000 tonnes, making WFP by far the largest single purchaser of maize in Uganda (Figure 3). To illustrate the market power that WFP has, which could be used to transform the grain market in Uganda, traders estimate, for instance, that 80% of the national storage capacity of maize is located within 200 metres of the WFP warehouse in Kampala. This also illustrates the extent to which maize is a cash crop in Uganda – and so any price-support effect which WFP local purchasing activities has in Uganda has a much less serious impact on the welfare of net food purchaser households than would be the case for a more traditional non-traded staple crop.

Figure 3: Estimated use of total maize production in Uganda



Source: WFP (2011) Rapid Market Assessment Report.

46. However, WFP-Uganda’s footprint and current plans need to be considered alongside the gradual movement in food aid thinking, from distribution of commodities to distribution of cash and vouchers. Maxwell and Bell (2007) argue that physical distribution of commodities to IDPs and refugees can only be justified in specific circumstances: where local food markets do not work properly or supply does not meet local requirements. One can expect a gradual move from commodity aid to cash and vouchers, and for WFP-Uganda’s large procurement footprint to diminish somewhat over the coming decade. People in receipt of cash and vouchers will help sustain demand for maize and other crops, but WFP will not have much influence over the channels through which they are traded.

47. Government agricultural policy in Uganda is some distance from being conducive. Market infrastructure is very poor and the failure of the extension services to support any significant increase in productivity over the past two decades is striking. However, policy towards grain marketing is more consistently supportive than elsewhere in eastern and southern Africa. In part this allows Uganda to produce enough maize to feed herself and her neighbours, as outlined above. Government policy is supportive of AMS/P4P's core objective of raising the income of poor smallholder farmers. In addition, Uganda provides probably the most favourable context in East Africa within which to test new marketing structures. The closeness of the policy dialogue between WFP and the Government of Uganda is key when discussing institutional innovations and other
48. The Joint Action Agreement with the Ministry of Agriculture shows that AMS/P4P is fully coherent with government policy and has given WFP a much higher profile within government. At the level of districts and sub-counties, local officials are required to work with WFP and partner NGOs in the development of rural infrastructure. WFP is also involved in policy discussions affecting the grain sub-sector. The Government of Uganda's policy in favour of unrestricted grain exports stands in contrast to that of neighbouring countries, whose governments frequently restrict flows on food security grounds, and is supportive of AMS.
49. We conclude that the initiative is highly relevant to both WFP's and Uganda's situation. It is fully supportive of government policy, and it builds upon WFP's vocation for producing maize and other field crops to satisfy national and regional demand, while addressing constraints that limit WFP's ability to exploit this potential. It also helps WFP to mitigate possible downsides over its role in stimulating the supply of maize and other commodities. However, in food aid circles there is a gradual move from commodity aid to cash and vouchers, for which reason WFP-Uganda appears to have a limited 'window of opportunity' during which it can use its footprint to influence the shape of the market for the better.

Adequacy of the AMS design

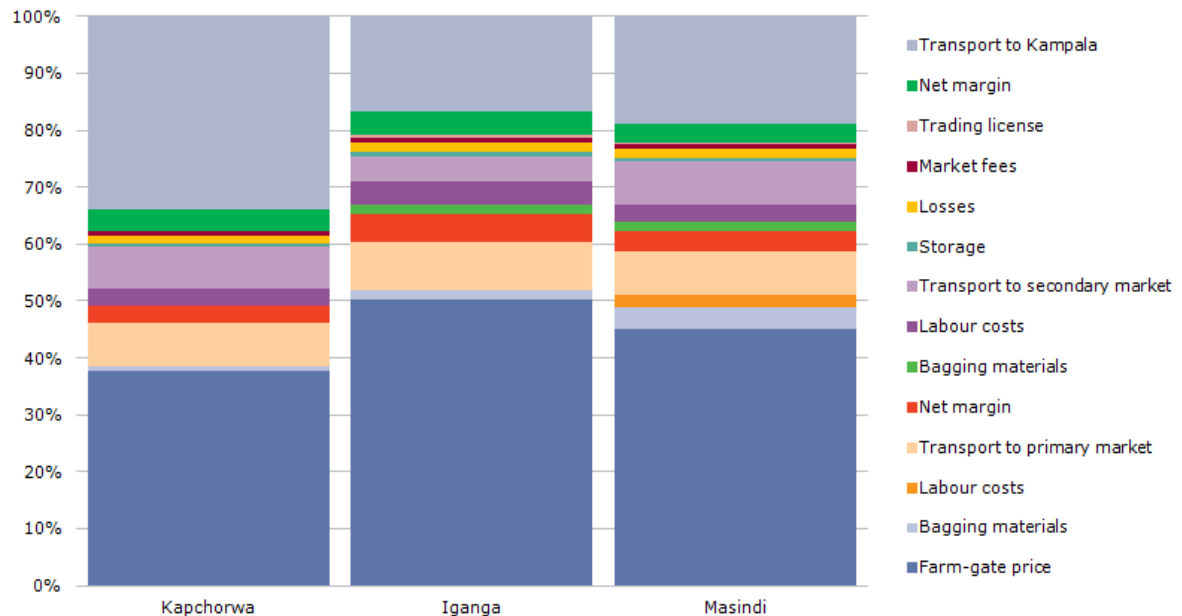
Analytical basis of project design

50. As a result of the long history of innovation in local purchase, the **analytical basis for the AMS and P4P design** is more robust than in the other P4P pilot countries. The Country Assessment Report cited existing evidence about local purchase by WFP which indicates that this has had an important impact on the development of structured grain markets in Uganda with high specifications and strict deadlines.¹⁰ This same source also includes a detailed assessment of whether Uganda's grain markets are efficient – in the other P4P countries, the meta-assumption that markets are not efficient is made with insufficient evidence to support it. An analysis of marketing costs from the farm gate to Kampala concludes that, while the farm-gate price for maize is only 37% to 50% of wholesale prices in Kapchorwa and Iganga respectively (Figure 4), this reflects the high costs associated with small purchases made from small and remote producers, the large number of intermediaries required to aggregate sufficient

¹⁰ Wandschneider and Hodges (2005) *Local Food Aid Procurement in Uganda*. A case study report for EC PREP (UK Department for International Development).

quantities and the poor quality of traded maize. In other words, low farm-gate prices reflect the characteristics of the farmers rather than any evidence of exploitation or unusual profits being made by traders.

Figure 4: Marketing costs from the farm gate to Kampala, 2002



Source: Wandschneider and Hodges (2005)

51. Other evidence of market efficiency – such as integration of spatially dispersed markets (evidenced by relatively similar maize prices in different markets) – is also cited. However, the lack of temporary arbitrage (i.e. limited storage capacity along supply chains) and the low quality of traded maize suggest that the market is not yet operating at a highly efficient level.
52. This evidence on the narrow margins of intermediaries and the range of valuable services provided in the supply chain presumably accounts for the strikingly different – positive – approach taken by the Uganda CO to working directly with traders in the AMS and P4P interventions. Taken together with the evidence that AMS and P4P are explicitly seeking to increase storage capacity in the supply chain and improve the quality of maize, it is clear that these elements of the interventions are based upon evidence rather than assumptions.

Learning from farmer organisations' past experience

53. Uganda has considerable experience with farmer groups, going back to the cooperatives that enjoyed a statutory monopoly, but which became largely inactive with the liberalisation of markets in the early 1990s. Since then, there have been many other FO initiatives, with some success, but also much disappointment. Groups are often characterised by weak management, poor outreach to members, weak member commitment, lack of business skills

and contract default,¹¹ with this latter factor affecting their deliveries to WFP. Some have been 'captured' and mismanaged by leaders,¹² for which reason there was often mistrust among members.

54. While not greatly involved in the promotion of FOs, WFP had considerable prior experience of buying from them in Uganda, and for years had been trying to attain a target of 10% procurement from this source. There was a consistently high rate of default (40% between 2004 and 2006, 44% in 2008¹³), which explains in part the sceptical line taken towards such operations in a Policy Issues paper prepared by WFP HQ procurement staff for a meeting of the Executive Board in February 2006 (WFP, 2006). Referring to direct purchases from FOs, the paper states that "WFP is not well-placed to use procurement to support farmers and farmers' groups entering the market place. There may be limited opportunities for support as part of a broader partner-led strategy". Tschirley (2007) summarised assessments of this experience by suggesting that "this approach to LRP is expensive, time-consuming, unreliable, and yields negligible developmental impact".
55. These observations, based on nearly ten years' experience, should have sounded alarm bells within WFP as regards the design of P4P, which prioritised procurement from FOs. WFP would be in direct competition with cash-in-hand traders, for which reason its slow procurement and payment procedures were a potential 'show-stopper', being unacceptable to cash-strapped smallholders with school fees to pay and other pressing financial obligations. The observations should have led to:
 - an urgent search for means to reduce its own contract and payment delays, and
 - a cautious approach towards procurement from individual FOs outside of the WRS, focusing on a relatively small number with a strong track record and strong partner support, so as not to build up expectations that WFP would later find difficult to manage.
56. There have been many experiences of bulking grain by groups supported by USAID projects (notably APEP and LEAD), Area Cooperative Enterprises (supported by Uganda Cooperative Alliance and associated donors), District Farmer Associations, Danish Cooperation and others. This experience was not sufficiently acknowledged, either in the design of AMS or in the selection of partners. Those selected were mainly organisations seeking funding support from

¹¹ DANIDA commissioned an evaluation of the sustainability of FOs it had assisted over 14 years and found only half of them had the possibility of achieving internal sustainability, although none had done so yet (Pelrine, 2009).

¹² One of the most noteworthy examples occurred with an ACDI/VOCA project in support of farmer groups in Busoga, under the auspices of the Nakisene Adult Literacy Group. This was a very significant farmer marketing pilot, and in the 18 months from January 2004 it marketed a total of 8,383 tonnes of maize. A study carried out by Mwebaze (2005) found that benefits exceeded costs involved. Farmers earned prices well above market levels, and this motivated farmers to greatly expand acreage and increase production (aided by inventory credit in the form of inputs – no cash loans were ever provided). The system also reduced post-harvest losses, improved quality and attracted larger traders offering better prices. Mwebaze noted that the project had subsidised storage and marketing services, but concluded that the project would still be viable if, after the withdrawal of donor support, charges were raised to realistic levels. Unfortunately, the NALG project folded at the end of 2006 as a result of a large fraud, apparently committed by people intimately connected with the project. ACDI/VOCA claims that it tried to obtain legal redress but found itself frustrated by very weak law enforcement and nobody was held to account.

¹³ The first of these figures comes from the CO's presentation at WFP's Global Food Procurement Meeting, Rome: 30 May 2007; the second is from Pelrine (2009).

AMS, rather than those that had the most relevant experience. While AMS has had significant interaction with the latter group during implementation and USAID and DANIDA are reportedly represented on the AMS project committee, the design process would have benefited from a more thorough interaction with operational staff (past and present) of the above-mentioned projects during the design phase.

Learning from experience of warehouse receipt systems

57. WFP made the UCE-regulated WRS a crucial component of the AMS, but to fully realise the potential, it needed a fuller understanding of the system – its strengths, weaknesses, opportunities and threats under Ugandan conditions – and how it would need to adapt its own operations to take full advantage of it. The memorandum of understanding (MoU) set a target of WFP procuring 150,000 tonnes of grains through the WRS within the three-year duration of the MoU, which was very ambitious.
58. A study of the WRS would have revealed certain unknowns, notably the degree to which farmers would deposit directly, as opposed to selling to traders and farmer-cum-traders, who make the deposits themselves. In view of this, and the difficulties of procuring directly from FOs outside of the WRS, it would have been prudent to avoid fixing a target for FOs having a 35% WFP's local purchase operation by 2012, but to monitor over time who deposits and why. The most appropriate aim for the WRS at this stage was to develop it as a 'contestable market' which FOs could easily access and which improved market transparency.

Assumptions

59. There are few assumptions in the P4P Uganda logframe for 2009–2010, and they are uncontroversial. The global design also involved assumptions of an implicit nature, some of which are of questionable justification. As with the P4P synthesis report, it is useful to consider these around the four meta-assumptions:
 - women can be empowered through participation in FOs;
 - grain production has the potential to increase smallholders incomes and contribute to poverty alleviation;
 - markets are inaccessible, inefficient and exploitative of smallholders and, as a result, do not empower smallholders at their full potential; and
 - collective action through FOs is an efficient way to address market failures in input and output markets.
60. The implicit assumption that women will benefit by participating in FOs, and, particularly, in their management. However, some of the gender targets do not seem to have been grounded in any empirical study and are largely unrealistic. Men tend to dominate marketing of maize in Uganda, so it made little sense to develop large-scale procurement plans and simultaneously expect the project to generate significant benefits for women smallholders. A partial solution to this gender issue can be found in the option of working with beans rather than maize; this can be found in the design, but apparently was not the outcome of a gender analysis. The gender division of labour for the cultivation and marketing of beans is largely dominated by women and so the gender impact of the intervention would be much sharper if it were based on procuring more beans and less maize.
61. The Country Assessment Report highlights the rapid decline in average farm holdings in Uganda from 2 hectares in 1993 to 0.9 hectares in 2006. The same section of the report

presents data indicating that average maize yields are 1.6 tonnes per hectare per year. However, the impact on the household budget of the average maize farmer selling an average of 1.4 tonnes of maize a year to WFP – which has a price on the wholesale markets of only just over \$200 per tonne, and typically only half the wholesale value accrues at the farm gate – is not calculated. The price of beans is twice that of maize, but yields are very much lower, so the gross income effect of bean cultivation is not dissimilar to that of maize. It is quite clear that, unless AMS and P4P can significantly increase yields, the net income impact of selling small quantities of low-value crops cannot be an effective route out of poverty (meta-assumption 2).

62. The assumption about inefficient markets has been discussed above. It was concluded that this is based on detailed analysis which showed that there is a much clearer appreciation in Uganda than elsewhere in P4P pilot countries, that traders are not exploitative and are an important partner in the intervention (refuting meta-assumption 3). Furthermore, it would appear that agricultural markets reach deep into major smallholder producing areas of Africa. We did not have a Ugandan source, but findings by Jayne *et al.* (2009) for Kenya, Zambia and Malawi suggest that rural procurement of food grains is highly competitive: “Even in the most inaccessible areas, smallholders cite numerous traders visiting their villages during the 4–5 months after harvest to buy surplus grain. When pushed to estimate a number, smallholders in most areas talk about 30–40 different traders visiting their village each year to buy maize. According to farmers interviewed in numerous focus group discussions, most traders go right into villages to buy, an observation which is supported by available Kenya survey data indicating that the median distance from the farm to point of maize sale is typically zero, and the mean distance has declined over the past decade”.
63. In this context, the suggestion that WFP should procure any food directly from FOs is puzzling. This could be based on a further implicit assumption that WFP can procure as efficiently as private traders. What is clear is that the CO has a detailed and empirically based understanding about the constraints to the development of an efficient market in Uganda (i.e. poor market infrastructure and low quality output) and has designed an intervention to address these.
64. AMS and P4P make particularly heavy demands on collective action within FOs. Not only will support be provided to farmers in the input and output markets, but also AMS assumes that FOs will use market infrastructure efficiently and properly maintain the assets. There is no question that Uganda needs more and better rural marketing infrastructure. Improvements in the road system have led to greater commercialisation of smallholder agriculture, and there is a shortage of bulking and drying facilities to take advantage of this. Moreover, some FOs have successfully used these structures to bulk for the market, as the team leader of this evaluation mission found when he carried out a 15-day field study of such experiences in 2006.¹⁴ However, the numerous grain stores and handling facilities standing idle in eastern Africa show this to be an area of risk, one which should have been highlighted in the logframe. A particularly stunning case was the Rural Structures Project in Tanzania, supported by the UN Food and Agriculture Organization (FAO) and other donors, which resulted in the construction

¹⁴ The field study was carried out jointly by Jonathan Coulter and Alex Rwego (manager of UCE) and involved visits to communities in the vicinity of Lira, Massindi, Busenyi, Ntungamo, Iganga, Kamuli and Kapchorwa.

of around 1,000 village stores in the 1980s and early 1990s.¹⁵ More recently, USAID projects (SPRING and NUTTI) in northern Uganda had a similar fate.

Logframe

65. There being no comprehensive logframe for AMS, the goal and objectives must be inferred from the two-year P4P logframe and the AMS activities referred to above. The lack of this central planning tool results in some conflicting statements of objectives between the Country Implementation Plan, the MoU with the Government and the Country Strategy.

Targets

66. One of the characteristics of AMS/P4P is the bold targets. In this section we examine the design aspects of four of them:
- Farmers and traders are in a position to sell to WFP more than US\$100 million annually in locally produced food (objective of AMS).
 - 50% of local purchase will be directly from FOs by 2014 (Country Strategy Annex II).
 - Beneficiary farmers will benefit \$50 a year from the intervention and FOs will have a 50% participation rate by women (P4P targets).
67. The aggregate scale of local purchase is obviously bold – being roughly twice the financial scale of recent years (which itself was assisted by buoyant grain prices). However, this target is based upon 20 years’ experience of local procurement in Uganda and a decade of progressively increasing the volumes traded from \$10 million to \$50 million a year. As such, the \$100 million target may be less unrealistic than first appears. As important as the question of whether WFP can purchase this quantity of food is whether this is a good idea for Uganda. The evidence seems to suggest that, because maize is regarded as a cash crop in Uganda, any uplift that an increased level of local demand has on prices is unlikely to damage the welfare of net food purchasing households. As Figure 3 illustrates, a very significant share of all the maize produced in Uganda is either eaten by the household which produced it or sold to institutions or for export. Less than a third of the national crop is purchased by non-maize producer households – whose welfare would be negatively affected by higher maize prices.
68. The tonnage target for purchases through the WRS is logical in that it recognises that the WRS has to be operated at scale for it to have a chance of success. The specification that 35% of WRS must be supplied by FOs is a stretching target, but it is useful in that it obliges the CO to monitor the supply chain of licensed warehouses and maintain pressure on the warehouses to operate a non-discriminatory deposit policy (i.e. to welcome deposits from all). The argument against this target is that, in a country such as Uganda, much of the grain deposited by traders will have been grown on smallholdings, and therefore specifying a ceiling on trader deposits might constrain the operation of sustainable market-based crop aggregation and transport services.
69. Having designed a sophisticated market development project based on a detailed understanding of the local supply chain, it is incongruous then to specify that WFP must procure directly from FOs (with the associated costs and unreliability which this entails, as well as the undermining of indigenous service providers).

¹⁵ Coulter and Golob (1992)

70. The difficulties of achieving a \$50 increase in annual income for smallholder farmers on plots of less than one hectare growing low-value crops, with high aggregation and transport costs, has already been highlighted. This does not suggest that the target is incorrect (most thoughtful analyses would suggest that \$1,000 a year is required to allow a smallholder household to leave poverty), but the means of achieving it should be questioned.
71. Gender is a major preoccupation of P4P and AMS. However, this has not influenced fundamental issues, such as the choice of crops which the intervention will purchase or the issue of whether participation by women in an FO necessarily results in their having an influence on the organisation or benefiting from it. Our view is that, in this context, a participation target makes little sense.

Risks

72. WFP's involvement in the maize market has created a major opportunity for Ugandan farmers, but it has also increased risks. The maize market has crashed four times since the mid-1980s, resulting in loss-making prices; the last time was in 2001, when there was a regional maize surplus and Kenya closed the border to Ugandan grain for protectionist reasons. The more that farmers are encouraged to produce the cereal, the more they are exposed to market downturns and populist political decisions in the region that leave them with marketing problems and attendant storage losses and/or derisory prices. The CO attempts to mitigate this risk by promoting diversification.
73. As a result, WFP's role as a dominant buyer of maize and other commodities comes with responsibilities – which are clearly recognised by AMS/P4P – to:
 - maximise the positive impact on producers and consumers, and on the Ugandan economy, while minimising incidental harm; and
 - leave behind a marketing structure that is much better than existed prior to WFP's involvement, notably with regard to post-harvest practices and the physical facilities for storing, drying, cleaning and primary processing of grain, and its ability to satisfy Ugandan and regional demand for quality products.
74. Donors' experiences in recent years, and government initiatives such as 'Prosperity for All', show that that working closely with government also carries a risk of WFP's actions falling under political influence. This can be particularly damaging to the development of institutions like FOs, undermining accountability at grassroots and making them targets for political patronage. While it is clearly important for UN organisations to align interventions with host governments' policies which they see as benign, this makes it much more difficult to distance themselves from local political processes. This observation raises two questions:
 - Is it possible for WFP to put in place credible safeguards against such pressures, allowing it to operate effectively in this area?
 - Is it wise for WFP to get involved in areas such as supporting FOs, which would have a high profile with voters, or would it be preferable to leave it to organisations supported by bilateral donors that could operate with greater autonomy vis-à-vis day-to-day political pressures?

M&E framework

75. In the P4P synthesis report, it has been argued that the overall M&E framework (meaning the research questions) is appropriate and that the resources budgeted for this learning pillar of the programme are adequate. However, the instruments are very 'heavy'. As a result, the COs are struggling under a large quantity of primary data of dubious quality, with rather limited analysis and learning taking place.
76. In design terms, a more action-learning approach, with lighter impact monitoring and greater use of qualitative data, is more likely to deliver answers to the questions that the M&E framework for AMS/P4P poses for itself.

2.2. Performance and results

AMS outputs

Planned targets for warehousing infrastructures and equipment

- The rehabilitation of **two large warehouses** (each of circa 6,000 tonnes capacity) under the control of WFP, in Gulu and Tororo, to be operated as UCE-licensed warehouses.
- **Building** the Kapchorwa Commercial Farmers' Association (KACOFA) a **2,000-tonne capacity warehouse**, donated.
- **Equipping nine warehouses** with a standard set of cleaning and drying equipment, with rated capacity of 5 tonnes of grain per hour. Plant has already been allocated to warehouses at Gulu, Tororo (at WFP's existing sites), Kapchorwa (at KACOFA site), Kasese (Nyakatonzi Cooperative Union) and Soroti (private grain traders). The other four sets remain unallocated. WFP is to transfer the equipment to beneficiaries on concessional terms. The private businessman is required to pay 50% as long as it is confirmed he provides 50% of his services to FOs and small traders, or 90% if he does not. FOs are given more lenient terms, if not outright grants.
- **Building or rehabilitation of 58 satellite collection points** of 100 to 300-tonne capacity in seven sub-regions, mainly in northern Uganda, but with eight in Busoga (Eastern Uganda) and four in Kamwenge district (Western Uganda).
- **Building of 230 kilometres of market access roads**, the purpose of which is to connect farmers to collection points and these to warehouses. Construction companies are being contracted to do the work, though in Kamwenge, local labour is being hired using a labour-based approach.

77. WFP has signed up a series of partners, including Sasakawa Global 2000, ORDS, Samaritans Purse, ACF, ACTED, FAO, Food for the Hungry, AT Uganda, World Vision, Africare, CESVI, Grameen Foundation and others. Most of these work under the supervision of WFP sub-offices on 12 to 15-month contracts, and are responsible for building the capacity of FOs and organising the construction of satellite collection points (SCPs) and roads i.e. Partners selected sites and groups using a participatory approach in consultation with District, sub-country and WFP officials. The CO's sub-offices and logistics departments also have oversight roles. SCPs are usually built on land assigned by the sub-county. What is striking in the areas visited by the

evaluation team `is the lack of any significant input from market intermediaries on the location, management and maintenance of the market infrastructure from which they are supposed to utilise. The P4P Unit wants some of the SCPs to be run by private sector operators, and for partners to identify traders with existing facilities and upscale. We are not aware of any facilities where this has so far been done.

78. There has been considerable progress in implementing the first phase of infrastructure investments, but with significant delays, some of which may be justified by changes in plans. The **Tororo warehouse** has been equipped and is not yet operational. The rehabilitation of the large **Gulu warehouse** was completed in the first half of 2010, but there was a long delay in identifying a potential operator to make it commercially operational. WFP had been planning to manage the plant directly, but came to realise that its extra-territorial status did not allow it to act as collateral manager and issue warehouse receipts; indeed, it could not be sued. It took some time to sort out this issue and to take the decision to bring in a private company to act as collateral manager. The Gulu warehouse was opened in spring 2011, after the MTE visit.
79. For village-level infrastructure, most partners signed one-year agreements in the spring of 2010, and except in the case of FAO and SG2000, they were to be completed between May and June 2011. According to a March 2011 progress report, **63% of SCPs had been started** and were expected to be completed by the end of current MoUs, but the **overall completion rate was still only 15%**. Of the remaining 37% of the SCPs, **17% had been cancelled following a programme review**, while many of the remaining 20% were being built by FAO and SG2000 and were scheduled for completion by the end of 2011. As few facilities are up and running, the contribution towards AMS objectives is so far very slight. The potential contribution of these investments is discussed below, under the heading of sustainability.
80. Further infrastructure development plans for the next phases of AMS are much more ambitious, and depend upon WFP gaining further funding. The AMS budget for 2011–2014 shows that the CO intends to buy a further 22 sets of cleaning and drying equipment, to renovate 22 warehouses/central collection points, to build/renovate 101 SCPs, to construct 866 kilometres of market access roads, establish 121 market information centres and establish a national grain processing and fortification plant in Lira. The latter project would be based at a former spinning plant, with storage capacity for 71,000 tonnes of grain, which WFP is considering purchasing from the State. This facility might be used to pre-position grain stocks so that WFP can better respond to food aid requirements in the region.



FIGURE 5: SCP UNDER CONSTRUCTION IN KAMWENGE



FIGURE 6: FEEDER ROAD UNDER CONSTRUCTION

Connect farmers to the WRS

81. AMS has allowed the WRS to become established in Uganda, and to be demonstrated to a range of stakeholders, including Ministry of Agriculture officials, partner organisations, farmers and other agriculture sector stakeholders, many of whom understand how the system works. Indeed, given the peculiar characteristics of the Ugandan maize trade (informality, mostly involving trade in moist, non-standardised grain), the WRS would never have got off the ground without WFP support. WFP purchases have, so to speak, primed the pump for the trade in dry, clean grain, allowing the warehouses to tap into existing or latent demand from that part of the private sector that wants better quality maize.

Market information

82. In attempting to improve farmers' access to market information, the P4P has not partnered with the supplier of the price information (FIT Uganda, which replaced FOODNET), but has funded Grameen Foundation on a two-year contract to provide a range of information through Community Knowledge Workers (CKW) equipped with smartphones (see Box 1). Grameen make a similar contribution to this initiative as WFP. Grameen Foundation has a supervisory structure by which data are validated and CKWs are graded monthly and receive performance-based pay. The Foundation intends to provide up-to-date market information to around 90,000 farmers.
83. We were unable to make a full evaluation of the market information component, but we are sceptical about the potential for impact. There are doubts about the accuracy of market prices, confirmed by a spot check carried out with a trader on prices for two locations. The reported price (in Hoima) was nearly double the level prevailing in the market. Grameen Foundation has imparted a lot of training, but the data provided in the hand-held devices provided to the CKWs do not always match the local capacity to use them.¹⁶ This finding is necessarily anecdotal, but does suggest the need to review the quality of market information disseminated.

¹⁶ CKWs met in the field were unable to use the device or the battery was dead.

Box 1: Community Knowledge Workers

Grameen Foundation is piloting an innovative electronic information platform – presently grant supported, but seeking to become financially sustainable by offering a range of fee-paying services to different clients, including the outsourcing of agricultural extension. Community Knowledge Workers (CKWs) are agricultural extension agents recruited by community, each equipped with a smartphone and airtime. They have access to GPS and to a range of information, such as production information for 35 crops, market prices for 40 commodities in 32 districts and different aspects of P4P, including post-harvest handling and grain quality, how to access SCPs and warehouses, and the operation of the WRS. In their agricultural extension role, the CKWs are supposed to complement the work of farmer field schools and other capacity-building mechanisms. In the case of market information, Grameen Foundation does not collect the information itself but sources it from FIT Uganda.

Activities planned for improving post-harvest handling

- Promote improved practices in post-harvest handling and quality standards among Ugandan farmers, including smallholder farmers, notably through related food or cash for training programmes conducted in conjunction with technical partners.
- Through the market collection points, provide farmers with proper equipment for cleaning, drying and grading their produce.
- Support the promotion of milled, fortified and blended products, both on the supply side (i.e. production thereof based on an evaluation of demand) and on the demand side (i.e. through local purchases).
- Assist farmers in bagging their produce and in the drying, salting and smoking of fish.

84. A major effort has gone into the training of FOs in post-harvest handling and grain marketing, with P4P staff training trainers working for partner organisations at district level, while some partners have also trained FOs in governance, administration and business management. For the first year, partners had to develop their own training manuals, but the P4P Unit is now developing a *Post-Harvest Handling Handbook*. All partners had previous experience in agriculture, but some had very limited experience working with FOs. There is still no training material available in local language.

85. Partners work with a variety of new and pre-existing FOs. FAO works through its network of farmer field schools, of which there are 2,000 in northern Uganda. In some areas, partners are working with Area Cooperative Enterprises (ACEs), or trying to revitalise defunct primary societies so as to build new ACEs from the bottom up. Box 2 shows the typical set of activities of an NGO partner, and Table 1 shows training achievement statistics for Uganda.

Box 2: A typical activity set for an NGO partner

(based on ACF example in Gulu)

- Registration/institutional development of farmer groups
- Post-harvest handling and marketing training
- Business capacity development of traders
- Identification of a 10 kilometre feeder road to be constructed to link the stores to wider markets

- Supporting market information systems
- Construction of SCPs
- Distribution of inputs that reduce post-harvest losses and equipping SCPs

Table 1: Training achievements by December 2010

FOs targeted by P4P, with membership by gender		Achievement in number or %
No. of FOs		116
Total members*		29,533
% women members		53%
% women leaders		43%
FOs officially registered		91%
FOs with storage space (owned or rented)		81%
Number of smallholder farmers, agricultural technicians, small and medium traders and warehouse operators trained (2009 and 2010)		
2009	Men trained	3,376
	Women trained	1,494
2010	Men trained	5,128
	Women trained	5,745
Total trained (target for phase 1: 25,000 by June 2011*)		15,743
*FAO and SG2000 plans are to be met by the end of 2011.		
% women		46%
% first phase target met by January 2011		63%
Number of WFP and partners' staff trained in P4P-related issues (2009 and 2010)		
2009	Men trained	0
	Women trained	0
2010	Men trained	25
	Women trained	15
Total trained		40
% women		38%

Source: Summary P4P data analysis report: September 2008 to December 2010 Targeted farmers' organizations and trainings.

86. Table 1 shows that by December 2010, 63% of planned training activities for the first phase had been delivered and that the AMS target of 50% **women in training programmes** was close to being met, with women accounting for 46% of those trained in Uganda.¹⁷ Implementation of training plans was therefore globally on track. We discuss observable effects of these training activities in section 2.2.

Post-harvest handling equipment

87. As well as building SCPs and roads, partners distribute a range of equipment, including tarpaulins, moisture meters, sampling spears, scales and pallets. In some cases they also provide metal sieves for cleaning grain and mobile shellers, or build concrete yards for drying grain. SCPs and equipment are provided to FOs free of charge, and some equipment (e.g. tarpaulins) is sold to farmers at subsidised rates, allowing the FO to generate a revolving fund. With the exception of the Gulu warehouse, equipment in large-scale warehouses with drying and cleaning plant was not operational by the time of the MTE visit. An equipment

¹⁷ This compares with 33% in all P4P countries.

implementation plan has been formulated, which was due to start in spring 2011 and be completed by the end of the year.

Processing and value addition

88. Implementation of this element of the AMS work plan is not very advanced and was not analysed in details by the MTE evaluation team. The CO had intended to purchase its own mills for the purpose of food fortification, but has now embarked on a plan to support private sector millers in this endeavour. It has acquired 5 tonnes of fortificants and is carrying out a series of test production runs.

Activities planned for increasing and diversifying local purchasing

While large to medium-scale traders will play an instrumental role, focus will also be placed on integration of smallholder farmers and small traders.

- Use innovative purchasing techniques that are more friendly to smallholder farmers, such as direct purchasing and forward contracting, and increase smallholder farmers groups' market share of WFP's local purchasing.
- Provide production incentives – as a stable buyer, WFP provide assured demand for goods.
- Expand the range of food commodities purchased locally to include, for example, sorghum, millet, cassava, sim-sim and fish, in addition to maize and beans.

Table 2: Targets for P4P purchases in Uganda

Commodity	Year 1 (2009), in MT	Year 2 (2010), in MT
Maize grain	8,914	17,143
Maize meal	–	343
Pulses	857	1,097
Sorghum	1,029	2,743
Millet	240	514
Dry cassava chips	857	1,714
Sesame	103	343
Fish (dried, salted, smoked etc.)	–	103
Total	12,000	24,000

Source: County Implementation Plan.

Overview

89. Table 3 summarises the CO's procurement experience using P4P modalities, from 2007 to 2010, a period which can be roughly divided into 'pre-project' (2007 and 2008) and 'project implementation' (2009 and 2010) periods.
90. The Implementation Plan estimated that P4P procurement would constitute 24% of total tonnage procured by 2010. In practice, however, the actual tonnage of grain procured has not increased since the pre-P4P period; the figure for 2009 was almost identical to that for 2007, and 2010 was almost identical to 2008. The tonnage for 2010 only represented 3.1% of the total grain that WFP sourced in Uganda through LRP in that year.

91. 'Direct purchase' has displaced 'tendering' as the dominant form of procurement. In the case of the WRS, a competitive 'bid volume only' (BVO) method was tried, and is being piloted with the non-competitive 'counter-offer' approach.

Table 3: Summary of procurement by P4P modalities

	2007	2008	2009	2010
Overall actual tonnage	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 tonnage	7,101	3,473	6,426	3,793
Beans tonnage	-	335	681	55
Procurement direct from FOs				
Numbers supplying	18	8	14	5
Tonnes sold to WFP	7,101	3,759	5,331	1,608
Procurement through warehouses (WRS)				
Numbers supplying	-	1	3	3
Tonnes sold to WFP	-	48	1,796	2,240

Source: WFP P4P procurement report.

Direct procurement from FOs

92. One of AMS's operational priorities has been to increase the number of these; the CO has 204 registered FO vendors, and a further 47 applications are under consideration. It is therefore somewhat surprising to find a downward trend in both the number of groups supplying and the volumes supplied. The number of FOs supplying independently of the WRS was 18 in 2007, but only 5 in 2010, and the tonnage fell by 77%. This may be partly explained by the rising market for most of 2010, when farmers were demotivated by a long period of low grain prices, and farmers in Kapchorwa opting to supply foreign buyers. It is possible that volumes will start to increase from the second half of 2011 as a result of the work of partners whose contracts started in 2010.
93. The problems noted with the direct procurement modality during project design have continued unabated, and there have been many frustrated deals. Farmers find it difficult and costly to meet the WFP standard, which involves considerable work to sort, clean, dry, transport, pack, store and fumigate the grain, and they risk their produce being rejected if it fails to meet the standard. Their difficulties are further exacerbated by a procurement process (from negotiation to payment) that typically takes several months, making it difficult for farmers to meet their immediate cash commitments, although in some cases local Savings and Credit Cooperative Societies (SACCOS) will provide cash advances in anticipation of them getting paid.¹⁸ Moreover, in a period of rising prices, as in the latter part of 2010, delayed

¹⁸ In Masindi, some FOs, such as Pakyani and MADFA, work together with local SACCOS to provide inputs, the costs of which are repaid at the time of selling.

payment causes the prices eventually paid by WFP to be less attractive than farmers anticipate.¹⁹

Procurement through the WRS

94. The WRS only started at the end of 2008, but succeeded in raising its tonnage in the following two years, overtaking direct procurement from FOs in 2010. The first of these warehouses, Agroways in Jinja, has now supplied for six successive seasons (Figure 7).



Figure 7: Agroways Ltd. UCE-licensed warehouse, Jinja

95. The warehouses have been successful in delivering quality as per contract, with the exception of a recently-licensed operator, which was suspended for six months. As with the independent FOs, suppliers of WRS stocks have found WFP's procurement and payment procedures very lengthy, and this has often caused them to sell instead to buyers offering ready cash. Total deposits were 2,650 tonnes in 2009 and 8,133 tonnes in 2010,²⁰ most of this being sold to buyers other than WFP (Sudanese traders, Uganda Breweries Ltd and others).
96. Given trends to date, AMS is not expected to meet its targets of 35% of the CO's local purchases coming from FOs by 2012, and 50% by 2014. However, the CO has greatly increased its percentage procurement through P4P modalities, particularly through the WRS.

Forward contracting plan

97. A forward contracting plan was promoted by an American consultant (Richard Pelrine) and the LEAD project as a means of allowing farmers to access input credit for maize production. As indicated above in the relevance and design section, Uganda has experienced occasional maize gluts, when prices became unprofitable. Banks, knowledgeable of this phenomenon and remembering the 2001 glut, have been reluctant to finance farmers to acquire inputs,

¹⁹ We could have provided more quantitative data on this if the CO had provided the procurement log requested prior to our visit to Uganda.

²⁰ This is based on figures provided by the warehouses themselves and WFP, and for 2008 include deposits at Agroways (3,880 tonnes), El Shaday (2,789 tonnes), Nyakatonzi Cooperative Union (764 tonnes) and MASSGL (700 tonnes).

particularly fertilizer, with a view to intensifying their maize production. The main purpose of the forward contracting plan was therefore to provide farmers with a guaranteed minimum price at which they could sell, come what may, and thereby help to overcome a constraint that had frustrated attempts to intensify production.

98. It is important to note here that African agribusiness is normally reluctant to forward contract with smallholders for basic food crops, due to the risks of side selling and default. The Uganda P4P Unit and Procurement Unit worked to develop the concept with the USAID-backed promoters, and drafted an agreement for the contracting of 5,000 tonnes of maize from FOs in various locations with the 2010B crop, which would be marketed in the first half of 2011. There was a further plan to increase this volume to 25,000 tonnes in the early 2011 harvest. However, higher authorities in WFP had qualms about the idea – being concerned about the need to tie up funds long in advance of their requirement for the purchase of commodities – and plan was not implemented. **Indeed**, from WFP’s point of view, it is not a very reliable means of procurement, and is more difficult than spot purchasing in cash-flow terms.

Activities planned for supporting agricultural productivity and diversification

- Support production of cassava, rice, vegetables and fruit in selected areas of northern Uganda

99. In agreement with the Uganda CO and the AMS team, livelihood diversification activities were excluded from the scope of the evaluation. This decision was made for two main reasons. First, execution of many of the related activities had not yet started; and second, as these activities are relatively peripheral to the core of P4P/AMS, including them within the scope of the evaluation study may have limited the possibility for an in-depth analysis.
100. However, in terms of the AMS attempts to contribute to productivity enhancement and diversification in staple crops, a number of observations can be made. First, most, if not all, AMS operational **partners are working on productivity enhancement** through training activities and/or facilitation of access to inputs. Even if this supply-side support cannot be attributed to AMS, the intention to connect market support activities with opportunities for improved agronomic practices is a strong and important element of AMS partnership strategy. Second, the **forward contracting plan** is mostly regarded as a strategy to support productivity enhancement: the guaranteed prices enabling farmers to break the ‘glass ceiling’ of intensification. And last, in 2009/2010, WFP and partners discussed a **structured financing plan for millet**, which was an innovative project to promote development in northern Uganda, involving the following partners:
- UNGA Millers, Nairobi, producing millet meal and breakfast cereal
 - the LEAD project and affiliated farmers, producing millet grain in Soroti
 - WFP, to provide cleaning/drying, storage and WRS in a warehouse it had recently rehabilitated at Gulu, and
 - Equity Bank, to provide financing throughout the commodity chain.
101. This is a very interesting demand-led plan which creates a market for commodities in the northern part of Uganda, but it was not implemented, allegedly on account of WFP HQ’s unwillingness to sign an MoU in late 2010. The cancellation (or postponement) of both the

structured financing and forward purchase plans has caused significant discomfiture among the promoters, the partner organisations and the farmers involved.

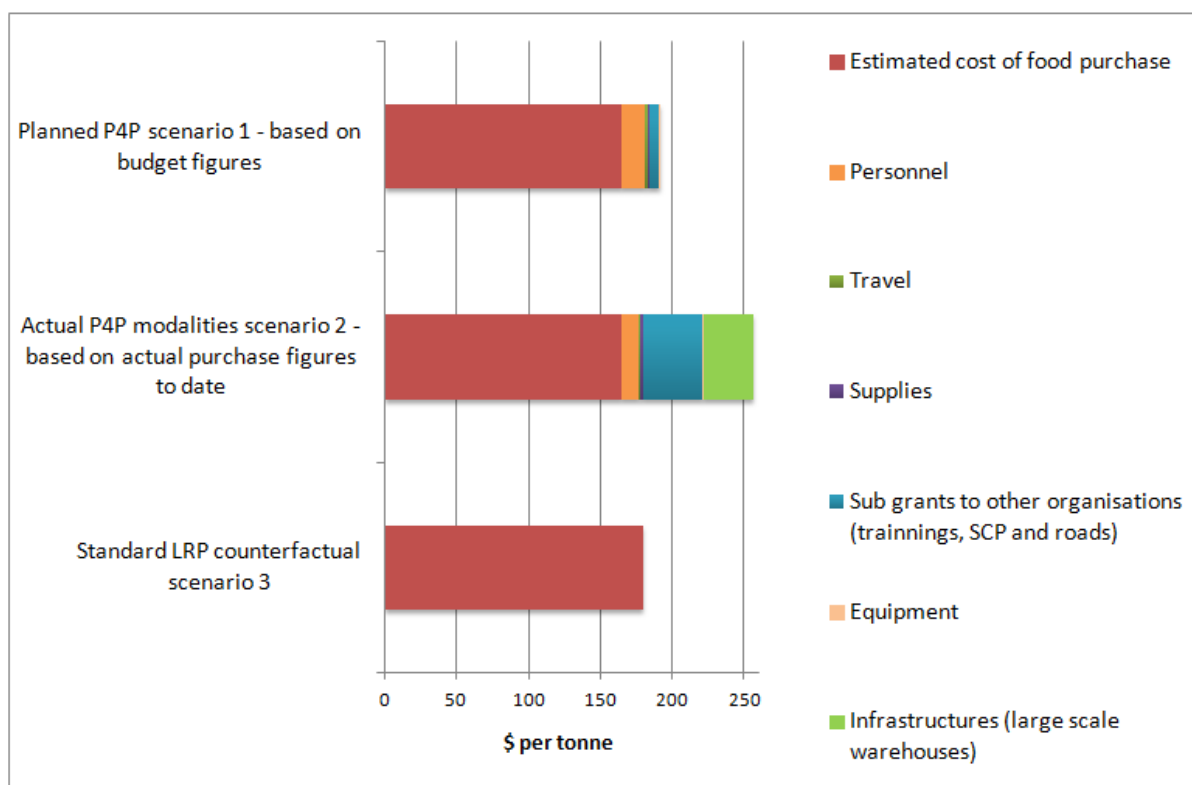
102. Also, the idea of smallholder-oriented procurement of maize meal does not seem to have been attempted in Uganda. This may be a consequence of WFP HQ's realisation that very small-scale processors producing less than 0.5 tonnes per hour cannot afford the necessary investments to become compliant with WFP's new requirements for Good Manufacturing Practice (GMP) and Hazard Analysis of Critical Control Points (HACCPs).
103. All in all, until now WFP Uganda P4P purchasing has remained largely dominated by grain maize, and the productivity enhancement strategy mostly relies on linking supply-side support for partners with market-support activities.

Cost efficiency and reliability

Cost efficiency

104. It was not possible to undertake a very precise and detailed cost efficiency analysis, comparing the cost of P4P/AMS purchase with that of regular LRP. There are several reasons for this. First, the comparison is intrinsically difficult: origins and destinations of food purchases are very diverse, and FCA terms tends to dominate for P4P/AMS purchases, while regular LRP purchases are most often agreed on DDU terms. For Figure 8 we only considered purchases with similar delivery terms for our estimation of the cost of food purchase. Second, the CO was not able to provide us with a detailed food procurement log, including defaults and logistics costs for transporting FCA purchased food to WFP warehouses. And last, breaking down AMS expenses into fixed and proportional costs and estimating amortisement periods when relevant is a somewhat arbitrary exercise (see the note to Figure 8 on the principles used to produce the estimates). Therefore, Figure 8 is to be interpreted with care: it is just an indicative figure, aiming at identifying orders of magnitude rather than pretending to provide an exact cost comparison.

Figure 8: Cost comparison, regular LRP versus P4P under 2 scenarios



Source: Uganda procurement report and P4P synthetic expenditure report.

Notes: Food prices are not calculated as average values over the whole period, but only refer to purchases for which comparisons were possible between standard non-P4P and P4P (similar timing and similar destination for delivery), and for maize only. Similar calculations were made for all countries visited during the MTE and the following estimation method was used for all 7 countries. **Personnel:** After discussions with CO managers, it is assumed that 25% of P4P staff costs is related to buying food from smallholders, and the rest is assumed as one-off costs of running a pilot project and not included in above figures. **Supplies:** 10% of these costs are assumed to be directly proportional to purchases (bagging, transport for quality control...), and the rest is amortised over a 10 years period. **Costs for training and equipment** are amortised over a 10 years period. The economic life of **infrastructure** investments is assumed to be amortised over 20 years. **Consultancies and contracted services:** assumed as one off costs and not accounted for in above figures. **Important:** Any extra logistic costs than may be covered by non P4P budget would have to be added on top of these figures we assumed expenditure expenses not to exceed the current pace. However if infrastructure expenses were to follow the initial AMS strategic plans, and based on projected P4P purchased figures by 2014, infrastructure costs would add an extra 66\$ to each ton of maize. We have not accounted for all these costs, as AMS infrastructure would then clearly not only serve P4P beneficiaries but hopefully a much wider market.

105. AMS has not raised the price of commodities, and the CO has followed HQ guidelines in regard to procuring at competitive prices. It is difficult to compare P4P prices with those resulting from regular tenders, since the former tend to be FCA and the latter DDU. We could, however, make price comparisons over a restricted set of contracts, involving maize purchased between May and August 2010 and delivered DDU in Kampala. The table in Annex 4 shows that for the comparable purchases, P4P suppliers were signing contracts on average 8% cheaper than non-P4P suppliers.

106. But the picture looks quite different when attempting to account for additional project costs. Based on actual procurement figure and with versus conservative cost attribution rules (note 11), we estimate that for P4P/AMS modalities, purchase costs are about 50% higher to WFP compared with regular LRP. This is not surprising because important investments are being made through AMS and procurement volume figures are still much lower than originally planned. AMS/P4P cost figures look much closer to those for regular LRP when the planned procurement volumes are used – rather than the, much lower, actual volumes.
107. Two lessons can be drawn from this rough exercise. First, a much more careful full costing exercise needs to be undertaken as there is scope for AMS/P4P purchases to be so expensive that any additional market development or smallholder income (compared with regular LRP purchase) could be overshadowed. Second, current investment level will be difficult to justify unless WFP comes closer to meeting its P4P/AMS procurement targets.

Reliability

108. The synthetic P4P procurement analysis reports 29% defaults for P4P modalities purchases in Uganda from 2008 until January 2011. This is among the highest default rates across P4P countries. There are several reasons for this worryingly high level of default: quality is much more difficult to guarantee for maize than for other cereals, and also increases in market price between contracting and delivery has often led to side selling. WFP's lengthy procurement procedure is especially problematic in terms of procurement reliability in a rising market, such as in 2010.
109. Default rates for regular LRP were reported to be significant as well, which is perhaps more surprising. One of the commercial suppliers felt that WFP needs to provide more advance information on its requirements and speed up its selection process, which takes as much as three weeks from submission of offers. Another felt that WFP should do more to certify the existence of stocks tendered – a policy that, we are informed, the CO is currently implementing.
110. It would be useful to compare reliability between seasons and between procurement modalities, but the procurement information we were provided with did not record failed deals of defaulted contracts. Box 3 illustrates some of the inefficiencies involved in WFP transactions with licensed warehouses and FOs.

Box 3: Illustrative procurement cases involving P4P modalities, 2010

Independent FOs in western Uganda

The Mbarara sub-office has 48 registered FOs, and provided information on six (at Manyekabi, Ruhiiru, Kiboga, Kisiita, Nyakyera and Kigigura) which had sought to enter into contracts with WFP to sell maize or beans in 2010. Most had some prior experience in bulking. In two cases, no contract was signed because WFP could not meet the FOs' prices. In another case, there was no contract because the FO could not meet WFP's quality requirements. In one, the FO bulked the grain, failed on quality and later sold privately. One failed on quality, but subsequently delivered after WFP had to provide a 50% advance and a second fumigation at its own expense. Another failed inspections three times and then delivered to WFP, which then moved the commodity to one of its warehouses and fumigated it. Poor storage facilities were a contributory factor in this case.

These cases suggest that contracts were not being signed or completed in a cost-efficient manner because: (i) WFP's prices were not sufficiently attractive to justify the investment in cleaning and drying, particularly given the time required for inspection, collection and payment; and (ii) farmers were having some difficulty meeting quality specifications.

FO in Massindi district

The members spoke of a bad experience of negotiating with WFP, with the negotiators coming to the cooperative five times and every time saying they were going to buy. Agreeing prices is a long process, and it takes a long time to get paid, so the group ends up selling its grain locally at a better price.

Agroways Ltd licensed warehouse, Jinja

The WRS has opened up the market to WFP, and saves farmers the difficulties in dealing with it. In spite of this, about 60% of overall sales of receipted produce have been to non-WFP buyers, particularly Sudanese traders. In some senses the role of WFP in facilitating the link between the warehouse and other buyers is evidence of P4P having a catalytic effect. In addition, there are several reasons for this:

- Dealing with WFP involves prolonged negotiations. Procurement people who arrive from Kampala can only provide an indicative price, and must then contact Rome for approval. WFP requires sampling and testing in Kampala, and it can take one to two weeks to get the result.
- The traders' payment terms are very simple, i.e. payment as they lift the produce, whereas WFP pays after they have lifted (it is supposed to pay after two weeks, but in reality the period can be one to two months). Depositors sometimes get frustrated and end up selling to other buyers at a lower price, e.g. 530/- per kilogram, compared with 550/- from WFP.
- Agroways' suppliers must rebag in WFP-marked bags, at a cost of 10/- per kilogram, excluding the cost of bags (which WFP supplies).

After the July harvest of 2009, WFP asked depositors to deliver 1,000 tonnes to a refugee camp in Nachivale (western Uganda) under DDA terms, instead of their normal FCA terms. This involved significant risk (requiring insurance cover) and up-front costs, and payment was delayed because Nachivale staff did not issue a 'delivery statement', of which the producers were unaware.

Nyakatonzi Cooperative Union licensed warehouse, Kasese

On 13 April 2010, Nyakatonzi contracted to supply 200 tonnes of maize to WFP, and delivery was scheduled for 31 May. In practice, delivery was pushed into August. The inspection company took one month to release its positive report, there were delays in sending trucks and payment was also delayed. Farmers interviewed expressed much dissatisfaction about the price.

MASSGL licensed warehouses, Massindi (source: Chris Baine)

Farmers made money in the first season, selling at 790/- per kilogram grain costing 500/- with processing costs of 80/-. A problem came in the second season, when they were asked to deliver to Kampala and the money came eight to ten weeks late.

Looking ahead: will the scaled-up post-AMS scenario be cost-effective vis-à-vis mainstream tendering?

111. The aim of this section is to provide a tentative cost analysis for different procurement modalities versus regular LRP in the long run. Table 4 provides a qualitative comparison of (i) direct purchasing from POs and (ii) purchasing through the WRS/commodity exchange (CE) combination with mainstream tendering. We start by assuming that the purchase costs of the commodities themselves will be broadly similar under all modalities, and focus on the differences in other direct costs and in indirect cost (overheads). We only consider the costs of market infrastructure at the end of the analysis.
112. Table 4 suggests that (even excluding infrastructure investments) direct purchase will be more expensive than mainstream tendering due to the higher costs of staff, transport, inspection, rectification of problems and related office overheads. The picture for the WRS/CE combination is more favourable, as it provides potential savings in logistics and lower intermediaries' margins compared with mainstream tendering. However, when procurement volumes are low, transport costs are likely to be higher for warehouses located away from major procurement centres such as Kampala and Tororo. Higher financing costs under the WRS will be offset by the benefits arising from the market development, elimination of supply defaults and lower price volatility that flow from them. A really disadvantageous aspect of the WRS is the higher cost of rebagging grain that is deposited without an express intention to sell to WFP.
113. The addition of market infrastructure greatly increases the costs of both P4P modalities. Expenditure to date is \$6.7m, and a further \$39.2m is budgeted from 2011 to 2014. If the infrastructure is used efficiently in the future, savings within the value chain will offset increased costs, but this will not happen if capacity utilisation is low. Assuming that the assets have an average life of 20 years, and that the opportunity cost of capital (to Uganda) is 8% and that P4P purchases reach 40,000 tonnes by 2014 (ten times the figure in 2010), the annualised cost of the investment to date will be \$17 per tonne procured, and the annualised cost of total planned investment will be \$117 per tonne. If capacity utilisation is low, project benefits will be accordingly depressed.
114. Investments in market infrastructure support both the direct purchase and WRS/CE modalities. However, there is an alternative way to develop the WRS/CE combination without WFP making major investments in infrastructure. WFP could provide a transitional incentive for its suppliers to switch to the WRS; an average 5% premium will probably be enough. WFP or other donors also need to provide UCE with capacity-building support so that it can develop its structure and governance; the cost of support would be small in terms of the potential annual throughput of the WRS. Let us assume that: (i) the support programme costs US\$2.5 million, which can be amortised at 8% interest over 20 years, giving an annualised cost of \$255,000; and (ii) WFP switches progressively from tenders to the WRS/CE combination and buys 80,000 tonnes per annum at \$240/tonne through this system by 2015, i.e. an annual value of \$1.9m. The annualised cost of the support programme is about 13% of the annual value of WFP purchases through the CE/WRS combination.

115. Based on the above we conclude that it will be very difficult to procure in a cost-effective manner directly from FOs, but that there is potential for doing so with the WRS/CE combination. Our analysis suggest that risks and chances of long-term success in developing a WRS may be greater if WFP provides a price incentive rather than invests heavily in subsidised infrastructure for this system, which should ultimately be fully taken over by private operators.

Table 4: Potential impact of P4P modalities on overall system costs; + = increase, – = reduction

Cost item	Direct purchases from FOs	Purchases through WRS/CE combination	Comment
WFP staff and office overheads (including travel)	++		<ul style="list-style-type: none"> • High costs associated with dealing with FOs and defaults • With the WRS/CE combination it is possible to have zero defaults
Transport and logistics costs	++	+/-	<ul style="list-style-type: none"> • WFP gets more competitive shipping rates from central locations (Kampala and Tororo) favoured in current mainstream tenders. At other locations, more competitive rates can be obtained if WFP builds up its procurement volumes • Direct purchases involve more remote locations with higher transport costs • Direct purchases also involve higher inspection and rectification costs, as discussed in Table 2 • WRS eliminates round-about logistics, as explained in Annex 3
Warehousing costs		–	<ul style="list-style-type: none"> • Avoids warehousing in two separate locations: the supplier’s warehouse and the WFP warehouse
Financing costs		+	<ul style="list-style-type: none"> • WRS requires stockholding to be financed prior to procurement, but provides a quid pro quo in terms of more stable supply and lower price volatility
Bagging costs		+	<ul style="list-style-type: none"> • As long as WFP requires printed bags, WRS will involve extra expense of circa \$10 per tonne
Infrastructure investments	++	++	<ul style="list-style-type: none"> • Much of the existing infrastructure investments are for the WRS, but WFP can develop the system in another way – by involving private entrepreneurs who invest in their own facilities

AMS objectives

The AMS objectives as spelled out in the Joint Action Agreement with the Government of Uganda are as follows:

- WFP Uganda is able to increase to \$100 million annually its local purchases of food commodities.
- Smallholder farmers are better able to benefit directly and indirectly from increased WFP food purchases in Uganda.
- WFP is able to substantially increase value-added processing and production that is done in Uganda.
- Market mechanisms are developed and supported to promote and ensure sustainability.

116. A detailed evaluation of outcomes achievements was not possible. The main reason for this is that it is too early in the AMS implementation plan to assess many of the objectives, and outcome-orientated M&E information is not yet available (the baseline survey has just been released and the M&E system was finalised in February 2011).

Achievement of objective 1: WFP Uganda is able to increase to \$100 million annually its local purchases of food commodities

117. The overall level of LRP in Uganda was 125,507 tonnes in 2010, to the value of US\$33 million , which is still a long way short of the target of \$100 million by 2012. This is hardly surprising given the many imponderables that affect the year-to-year changes in levels of LRP, such as the availability of funds, the levels of production in Uganda and competing countries, and prices in regional and international markets. Only 34% of the tonnage was procured for Ugandan food aid recipients in 2010, the other main destinations being Kenya (with 36%) and Tanzania, Burundi and Sudan (each in the range of 8% to 10% of the total).

118. Maize continues to dominate procurement, and the anticipated move towards non-traditional commodities (sorghum, cassava chips, millet, sesame and fish) is beginning to show progress.

119. But as reported in Table 3, the most disappointing figure is that only 3.2% of LPR was purchased through P4P modalities in 2010. This may partially be due to an unfavourable price context (a rising market tends to penalise WFP more than private buyers because of its lengthy procurement procedures), but yet, AMS is very much short of its procurement volumes objectives.

Achievement of Objective 2: Smallholder farmers are better able to benefit directly and indirectly from increased WFP food purchases in Uganda

Smallholders' incomes

120. Falling short of the procurement volume objectives obviously limits the potential benefits to smallholders. As reported in Table 3, only five FOs and three licensed warehouses sold to WFP in 2010. Direct benefits of WFP purchases through AMS/P4P modalities were therefore limited to a small number of farmers in 2010.

121. Estimates for small farmers' gains have not yet been generated by the M&E systems as the baseline survey was just being finalised at the time of the MTE. However, we can come up with range of potential figures. The average land holding is about 1 hectare per household, and our farmers' interview suggest that about half of the cultivated land in targeted areas is planted with maize (except in northern Uganda, where the proportion of maize in farming systems is much lower). The price premium offered to smallholders selling to WFP may greatly vary from one modality to another, and even from one season to the other. As we were told, a number of farmer groups sold their grain to WFP cheaper than they could have sold it to alternative buyers by the time of payment in 2010's rising market. Yet, most farmer groups that were interviewed could recall seasons when selling to WFP had been more profitable than selling to local traders. The picture then is quite mixed. We therefore assumed two possible scenarios to estimate the boundaries of possible income gains: (i) no premium offered by WFP; and (ii) a 20 Uganda Shillings per kilogram premium, which corresponds to the profit margin realised by small traders we met in field. A quality premium gain can be added on top of these figures, but it will vary greatly depending on the techniques used for drying and cleaning the grain and on the quality of the grain at farm level.
122. Table 5 summarises potential household income effects under different scenarios for **direct purchase**: A to C represent different production systems, while 1 to 3 represent different marketing channels. In most cases, the starting point is scenario B1. The possible immediate effect of AMS is to help a few households to get to scenario B2 (about +20 USD per household compared with B1) and B3 (between +20 and +40 USD per household compared with B1). But the desired scenario would really be C2 (+55 USD per household compared with B1) or C3 (+55 to +85 USD per household compared with B1). The conclusions jumping out from this basic and approximate exercise are that (i) productivity enhancement is critical for AMS to meet its smallholder income targets, as the farmers interviewed almost all utilised low inputs farming techniques, and (ii) interesting levels of household gains can be made through bulking, without meeting WFP quality standards.

Table 5: 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 (USD/HH)	1	0	25	50	90
Additional HH income from bulking premium (0–20 USD/kg)	2	+ 10 USD / A1	+ 20 USD / B1	+ 30 USD / C1	+ 40 USD / D1
Potential WFP quality premium	3	-	+ 0 to 20 USD / B2	+ 0 to 30 USD / C2	+0 to 40 USD /D2

HH = household.

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

Do smallholders directly benefit from the WRS?

123. WFP was able to provide some information as to who deposited in the UCE-licensed warehouses (Table 6). While not comprehensive - and referring only to stock delivered to WFP - it provides some idea as to who is using the system to sell their grains.

Table 6: Depositors in licensed WRS, by category

Warehouse	Year	Farmer groups	Medium-scale farmer	Traders	Total
Nyakatonzi	2010	18%	82%	–	100%
Agroways	2010	69%	–	31%	100%
MASSGL	2009	25%	30%	45%	100%
MASSGL	2010	12%	23%	65%	100%

Source: P4P Unit, Uganda CO.

124. Suppliers in ‘farmer groups’ included 46% women, and supplied an average of 1.6 tonnes. ‘Medium-scale farmers’ were 95% men, making average deposits of 10 tonnes each, and traders were 80% men, making average deposits of 24 tonnes. The fourth warehouse, El Shaday, has only operated for one season, and nearly 90% of deposits were made by a trading company belonging to the same owner, with other traders and farmers accounting for the balance.
125. It is not yet clear how much use FOs will make use of the WRS, and how much it will be dominated by other players. So far it has attracted a mix of FOs, individual farmers, smallholders, emerging commercial farmers, small traders and the warehouse operators, who sell their own grain through the system. However, it is clear that only the more highly interested and well-organised FOs will be able to cope with the organisational aspects, the uncertainty over final prices and the swings in profitability. Until such time as Uganda develops large numbers of such FOs, much of the direct benefits will be captured by larger farmers, and benefits to smallholders will be of an indirect nature, i.e. through increased regional demand for Ugandan grain, reduced price volatility (as gluts can more easily be stored) and a more transparent and contestable market.

Farmers’ capacities

126. Some progress has been made in building capacity at farmer level, and training is having a perceptible impact on their knowledge of post-harvest handling. This is not yet reflected in the volume of deliveries to WFP, but we are aware of two cases where FOs endowed with SCPs have started to engage in trade with third parties. In both cases, the collection points were close to borders (of Kenya and South Sudan), allowing farmers to aggregate produce for sale to visiting traders.

127. However, our field interviews suggest that financial and labour constraints limit the ability of farmers to implement better post-harvest handling and aggregate product for onward sale, particularly in northern regions, where land holdings are larger. For example, in one community, farmers said it was difficult to build better cribs to dry and store their crop when they were still working on the construction of better housing. The costs of meeting EAGC Grade 1 quality for maize are high, involving considerable effort in sorting, cleaning, drying, transportation, packaging and storage.

Achievement of Objective 3: WFP is able to substantially increase value-added processing and production that is done in Uganda

128. The MTE was not able to assess the achievement of this objective: food processing activities have not been looked at and it is too early to detect potential productivity enhancement of AMS.

Achievement of Objective 4: Market mechanisms are developed and supported to promote and ensure sustainability

Progress in developing WRS

129. AMS clearly contributed to supporting the development of WRS in Uganda: an increasing proportion of its purchases through P4P modalities are coming from WRS; it is supporting the establishment and installation of new licensed warehouses; and is a committed partner of the UCE through a formal agreement. Of course, the UCE/WRS achievements cannot be attributed to AMS support only, but WFP as the main committed buyer is certainly a powerful driver. The following highlights the main WRS achievements so far in terms of profitability to depositors and in terms of facilitation of access to credit.

130. Table 7 indicates that depositors in the Agroways Ltd warehouses experienced wide variations in profits from season to season, ranging from –5% to +25% (expected to be higher for January to June 2011). Reports from Jinja, Kasese and Massindi indicate that most farmers did not see profits in 2010, although farmers using the Massindi warehouse (MASSGL) are reported to have earned good profits in 2009.²¹

Table 7: Agroways warehouse in Jinja, deposits and profits per season since 2008

Marketing season	Deposit (tonnes)	Cost price *	Sale price	Net profit	Comment
July–Dec 2008	48.3	635/-	950/-	150/-	Start of WRS, high risk, small deposit, less competition hence high profit
Jan–June 2009	662.2	620/-	840/-	70/-	Depositors' interest picks up after previous season's test
July–Dec 2009	1,249.3	600/-	790/-	40/-	Profits drop but is still significant. Banks promise to finance receipts in following season
Jan–June 2010	2,045.0	570/-	685/-	–30/-	Very good production, but depositors lose money. Those taking bank credit lose more

²¹ Chris Baine, Coronet Ltd, personal communication.

July–Dec 2010	1,834.9	335/-	500/-	20/-	Harvests low, farmers unhappy with last season, lower deposits but profits better
Jan–June 2011	1,002.0	580/-			Low rainfall and production, but high profits expected

* Cost price per kilogram weight before drying and cleaning.

Source: Agroways Ltd, 30 March 2011.

131. Banks are beginning to provide warehouse receipt holders with bridging finance to help them while they are waiting for payment, with Housing Finance Bank lending UGX 1.0 billion (about US\$450,000) for this purpose for the January to June 2010 marketing season. Loans were fully repaid, though in the stagnant market conditions depositors found the warehouse receipt operation unprofitable and the interest charges an extra burden. Despite this, two other banks say they will start lending in the July to December 2011 marketing season. In Massindi, a few farmers were accessing credit from the SACCOS against WRS security.
132. It is necessary to observe how bank lending against WRS evolves over time. Farmers generally have negative perceptions of commercial banks, based on their distance from the farms, their interest rates and their ‘long and complicated procedures’. However, there is much competition between banks, and if they find the WRS an attractive and secure form of lending they will tend to adapt their terms and interest rates with a view to getting the business.

Farmers’ perceptions of benefits gained from AMS

133. As a conclusion to this outcomes section, Table 8 proposes a synthetic representation of farmers’ perceptions of benefits and challenges associated with AMS. This table attempts to summarise the main feedback received by the MTE from interviews with farmers and focus groups.

Table 8: Synthetic representation of AMS benefits and challenges

Strengths	Weaknesses
<p><i>Understanding of key messages by farmers</i></p> <ul style="list-style-type: none"> ▪ Farmer group leaders seemed to have understood the quality requirement well. ▪ Important messages have been picked up by farmer groups, especially on post-harvest, handling and storage. Evidence of farmers’ satisfaction with training so far. <p><i>Perception of potential benefits</i></p> <ul style="list-style-type: none"> ▪ Farmers recall higher WFP prices at times of bumper harvests (prior to 2010). <p><i>Appreciation of AMS package</i></p> <ul style="list-style-type: none"> ▪ Farmers appreciate that AMS is not only about production or marketing, but about the whole chain. 	<p><i>Transaction procedures maladapted</i></p> <ul style="list-style-type: none"> ▪ WFP payment procedure too long, which discouraged some farmers. ▪ WRS is distant from farmers – organising and paying for transportation is difficult. ▪ Delayed payments are even more problematic in a rising market. In 2010, WFP prices rarely matched traders’ prices by the time of the payment. <p><i>Understanding potential WRS benefits</i></p> <ul style="list-style-type: none"> ▪ WRS still poorly understood by farmers. ▪ Until now, WRS brought limited improvement on access to credit. Exceptions – SACCOS in Massindi, private lending against warehouse receipts has started. <p><i>Gender</i></p> <ul style="list-style-type: none"> ▪ Women tend not to be involved in grain marketing: therefore, is the strategy to get women involved in

	farmer groups appropriate?
Opportunities	Threats
<p><i>Access to credit</i></p> <ul style="list-style-type: none"> AMS could help farmers to get better access to credit, which is perceived as much needed. <p><i>Predictability</i></p> <ul style="list-style-type: none"> Maize market tends to fluctuate more than those for other products – a predictable market could help to stabilise prices. <p><i>Demand for information</i></p> <ul style="list-style-type: none"> Farmers and farmer groups are asking for more information about WRS. 	<p><i>Weak appreciation of potential risks and benefits</i></p> <ul style="list-style-type: none"> Failure to meet the quality standard dramatically increase 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><i>Farmers' expectations</i></p> <ul style="list-style-type: none"> The registration process for groups is 'heavy', implying high transaction costs and delayed engagement in a commercial relationship with WFP. A very limited fraction of registered groups have supplied WFP so far. <p><i>Building trust</i></p> <ul style="list-style-type: none"> Confidence in group leaders and/or in WRS operators is limited. Group cohesion: not all farmers have the same interests and capacities to benefit from WFP quality market.

Source: Farmer interviews.

Sustainability

134. **Direct procurement from FOs** - The history of WFP's efforts over the past decade poses serious questions concerning the sustainability of this modality, due to the high logistics costs, high default rates and consequently high unit overheads. We propose a number of recommendations to improve the sustainability of this modality, but as suggested by our analysis, it will always be difficult for FOs to be competitive on cost-effectiveness and reliability grounds. Therefore, this procurement modality could only be justified if it can be demonstrated to have an impact on smallholders' incomes or market integration. As we discussed above, such impacts still need to be established.
135. At present AMS is creating a series of expectations that have not been realised or will not be realised. Many independent FOs are being registered as suppliers to WFP, which requires a lengthy process: getting a formal constitution, getting registered by the district, opening a bank account, gaining a recommendation letter from the District Agriculture Office and submitting this information to WFP with a list of members. However, past evidence suggests that having made this effort, most of them will not succeed in supplying, but will end up frustrated by the process, due to: (i) their own labour and financial constraints; (ii) procurement rules that are not tailored to their requirements (they need simple and inexpensive procedures and immediate cash); or (iii) WFP being unable to compete with local prices – often the case in the north and near the borders, where there is strong commercial

demand from neighbouring countries.²² Some may find that their new-found skills will allow them to supply other customers with cash in hand and less demanding quality requirements.

136. **Procurement through the WRS** - As we indicated in the design section, the WRS is not yet on a financially sustainable footing. The economics of warehouses are highly scale-dependent, as are the economics of UCE's regulatory system.
137. With the end of EU support for UCE, the Ministry of Tourism, Trade and Industry (MTTI) continues to cover UCE's most basic operating costs, but this is an unsatisfactory state of affairs except as a short-term expedient, for two reasons:
- Some key functions are not being adequately maintained. The electronic warehouse receipts system (EWRS), key to the effective running of the system, has not been working properly since mid-2010,²³ and training activities, vital in the early stages of development of the WRS, are not being maintained at a satisfactory level. A more in-depth study of the WRS may have revealed other problems.
 - It risks UCE becoming an unresponsive bureaucratic entity, and moreover one that is politicised – which is something to be avoided at all cost in a country which has experienced two major warehousing frauds in the commercial sector and one in the NGO sector in the past decades.²⁴
138. UCE will need to cover its costs by raising fees on the basis of levies (user fees) charged to the warehouse operators, on the basis of their capacity or throughput. It estimates that in order to break even it must license at least 100,000 tonnes of storage capacity, but the combined capacity of the four warehouses operational at the end of 2010 (Agroways, MASSGL, Nyakatonzi and El Shaday) was only 10,500 tonnes. An additional 14,000 tonnes of capacity are on stream, including the WRS warehouses in Gulu and Tororo, and the KACOFA warehouse in Kapchorwa. To further increase capacity it will be necessary to persuade the leading tender suppliers to become licensed warehouse operators.
139. **Competitive procurement or waivers** - The use of restricted tenders seem better for ensuring sustainability of P4P modalities in the immediate future. But it raises two issues: (i) in the absence of a reliable system of price discovery, the tender approach exposes the group to considerable risk of pitching bids too high, where no deal is secured, or too low, where they make an unnecessary loss; and (ii) farmers (particularly those depositing together in the same

²² The CO Head of Procurement sees this from another angle, in the sense that FOs approaching him often expect to be paid prices out of line with the general market.

²³ The underlying EWRS is very strong – it is linked to the Electronic Silo Certificates system of South Africa, a very secure system that annually handles many millions of tonnes of grain and oilseeds. There have been connection problems, problems with the change of user names and passwords, and times when warehouses have not been able to issue or cancel electronic receipts. This should have been sorted out months ago. Banks like the EWRS concept a lot because it allows them to see warehouse receipts and their status at the touch of a button. However, it is a very innovative concept and requires periodic refresher training to ensure that depositors, buyers and even banks keep up to date.

²⁴ UCE had no involvement with these cases. The first two involved local subsidiaries of international inspection companies carrying out collateral management of stocks of coffee and wheat financed by international banks. The frauds had repercussions far beyond Uganda, and are partly responsible for international inspection companies reducing their collateral management activity. The last case involved a local project (Nakisene Adult Literacy Group) supported by a donor project and is discussed in footnote 12. Political pressures and bureaucratic factors have undermined the effectiveness of warehouse receipt systems in more developed countries, including Brazil and Ukraine (see Coulter, 2009).

warehouses) do not like to be made to compete with each other – they prefer straight price offers. In the event that UCE's trading floor becomes operational, it may be viable to procure competitively from FOs because it is a system that provides for price discovery and more regular trading sessions, making it easier to close deals.

140. **Funds management** - The sustainability of new procurement modalities is in part dependent upon WFP having funds when farmers and other suppliers have the product available, rather than simply when an emergency or relief programme is ready to buy. The COs of neighbouring countries may insist on procuring by competitive tender and thereby preclude the possibility of Uganda introducing new modalities. The idea of regional pre-positioning of stocks, which is being seriously considered by WFP and various donors for the next season, might provide WFP-Uganda with more control in this area, allowing it to build up stockpiles to be sold on to emergency and recovery programmes in neighbouring countries.

How sustainable are AMS infrastructure activities?

141. The main question that arises is whether good use will be made of these facilities or whether they will remain underutilised, as a result of too many similar initiatives in the past. We shall consider in turn the case of the commercial-scale facilities (warehouses and cleaning/drying sets), SCPs and road rehabilitation.

Satellite collection points

142. As regards SCPs, the prior experience of USAID provides some insights into potential sustainability, there being two very contrasting experiences. On the one hand, the LEAD project, with its predecessor (APEP), has a seven-year track record of supporting large numbers of farmer groups (FOs) involved in intensification and market linkage activities, but is only now considering assisting a small number of the most accomplished groups to obtain their own warehouses, on terms which involve subsidy but not an outright grant. By contrast, two other USAID projects (Spring and Nutti) recently built a number of small warehouses around Gulu, but many of them have remained unutilised to date.
143. Unlike LEAD, which has had a long involvement with the groups it supports, Spring and Nutti were two to three-year projects supporting post-conflict recovery in northern Uganda: the mobilisation phase was too quick, and not enough attention was given to management capacity; farmers needed to sell quickly and did not use the stores; and some warehouses were built on land allocated by the sub-county, which engendered a lack of trust among farmers and contributed to a low level of utilisation.
144. There is no question that smallholder aggregation can prove successful in Uganda, but the FOs need considerable prior experience of successfully working together on shared projects to develop trust and business competence. The nature and scale of a facility should be tailored to the FO's business model and should result from a market analysis, e.g. it should be large and with a concrete drying area if it is to be used to aggregate large shipments, but smaller if the intention is to turn the stock over quickly. It is also desirable that the FO shares a significant portion of the cost of the warehouse as down payment and/or debt, as this focuses minds on the need for a viable business.

145. Most of the partners have very limited experience in agricultural marketing, and some of them come straight out of the relief sector. Most have been contracted for a 12-month period, and no contract exceeds 24 months. During this time they must identify the FOs and build their organisational capacity, plan and build the SCPs and roads, and train the FOs to operate their business in the SCP for one season. There is scope for further contracts, but this means shifting on to other districts or sub-counties, and repeating the same operation. This rather hasty operation risks:
- weaknesses in the evaluation of the FO's potential volume handled and profitability
 - limited time for capacity building before building the SCP in some places, and
 - limited time for capacity building after building the SCP.

Market access roads

146. The quality of new roads may vary between implementing partners: in Gulu, two 10-kilometre sections of quality road have been built by an experienced partner (ACTED) specialized in the building and rehabilitation of infrastructure. In other cases, partners have limited experience in building roads (e.g. Food for the Hungry). It is not yet clear whether experience is a good guide to the quality of outputs. Sustainability risks are mainly related to operation and maintenance arrangements. In most cases, roads are to be maintained out of district budgets and in all cases P4P roads appear in District Development Plans, but in the case of Kamwenge district, they are being built by very labour-intensive methods and are expected to be maintained by the communities that will mobilise for this purpose. Significantly, one of the partner organisations which had been building roads had no idea of the district's budget for maintaining them, suggesting that insufficient thought may have been given to this aspect.

Conclusion

147. Taking the above observations together, we think there is the risk that in some cases the assets financed will remain underutilised and poorly maintained. This needs careful consideration in the light of AMS's much larger plans for commercial market infrastructure for 2011–2014.

2.3. Factors explaining performance and results

External factors

148. Uganda's liberal policy towards the grain trade provides an attractive environment for AMS, allowing it to support the development of agriculture for both local and export markets, and facilitating the development of new market institutions. Unlike the case in most other P4P countries in eastern and southern Africa, government does not intervene in the market, commercially or through ad hoc export or import controls.
149. Most partnership agreements only started in 2010, and this partly explains the modest achievements so far. However, the partnership with UCE started in 2008, giving WFP access to a ready-made procurement modality accessible to organised smallholders and small traders. During the design phase, the CO also needed to seek partners from among organisations with long experience with FOs, such as USAID LEAD, DANIDA and Uganda Cooperative Alliance. The CO could have consulted these parties and sought to distil best practice lessons.

150. Partners selected for implementation were invariably in need of financing, whereas some of those with the most relevant experience were already well funded. One of the key selection criteria was their experience in specific regions, and most had long-standing experience with farmers in Uganda. However, few had much experience in market development, though in some cases (e.g. ACF, ACTED and Samaritans Purse) NGO partners recruited competent and experienced people to manage the programmes.
151. Government and donor-financed project activity in Uganda and, if WFP could provide really attractive procurement modalities, partner organisations would come forward without the need to formally contract their services.
152. Grameen Foundation is piloting a highly innovative and interesting concept – Community Knowledge Workers – but it is one which AMS might have done better to leave to other donor organisations, in view of its complexity and requirement for management attention. Grameen’s management emphasises that the development of system applications requires “a lot of time for joint design”. The concept is supposed to complement existing systems of agricultural extension, such as farmer field schools, but the process of integration has not gone very smoothly. The key rationale for involving Grameen was to distribute market information, but its information source is not proving reliable. Moreover, it does not provide information on prices for commodities of standardised quality, such as WFP is buying.

Internal factors

The complexity of AMS

153. AMS involves many activities, and some of them, notably in the area of livelihoods, have no relationship with WFP’s large procurement footprint, which is its key source of its comparative advantage. Not only was WFP-Uganda entering unfamiliar territory, but it was also requiring its newly formed P4P Unit to manage many activities, with a large number of partnership agreements, where capacity would be out sourced. There is evidence that the P4P Unit has recognised and has taken positive steps to address, the human resource demands which the AMS project requires.
154. AMS was introduced under the direction of a new Country Director seeking to find ways of increasing WFP’s impact on the supply side. This in turn has encouraged CO staff to adopt a more enquiring approach and to be receptive to new ideas coming from outside the institution, e.g. the forward purchasing initiative and the structured trade financing initiative for millet.
155. The CO has established a good working relationship with government through the Joint Action Agreement, but the agreement is much more specific in describing the responsibilities of WFP than it is those of government. Over the years, serious shortcomings have been noted in the services of the Ministry of Agriculture, notably with regard to regulation of seed and chemical inputs²⁵ and agricultural statistics. With regard to the latter, we heard or read estimates of

²⁵ Shortcomings include: approval of low numbers of improved seed varieties; ubiquitous counterfeit certified seeds and patented chemicals in rural Uganda; quality breeder seed all but absent; and minute certification capacity in comparison with the volume of sales. Recommendations for correcting this range from

annual maize production ranging from 650,000 tonnes to 2.4 million tonnes (with a mid-point of 1.5 million tonnes which is the WFP estimate in para 43). Such observations suggest that government needs to contribute more to this partnership, which is designed to help Uganda become a regional grain basket.

156. Overall uptake of new procurement modalities has been much less than predicted, and has even regressed. Why is this happening? The P4P Implementation Plan for Uganda, of March 2009, highlighted the length of the procurement process as a key constraint in procuring from independent FOs, an observation that should have focused WFP's full attention on rapidly addressing the problem. Planning and implementing P4P and AMS needed to be mainstreamed, in such a way that WFP's most experienced procurement, logistics and finance staff would champion whatever innovations the institution promoted. In practice, some of those in procurement have doubts about some fundamental aspects of P4P design, saying for example that: it does not acknowledge the virtues of the trade pyramid to which leading traders are linked; it rests on a range of questionable assumptions; and that it tries too many options at the same time. There is no question that they are fully committed to their work on P4P, but they are likely to be most effective if they really believe in its feasibility and potential for impact.
157. While some of their misgivings are supported by this evaluation, some can be attributed to limited familiarity with alternatives. The latter might have been addressed by bringing in outside specialists, notably traders (or retired traders) from the commercial sector, and people with lengthy experience on market development projects, to work with WFP staff at the design stage, and by exposing them more to commercial and project-based innovations. The traders could also have been asked to review WFP's procurement rules and procedures and suggest improvements. In summary, then, to effectively implement P4P/AMS, WFP needed to engender a greater sense of ownership among some of its most experienced operational staff.
158. This situation required a lot of learning and adjustment within core divisions of WFP, and the process would have been easier if AMS had fewer activities on which the organisation could focus single-mindedly, rather than the wide range of supply-side activities, some of which could be handled by other donors and projects. After studying the situation WFP might have provided support in certain areas, notably in post-harvest handling, but on a more selective basis.
159. WFP was ill-prepared to deal with external proposals for forward contracting and structured financing of the millet supply chain, leaving some external parties frustrated. The actions of the AMS Unit and some operational staff were out of sync with higher levels and these schemes appear not to have been considered in a timely fashion.
160. P4P/AMS has a strong learning objective, and a number of internal or technical review meetings have provided positive learning experiences within the CO. Various events were organised to allow AMS staff to exchange with other P4P countries, with Ugandan staff going to Kenya, Zambia, Mali in particular, and other COs visiting Uganda. There has also been a

strengthening the Ministry of Agriculture (MAAIF) to privatising these functions, but there has been no implementation (Pelrine, 2009).

strong emphasis on coordination and learning at sub-office level, with a monthly meeting among partners in each district. Partners generally see WFP as collaborative, and appreciate its willingness to experiment and learn.

161. In contrast to this, however, senior managers were not aware of the findings of the External Review Panel, which held one of its meetings in Uganda and provided a number of insightful comments.²⁶

M&E

162. It is important to understand the context in which the M&E system is being implemented. There is significant difference between AMS, which seeks to scale up new procurement approaches, and P4P, which is in principle a pilot for learning about the most successful approaches. Heavy investments in market infrastructure and building capacity of FOs are also indicative of a preference for up-scaling rather than experimentation. This is reflected by the *country logframe*, which is simple, but more about measuring achievement of targets than learning. However, it needs to be recognised that WFP is doing new things through AMS, and needs to learn from the experience. At the same time, the M&E is also reporting against the complex *overall P4P logframe* with its 57 indicators.
163. As regards management, the responsibility for M&E and learning sits within the AMS team, while the M&E and Vulnerability and Market Assessment (VAM) units have helped respectively to adapt HQ tools to the Ugandan context and support with design and quality control of impact evaluation surveys. The VAM Unit expresses some concern that tools should have been more tailored to the Ugandan context and market assessment should have been used more often to monitor and learn about the effects of AMS. Data collection and analysis involves a range of players, including Makerere Research Institute, partners, WFP sub-offices and CO procurement and logistics departments. The responsibility for analysing all the data together lies with the AMS Unit, but this is to be taken over by the African Economic Research Council. Various learning events have been organised involving staff from different parts of the country, which is important as a means of sharing experience accumulated in certain specific regions.
164. The M&E process has been developed quite late. The baseline information was only collected in early 2009, when partners' proposals were being developed and approved, so that it could neither influence the overall AMS nor the proposals. Furthermore, the first draft of the baseline report was rejected as the analysis did not follow guidelines, and the definitive version had still not been released at the time of the MTE visit, i.e. two and a half years after AMS started. Output monitoring tools had just been released, and the CO was still thinking about the best way to measure and report progress.
165. As in the other P4P countries, too much reliance is placed on large structured surveys with very lengthy questionnaires at household and enterprise levels. Insufficient use is made of case study work, qualitative interviewing and easy-to-collect proxy indicators. Informative

²⁶ The composition of this panel might have benefitted by having more traders and people who had worked with exchanges and WRS (e.g. someone from SAFEX). A single Ugandan trader participated, but no international traders.

case studies would have proved immensely useful to the work of this consulting team. The M&E is also overly focused on measuring achievements against targets, rather than on testing the underlying logic and assumptions on which the project and its activities are based. Insufficient use is being made of in-house information, particularly on procurement and logistics, which can be routinely posted and easily analysed. The implementation of this study would have been greatly assisted if the CO had been logging data of purchases and attempted purchases, from which it would be possible to calculate by modality the percentages of attempted purchases ending in contracts, the percentage of contracts completed, the reasons why contract were not signed or fulfilled, the time taken at each stage from negotiation to delivery, etc. Such operational data allow both managers and evaluators to pinpoint the bottlenecks and rely less on anecdotal information.

166. AMS is investing a lot in dissemination of lessons learned and has hired a full-time person to work on external communication. AMS was well identified and understood by most stakeholders. The level of engagement and quality of the inputs of partners (private sector, government and NGOs) was an indication of effective communication by WFP on the programme. Apart from a few exceptions, we received some quite positive feedback from partners as to how WFP was open to learning and experimentation with this programme. Our assessment is that WFP is making very significant efforts in terms of dissemination of information. However, formal learning is too narrowly focused on identification of best practices, while it should also be seeking to test project assumptions.
167. These observations confirm our finding in the design section, i.e. that the project needed to be conceived more as one of action-research, and the M&E needed to provide for rapid feedback loops that would assist in learning about the project and the appropriateness of its interventions.

3. Conclusions and recommendations

168. In conclusion, AMS/P4P presents a significant opportunity. This is an innovative programme which is well-resourced and covers an unusually diverse range of market development activities – from market infrastructure provision to farmer capacity building and technical support to reduce post harvest losses to creative reforms to WFP local purchasing modalities. In addition, the initiative has strong support from the Government of Uganda and the senior management of WFP at country and HQ levels.
169. These important advantages risk being undermined by the challenges of managing a large and complicated programme. It would be a shame if the late delivery of the M&E system meant that little was learned from implementing this project. We believe that Uganda is almost uniquely well located to support a WRS but this can only be sustainable if it runs at a much larger scale than at present. The rich network of partners in Uganda will only yield maximum benefits if the best use is made of the available local capacity.
170. It is important that the intervention follows through from a coherent conceptual approach to the implementation of each element of the programme to avoid the programme losing its coherence and becoming a potpourri of different elements which do not support the other

parts of the programme. For instance, it is important that decisions on the location, management and maintenance of market infrastructure in a market development programme meet the requirements of market intermediaries who are intended to use the assets – rather than local municipalities (who will not).

171. We would like to suggest a number of recommendations that could help AMS preparing for the second term of its implementation process.

Recommendations

Recommendation 1: Further invest in WRS as a market development strategy. WFP has been a great supporter of the first steps of the WRS in Uganda but the system needs to operate on much larger volumes to take off. AMS could make an historic contribution to the grain marketing system in Uganda by progressively but steadily and predictably adopting the WRS as a mainstream local procurement system.

172. **R_{1.1}** The priority should be to progressively move from an almost complete reliance on conventional tendering to a more balanced share of local procurement going to the WRS/CE combination in order to provide the incentive for existing suppliers to make the switch and invest in the necessary equipments and procedures. As all modalities have a different range of costs and benefits, a detailed cost-benefit analysis of each should be conducted.
173. **R_{1.2}** There should be a clear agreement with the Government, UCE members and other stakeholders about the strategy for developing the WRS/CE combination and about the structure, governance and autonomy of UCE.
174. **R_{1.3}** The CO should consider progressively divest itself of its warehousing operations in favour of UCE-licensed warehouse operators, with a view to building a cadre of competent national operators who can service both public and private sector clients. WFP should carefully monitor the governance of licensed warehouses and immediately stop purchasing from operators that do not comply with agreed governance rules. If WFP announces its intention to move out of in-house storage of food, the transition can be carefully handled to avoid destabilising existing commercial warehouse operations.

Recommendation 2: Management of expectations: better communication about challenges and shortcomings. AMS has created important expectations, which are becoming difficult to manage. It is critical to reduce the level of unrealistic expectations around AMS.

175. **R_{2.1}** Make sure AMS is understood as a pilot initiative by all its partners, including the Government of Uganda, especially the non-procurement elements of AMS which are new territory for WFP and to many of its cooperating partners.
176. **R_{2.2}** Consideration should be given to reviewing targets to ascertain their realism, particularly those in the Partnership agreement with the Government of Uganda.
177. **R_{2.3}** Take action to reduce FOs' expectations of WFP as a buyer of commodities. The concept of smallholder aggregation should be promoted as a valuable activity in its own right, and less

priority should be attached to registering farmer groups as potential suppliers to WFP. Farmers should see WFP as one of various customers, and one with demanding procedures and requirements that may not suit them. Registration should be mainly limited to FOs with a track record of aggregation, and which are prepared for the challenges of working with WFP.

Recommendation 3: Learn from phase 1 of infrastructure development and FO capacity building

178. **R_{3.1}** In 2012, one year after all infrastructures of the phase one have been completed, AMS should run a detailed cost benefit analysis of infrastructure and capacity building exercises. This evaluation should compare AMS with alternative programs pursuing similar objectives.

Recommendation 4: Adapt the M&E system to make it more reactive and to help monitoring outcomes

179. **R_{4.1}** Develop a comprehensive and coherent AMS logical framework until the end of the program to manage and monitor AMS, including a detailed analysis of assumptions and risks to farmers and traders and WFP.
180. **R_{4.2}** Start logging data on purchases and attempted purchases with a view to better pinpoint issues and bottlenecks in the procurement system, and allow for a robust calculation of the full costs of P4P purchases. Information should be collected on the whole process from beginning of negotiations to final payment. The CO should also institute a system of annual reporting on the incremental cost of procuring through each of the P4P modalities, and projections of how the new modalities will impact on costs in subsequent years.
181. **R_{4.3}** It is urgent to define a list of proxy indicators to measure outcomes achievements, and regularly collect and analyse them. The outcome monitoring system should include qualitative interviews of farmers, evaluating their perceptions of the benefits they could get from AMS.

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

182. **R_{5.1}** Management should continue to bring specialist expertise into the AMS team. Building capacity in market institution development and FOs capacity building should be prioritised. AMS should seek to deepen and formalise strategic partnerships with technical partners, preferably with significant experience of programme implementation.

Annexes

Annex 1: Summary Terms of reference

The WFP Uganda Agriculture and Market Support Project.

WFP has been involved in purchases of grain and pulses in Uganda since 1991. Between 2002 and 2009, it purchased over 950,500 mt of food commodities²⁷ including 205,000 tons valued at US\$ 54.7million in 2007 alone. Uganda consistently ranks in the first ten countries where WFP purchases food. On average, 70 percent of the food purchased locally is used to support relief activities in Uganda and the remaining 30 percent supplies WFP operations in the neighbouring countries of Rwanda, Burundi, Democratic Republic of Congo (DRC) and South Sudan.

As early as the 1990s, the Uganda CO articulated an innovative integrated approach to agriculture and market support with clear development objectives underpinned by, but not limited to, local purchases. This approach was further refined as part of the 2009 – 2013 WFP Country Strategy in Uganda, which reflects the changing nature of WFP from a food aid to a food assistance agency with a more nuanced and market-sensitive set of tools to address hunger. Noteworthy is the fact that the P4P project has been officially introduced in the AMS project and features prominently in it.

The AMS objectives as spelled out in the Joint Action Agreement with the Uganda Government are:

- WFP Uganda is able to increase to \$100 million annually its local purchases of food commodities.
- Small-holder farmers are better able to benefit directly and indirectly from increased WFP food purchases in Uganda.
- WFP is able to substantially increase value-added processing and production that is done in Uganda.
- Market mechanisms are developed and supported to promote and ensure sustainability.

The AMS Activities include a broad set of activities focussed on:

- Developing market infrastructure to further integrate farmers into the growing agricultural market;
- Improving post-harvest handling to reduce losses, ensure quality standards, enhance productivity and add value for selected commodities;
- Increasing and diversifying local purchases to help stimulate growth in the agricultural sector, by creating additional market demand for Ugandan commodities and
- Contributing to productivity and diversification of agriculture in northern Uganda.

Objectives and users of the evaluation

The evaluation aims to assess what has been achieved by the AMS project thus far in terms of overall performance and effectiveness (accountability) and determine the reasons for the observed performance and results and draw lessons to start identifying best practices (learning).

The Uganda CO is expected to use the evaluation findings to readjust its programme approach, if needed, and possibly use the evaluation as an advocacy tool. The P4P MTE team will use P4P related findings to feed into its global assessment of P4P. The P4P Unit at HQ level is also expected to feed P4P-related findings into their lessons-learning mechanisms.

Key Questions

27 The proportion of commodities purchased from 2002 to 2009 are: maize 70%; beans 14%; maize meal 10%; and Corn Soya Blend 6%

The evaluation will address the following three key questions:

Q1 – Relevance of the project and appropriateness of the design: The extent to which i) the project goal is in line with the Uganda priorities for poverty alleviation and agricultural development; ii) the project is coherent with the WFP mandate and capacities; and iii) the project design is appropriate notably as far as the objectives, activities²⁸, and partnerships are concerned.

Q2 – Quality of performance and extent of results: In its assessment of the below questions, the evaluation will systematically expose the aspects of the project, which are the most helpful in bringing about positive results, when and why and thus build an understanding of the internal and external factors contributing to, or affecting, project performance. The questions focus on:

- The level of efficiency i.e. the measure of the observed outputs (quantitative and qualitative) produced through AMS in relation to the inputs (funds, expertise and time).
- The extent to which the intended objectives as defined are likely to be achieved and have the potential to collectively lead to the intended impact.
- The less tangible results and unintended effects of the projects (both positive and negative)
- The level of cost-effectiveness likely to be achieved and where trade-offs are being made between the competitiveness and development objectives.
- The extent to which the overall results are in harmony with and supportive of WFP's main mission – as a provider of cost-efficient, timely and appropriate food aid to food-insecure beneficiaries and as an evolving organisation seeking innovative ways to tackle hunger.
- The extent to which the approach is sustainable in light of the observed efficiency and cost-effectiveness levels and whether its results are likely to lead to sustainable benefits.

Q3 – Cross-cutting issues:

- **Partnerships.** Taking into consideration partners' mandates, programmes, capacity and resource (particularly of supply-side partners) the evaluation will determine how effectively WFP has worked in partnerships with others in the design and delivery of AMS to optimise impact by creating synergies based on respective comparative advantages.
- **Gender.** The evaluation will assess how effectively WFP has brought women into the project in an attempt to redress gender inequalities affecting women's roles as agricultural producers.

Evaluation roles and responsibilities

The evaluation is managed and funded by the **WFP Office of Evaluation**. It will be conducted by a team of **independent consultants** composed of experts in the fields of development and agriculture economics, local procurement, organisational change management and gender. An **internal reference group** composed of a cross-section of key WFP stakeholders from various business areas and an **external reference group** composed of selected practitioners and academics with a cross-section of expertise and perspectives on the subject contribute to the evaluation quality assurance by providing informed peer feedback on the evaluation process and products.

Timing and consultations with Stakeholders

The evaluation will start in January 2011 with the inception phase. The field mission phase will take place in March 2011 during which the evaluation team will conduct site visits and meet with stakeholders from

²⁸ This should also include an assessment of the adequacy of the underlying assumptions supporting the WRS model.

Government, partner organizations, smallholder farmers and traders to solicit their views on the role that P4P has played and on its performance. Internal and external stakeholders will be invited to a debriefing on the findings of the evaluation at the end of the fieldwork. The draft evaluation report will be shared for comments in May-June 2011.

Opportunities to actively disseminate findings will be sought and the summary evaluation report will be presented to the **WFP Executive Board in November 2011**. The report will be publicly available on the WFP website.

Annex 2: List of people interviewed

Note: JC = Jonathan Coulter; HL = Henri Leturque; RAK = Rosemary Kawino; MP = Maria Pardo		
Date	Activity	Persons met
Sun 6/03	Initial briefing	Team members (Rosemary Kaduru, Maria Pardo) and Elvis Odeke, AMS/P4P Coordinator
Mon 7/03	Meeting with Country Director, WFP	Stanlake Samkange, CD; Hakan Tongul, Deputy Director and Elvis Odeke, AMS/P4P Coordinator
	Meeting with senior staff of WFP-Uganda	Director and senior staff
	Meeting at the Plan for the Modernisation of Agriculture (PMA) Secretariat, GoU	Tom Mugisa, Programme Officer, Technical Services
	USAID/LEAD project	Peter Wathum, George Kaweesi
Tues 8/03 - at WFP CO	Logistics Dept.	Mr Barake Tarek Keshavjee, Head of Logistics
	Human Resources Dept.	Stephen SSamba
	Lunchtime meeting with WFP staff (Coulter)	Hakan Tongul, Deputy Country Director and Sarah Loughton, Head of Programmes
	Discussion re nutrition	Julia Tagwireyi, Senior Nutrition Advisor
	Discussion re infrastructure development	Elvis Odeke, AMS/P4P Coordinator
	Vulnerability & Market Assessment (VAM)	Daniel Molla
	Discussion of M&E Activity	Martin Muwaga , Head of M&E
	Discussion of procurement under different modalities	Arben Casilli, Head of Procurement
Wed 9/03	Further discussion of AMS/P4P	Elvis Odeke, AMS/P4P Coordinator
	Meeting at Ministry of Agriculture, Entebbe	Alex Lwakuba, Commisioner Crop Prod. & Resources; Beatrice Namaloba, Snr. Agric. Officer, Food Prod. & Marketing; Mulwezi Dues, Asst. Commissioner Agribusiness, in Planning Dept.; Samuel Semanda, Commissioner Agricultural Planning
	AMS work plan	AMS team:

		<ul style="list-style-type: none"> Josephine Ojera, Programme Officer Robert Gensi, PHH Vincent Sembatya, PHH Patricia Elotu, Partnerships
	Interview of member of AMS/P4P Advisory Committee	John Magnay, Opportunity International
	Meeting at Uganda Commodity Exchange (UCE)	Alex Rwego, Executive Director
Thurs 10/03	Meeting with TechnoServe (represented on AMS/P4P advisory committee)	Erastus Kibugu, Country Manager; Edward Agaba, banana programme in SW Uganda
	Premier Commodities, leading supplier to WFP	Dipak Bhojkar Godfrey Kirumira Kalule
	Aponye/Rubya Commodities, leading supplier to WFP	Harold Buayamugisha
	Afrokai Ltd (traders)	Chris Kaijuka MD
	FAO	Mario Samaja, Senior Emergency & Rehabilitation Coordinator; Carine Malardeau, P4P Project Manager
Fri 11/03	Meeting with Iganga SO reps., Jinja	John Ssemaku, Head of Iganga SO; Vincent and Andrew, Senior Programme Assistants.
	Jinja District HQ	Leaders of CAO <ul style="list-style-type: none"> Ben Otime Oguette, CAO Production Team & NAADS <ul style="list-style-type: none"> Dr Kiwemba Steven – District Production and Marketing officer Ibanga Mussa Agriculture Officer
	Agroways (U) Ltd, licensed warehouse	Richard Ibengo, Manager Herbert Kyeyamwa, Managing Director (Monday 14th)
Saturday 12/03	HL visits small traders – JIK farmers association, Jinja	John Kisoro; John Nkutu; Abass Gidina
	HL visits Atenesitala Farmers Group – working under the ACE umbrella	Wambedla Aggrey, Secretarial Manager
	Baida (Bugiri Agribusiness Development Association)	Moses Mock, Acting Manager and group of farmers
	Focus group meeting with farmers not participating in P4P, control group	BASAISA KIRALA, Bugiri

	LEAD Project, Bugiri	Abraham Batambuze, Field Officer
Monday 14/03	HL visit ORDS, Jinja	Office and team
	HL visits Aponye warehouse, Jinja	John Kisoro, agent
	HL visits Sasakawa Global 2000	Kayayo Battson R. Emmmanuel, Associate Director Peter Mubiru
	RAK and MP travel to Nyenga (Busoga)	Bawajaji Agro Processors and Marketers Training – BAMTA (have sold to WFP through the warehouse). Semi- structured interview (SSI) with the chairperson and the manager; focus group discussion with members of the group
	RAK and MP travel to Kamuli (Busoga)	SIMUNTU FARMERS – MBULAMUNTU (they have sold to WFP directly). SSI with the chairperson and group discussion
Sun 13/03	JC travels to Mbarara – his programme for next week is as follows:	
Mon 14/03	Meeting at WFP Sub-Office, Mbarara	Amos Mwesigye, Head of sub-office. Juma Afrida, Senior Programme Asst., AMS
	Visit to Ruhiru Women’s Group, bulking beans for sale to WFP	Karim, Millennium Foundation + members
Tues 15/03 - Kasese and Rwimi	Elshaday General Trading Co. Ltd, UCE-licensed warehouse	Seare Maheri, Director Jonas Haile, Financial Manager Philip, Production Manager Hope, Supervisor of Quality Control Olivia, Storekeeper Baluku, Quality Grader
	Nyakatonzi Cooperative Union, UCE-licensed warehouse	Francis Mugisha, Warehouse Keeper Mahindu Selevest, Operations Manager Sabit Godfrey, Accountant Baluk Robert, Accountant and Grader Kule Jovenal, Internal Auditor Kima Augustine, Grader
	Meeting with farmers at Nyakatonzi Cooperative Union	11 farmers, including 2 women who had deposited maize

	Surface Contractors Uganda Ltd, Rwimi	Mr Silver, MD William, General Manager
Wed 16/03 - Kamwenge	LEAD Project	Benon Twinobusigye, Field Officer
	District Offices	Godfrey Pukamagona, District Commercial Officer; Alfred Kamanyire, District Production Coordinator
	Samaritans Purse	Rosetti Mugisha, Project Manager, P4P Katusa Robert, National Agric. Livelihoods Project Manager; Ahanga Ambrose, Construction Supervisor; Richard K., M&E Coordinator
Thurs 13/03 - Kampala	Centenary Bank	Abdul Kyanika Nsibambi, Manager, Agricultural Lending
	Danish Embassy	Warwick Thomson, by phone and email
	Equity Bank	Stella Mutumba, Trade Finance
	Coronet Group	Chris Baine, Executive Director
	Inspire International	Richard Pelrine, by phone
	Agroways Ltd, UCE-licensed warehouse	Herbert Kyeyamwa, MD
Fri 14/03	Uganda Commodity Exchange	Valery Alia, Chief Warehouse Examiner
	Grameen Foundation	Sean Paavo Krepp, Uganda Country Director; Whitney Gantt, Technical Program Manager, ICT Innovation
	Housing Finance Bank	Paul Nuwagaba, Head, Business Banking
	World Bank	Rashit Pertev and William Odwongo
	Eastern African Grain Council	Harriet Nabirye, Uganda Representative (by phone)
Tues 15/03	HL, RAK and MP travel to Gulu	
Tuesday 15/03	WFP	Tiziana Zoccheddu, Head of WFP Gulu Sub- Office
Wed 16/03	FAO	David Dicken Ogwan, P4P project manager; Brenda Pibiva, Head of sub-office
	WFP	Robert Kalega, AMS coordinator for Acholi / Senior Program Assistant

	ACF Gulu	Emmanuel Zole, Food Security Program Manager
	ACTED Gulu	Helen Achan, Program coordinator
	Small traders in Gulu	Achan Mickale, Richard Odong, Florence Odong
	Medium-scale trader/miller in Gulu	Jackson Akena
	Gulu district agriculture office	Lakro Jackson and Okiri Ochora
	RAK and MP meet farmers groups	Farmer Field School Bungatira Network (working with FAO). SSI with chairperson of one of the farmer field schools and group discussion
		Koro Community Centre Control Group
Thursday 17/03	USAID LEAD project – Gulu office	
	Omon Chong Women’s group	Chaired by Helen Odong
	RAK and MP travel to Awere sub-county	Awere Subcounty Farmers Association (working with Food for the Hungry). SSI with a small group of chairpersons from different FOs and group discussion with wider group of members
Friday 18/03	MASSGL, licensed warehouse operator, Massindi	Daniel Wanzala, managing director; Godfrey, warehouse keeper.
	MADFA	
	USAID Lead project	Elly Kyaligonza
	RAK and MP meet farmers groups	Ntooma Parish – Bwijanga Subcounty. Group discussion with members including the chairperson (they have sold to WFP through the MASSGL warehouse)
Saturday 19/03	Small trader Massindi	Wicliff Berwanga
	Agrovet	Bernard Karuemera, Exec Director
	MADFA - Massindi District Farmers Association	David Katende
	RAK and MP meet FO	Pakanyi United Farmers Cooperative Society Ltd (they have sold to WFP directly). SSI with the manager of the cooperative and group discussion with members of the group
Mon 21/03	USAID	Theresa Tuano, Director, Economic Growth

Kampala		Team; Jenna Diallo, Private Enterprise Development Officer; Jacqueline Wakhweya, Development Finance Specialist
	IFC Nairobi	Mike Opagi (by phone)
	Adviser to AMS/P4P	Bernard Bashaasha, Assoc. Prof., Makerere University
	Logistics department, WFP	Rohit and Livingstone
	Feedback meeting with Country Director	Stanlake Samkange
Tues 22/03 Kampala	9.00–12.00 hrs: presentation to external stakeholders	
	12.30–14.00 hrs: consultation with technical experts (WFP & external)	
	15.00–17.00 hrs: presentation to CO managers and HQ (by teleconference)	

Annex 3: Potential advantages of the warehouse receipt system/commodity exchange combination

Better quality grain, with much less reliance on inspectors. Members of the trade who are licensed warehouse keepers are held to account for delivering commodities according to specified standards, allowing WFP to increase the consistency of quality of the grain it procures. When buying through the conventional tender system, WFP often relaxes certain grade parameters in order to get the volumes it requires. We are not suggesting that WFP relaxes requirements that are indispensable to human health (such as aflatoxin), but those on other parameters that affect the overall quality of the grain. The institution of the warehouse receipting system, coupled with procurement from certified stock, allows WFP to tighten up its regime in this regard.

Elimination of the risk of contract default. This is one of the key problems detracting from the performance of agricultural markets in Uganda, and one which affects conventional tendering operations (notably at the time of our visit). The licensed warehouse keeper can be tasked to hold (or 'lock in'), during a stipulated period, stock which their depositors have offered in response to tenders or for sale over an exchange floor. This is a very important feature that does not appear to have been invoked so far in the Ugandan WRS; until WFP can speed up its procurement and payment procedures, depositors will not wish to have their stocks 'locked in'.

WFP gets greater access to storage capacity and saves in transport and handling costs between warehouses. The licensed warehouse is a 'public warehouse', which means that the operator holds stock on behalf of the public at large without discrimination, subject to payment of the necessary charges for drying, cleaning, bagging, storage (at a daily rate) and handling in and out.²⁹ WFP can hold the stock it has purchased at the warehouse and pay the storage charges accordingly. The use of licensed warehouses can help WFP overcome its own capacity shortages that from time to time block the supply chain, such as in 2010 when a conventional tender supplier had to wait three to four months to deliver to a WFP warehouse and complete its sale. When WFP is ready to ship to a delivery point in Uganda or neighbouring countries, it collects the stock from the warehouse where the stocks were initially deposited, and so avoids the indirect route via the WFP warehouse with all the attendant costs.

WFP can save on procurement overheads. The CO's procurement department currently has a staff of 13 (including four funded by P4P), 80% of whose time (according to the departmental manager) is spent on building the capacity of suppliers; the logistics department also spends much time in assisting suppliers. The virtue of the WRS/CE combination is that it shifts the burden of warehousing, capacity building and compliance on to the UCE-licensed warehouses and UCE, and allows WFP to reduce staff numbers and procurement-related overheads.

Accessibility to POs and small traders. UCE-licensed warehouse keepers can hold their own proprietary stock, but must also provide drying, cleaning, bagging, storage and warehouse receipting services to the public at large, subject to payment of charges published in their tariffs, which must be displayed prominently at the entrance to the store.

Accessibility to other buyers. Other buyers (including those from the Region) can locate stock through the CE, procure it in the form of warehouse receipts and hold it in the warehouse until they wish to ship it out, in exactly the same way as WFP. This benefits farmers and other

²⁹ The warehouses' tariffs are posted on the UCE website: www.uce.co.ug

suppliers, and allows for trading in warehouse receipts. This makes the WRS/CE combination an accessible and 'contestable' market for farmers and small traders in the vicinity.

Price discovery through the CE trading floor. The existing price discovery system is very weak. Wholesale market prices are published weekly, but refer to grain of widely variable quality (i.e. moisture content, defects, other grains, foreign matter and filth). WFP does not publish the prices of its winning tenders. The advantage of the CE is that it can provide a regular stream of price information for graded commodities based on trading sessions involving both WFP and other buyers, of use to buyers, sellers and financiers. Published closing prices will provide a form of price discovery that will aid buyers and sellers in fixing their prices, and help overcome the 'winner takes all' aspect of the current tendering system. An active and liquid exchange floor is of advantage to banks, both as a 'price barometer' and as a transparent marketplace in which to offload stocks seized from defaulting debtors. The price barometer helps them to better assess the value of the goods against which they are lending and manage price risks accordingly. The importance of a transparent marketplace cannot be overemphasised as bankers have very limited involvement with, or understanding of, informal commodity marketing chains. By procuring through the trading floor, WFP can also buy more frequently and in smaller quantities.

Larger stocks provide a buffer against price volatility. Past price crashes have resulted from surplus of supply over demand, and have adversely impacted producers. Price falls will be mitigated when people can put surplus stock into secure storage and obtain financing against it, in local or hard currency.

Helping WFP focus on core functions and develop an exit strategy. The development of reliable public warehousing services provides a route to divestment of its own warehousing services in Uganda, a move which will help WFP focus on core functions, following the practice of intervention boards in developed countries. If and when WFP winds down its procurement activities in Uganda, the WRS will continue serving the regular grain trade. However, this depends on developing a robust and financially sustainable WRS, attractive to private market participants, prior to WFP's exit.

Annex 4: Comparison of P4P prices with prices paid to large traders

Supplier	Commodity	Quantity, tonnes	Price per tonne, US\$	Value, US\$	Incoter m	Location
KAM SUPPLIERS LTD	Maize	103	184	18,952	DDU	Kampala
KAM SUPPLIERS LTD	Maize	1,344	184	247,296	DDU	Kampala
KAM SUPPLIERS LTD	Maize	1,053	184	193,752	DDU	Kampala
RUBYA INVESTORS LTD	Maize	521	187	97,635	DDU	Kampala
RUBYA INVESTORS LTD	Maize	673	187	126,120	DDU	Kampala
RUBYA INVESTORS LTD	Maize	37	187	6,934	DDU	Kampala
RUBYA INVESTORS LTD	Maize	248	186	46,128	DDU	Kampala
RUBYA INVESTORS LTD	Maize	116	186	21,576	DDU	Kampala
RUBYA INVESTORS LTD	Maize	391	186	72,726	DDU	Kampala
RUBYA INVESTORS LTD	Maize	94	186	17,484	DDU	Kampala
SUNRISE COM & MILLERS	Maize	326	160	52,160	DDU	Kampala
SUNRISE COM & MILLERS	Maize	540	160	86,400	DDU	Kampala
SUNRISE COM & MILLERS	Maize	342	165	56,430	DDU	Kampala
M/S JUTU ENTERPRISES	Maize	1,500	169.6	254,400	DDU	WFP Kamp
PREMIER COMMODITIES	Maize	5,500	197.3	1,085,150	DDU	WFP Kamp
ABT AGENCIES LTD	Maize	225.5	173	39,012	DDU	WFP Kamp
ABT AGENCIES LTD	Maize	11	173	1,903	DDU	WFP Kamp
ABT AGENCIES LTD	Maize	262	173	45,326	DDU	WFP Kamp
ABT AGENCIES LTD	Maize	185	173	32,005	DDU	WFP Kamp
TINY MIRRORS UGANDA	Maize	2,994	179	535,926	DDU	WFP Kamp
JUTU ENTERPRISES LTD	Maize	1,500	169.6	254,400	DDU	WFP Kamp
PREMIER COMMODITIES	Maize	5,500	197.3	1,085,150	DDU	WFP Kamp
ABT AGENCIES LTD	Maize	225.5	173	39,012	DDU	WFP Kamp
ABT AGENCIES LTD	Maize	11	173	1,903	DDU	WFP Kamp

Average Large Traders		988	179	151,886		
Kisiita Area Co-operative	Maize	96	156	14,952	DDU	Kampala
Kisiita Area Co-operative	Maize	476	156	74,058	DDU	Kampala
Dure Estates Ltd	Maize	525	156	81,807	DDU	Kampala
MASGGA	Maize	300	178	53,500	DDU	Kampala
MASGGA	Maize	20	178	3,567	DDU	Kampala
Average P4P		283	165	45,577		

Average P4P/large trader price = 92.1%

Annex 5: Bibliography

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