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MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE SUMMARY REPORT OF THE STRATEGIC MID-TERM EVALUATION OF WFP'S PURCHASE FOR PROGRESS INITIATIVE (2008–2013)

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration

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

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BACKGROUND

1. The Secretariat appreciates the evaluation recommendations, which emphasize the learning and sharing focus of the Purchase for Progress (P4P) five-year initiative. Senior management remains committed to maximizing learning from the various approaches that P4P is piloting, to create sustainable links between smallholder farmers and commercial markets.
2. The Secretariat reaffirms its commitment to enhancing the market development focus of the P4P initiative, as recommended, and to developing the capacity of the more than 500,000 smallholder farmers who are members of farmers' organizations participating in P4P to sell commodities to WFP – and more importantly, beyond the WFP market.
3. The evaluation did not examine partnerships in detail, but it is important to acknowledge the 260 partner organizations that are collaborating with WFP on P4P in 21 countries. These partners include national governments and farmers' federations; private sector companies; financial and research institutions; other United Nations agencies, notably the Food and Agriculture Organization of the United Nations (FAO) in 11 countries, the International Fund for Agricultural Development (IFAD), the United Nations Development Programme (UNDP) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women); bilateral market development programmes; and local and international non-governmental organizations (NGOs). The African Economic Research Consortium (AERC), a coalition of more than 40 universities, has recently established the P4P Data Analysis and Knowledge Management Hub to ensure accurate and consistent analysis of P4P's impact on farmers' livelihoods and income in the 21 countries. This initiative is being advised by a technical review panel of experts in agricultural and market development and monitoring and evaluation (M&E) from ten institutions, including the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA), the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), FAO, IFAD, the International Food Policy Research Institute (IFPRI), the Inter-American Institute for Cooperation in Agriculture, Michigan State University, Intermón Oxfam, the Sasakawa Africa Association (SAA) and the World Bank.
4. It is expected that at the end of the five-year pilot, the lessons learned and experience gained through P4P will assist governments, WFP and other actors in building on the most effective modalities for developing smallholder farmers' capacity to meet demand for staple foods beyond the WFP market. Markets that are sustainable in the long term include school feeding programmes and, potentially, social protection programmes, along with private-sector demand from millers, traders, supermarkets and warehouse receipt systems linked to commodity exchanges.
5. The P4P initiative is central to Strategic Objective 5 – Strengthen the capacities of countries to reduce hunger, including through hand-over strategies and local purchase. It will help WFP improve its programme design in ways that strengthen rural livelihoods and learn whether and how it can efficiently procure staple foods from smallholder farmers.
6. The costs for P4P – for staff, M&E, capacity building, warehouse rehabilitation and equipment provided to farmers' organizations – are funded through extra-budgetary contributions and are usually managed separately from WFP project funds in a P4P Trust Fund. Many supply-side interventions are also financed by partner organizations. As of 30 June 2011, US\$140 million had been confirmed for the P4P Trust Fund, either for the whole five years of the pilot or for a shorter period. Some donors have provided additional

funds for related capacity development initiatives incorporated into WFP country programmes that are linked with P4P; these donors include Canada, in Guatemala; the Flanders International Cooperation Agency, in Mozambique; and the United States Agency for International Development, in Uganda. Donors contributing significant complementary funds for food purchase under P4P include Saudi Arabia and the United States of America, whose overall portfolios for strategic support to P4P are US\$16 million and US\$35.5 million respectively.

7. The Secretariat's responses to the recommendations are presented in the attached matrix. They were prepared by the P4P Coordination Unit in consultation with the Technical Review Panel, the P4P Stakeholder Group and the P4P Steering Committee

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE STRATEGIC MID-TERM EVALUATION OF WFP'S PURCHASE FOR PROGRESS INITIATIVE (2008–2013)

Recommendations	Action by	Management response and action taken	Implementation deadline
One set for now: P4P must remain a pilot project until the end of year five			
<p>Recommendation 1: Do not expand P4P. Senior management should protect P4P from any increase in the number of pilot countries whether through P4P or activities similar to Agriculture and Market Support (project in Uganda) (AMS) projects that expand P4P “by the back door”. Careful consideration should be given to whether to initiate new activities that would require ongoing external support from WFP beyond September 2013.</p>	P4P Steering Committee	<p>Agreed.</p> <p>WFP agrees that no new countries should be added to the pilot; the P4P Steering Committee will deliberate the appropriateness of introducing activities after 2013.</p> <p>It should be noted that P4P staggered the pilots, with implementation starting in 2010 in five countries (Afghanistan, Democratic Republic of the Congo, Ghana, Rwanda and the Sudan); new activities beyond September 2013 may be necessary in some countries, in accordance with existing donor agreements that extend into 2014.</p> <p>WFP will consider, case by case, whether to embark on agricultural market support interventions focused on smallholder farmers that have been requested by governments and are outside the pilot, drawing on lessons from P4P.</p>	November 2011
<p>Recommendation 2: Test assumptions and adapt country design. In some cases, this implies fairly straightforward literature review work or discussions within in-country partnerships; in other cases it may require qualitative research work.</p>	Country offices/ regional bureaux/P4P Coordination Unit	<p>Agreed.</p> <p>WFP will continue to review assumptions at various levels, through in-country coordination mechanisms, country-specific annual review meetings and regional consultations, and at the global level.</p> <p>The P4P Coordination Unit will work with pilot countries to collect relevant qualitative data to deepen understanding of the operational context.</p> <p>The P4P Primer screened by the Technical Review Panel sets out the underlying principles and assumptions that inform the P4P programme rationale and were the basis for establishing the pilot. The assumptions in the Primer will be tested throughout the pilot.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>November 2011</p>



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Recommendations	Action by	Management response and action taken	Implementation deadline
<p>Recommendation 3: Apply the precautionary principle of Do No Harm. P4P should carefully monitor the risks that beneficiaries are taking and propose mechanisms to mitigate them. One example is to withhold a proportion of farmers crop payments in the form of a fund held at FO level to help support farmers when crops fail.</p>	<p>P4P Access to Finance Working Group/P4P Steering Committee</p>	<p>Partially agreed. WFP agrees that risk management mechanisms are important, and will continue to facilitate access to them. WFP will review the mechanisms in place, taking into account evaluation findings, and will share the resulting update widely. Regarding the example cited, it is against WFP's procurement regulations to withhold payments in part or whole from its suppliers in the way proposed by the evaluation. Rather, as endorsed by the Technical Review Panel, it is the role of P4P partner financial service providers to institute and manage such interventions; WFP will seek opportunities to link with the relevant technical expertise where appropriate.</p>	<p>December 2012</p>
<p>Recommendation 4: Review project targets and renegotiate the unrealistic ones with the funders on a country-by-country basis.</p>	<p>Country offices/ P4P Coordination Unit</p>	<p>Agreed. The P4P Coordination Unit agrees that a focus on targets may distract from the objective of the pilot. The Unit will review the mid-term evaluation recommendations with pilot countries and donors.</p>	<p>December 2012</p>
<p>Recommendation 5: Communicate on successes and challenges. P4P should continue to learn actively from implementation experience and transmit learning to external stakeholders. Top WFP management should provide sufficient space to allow P4P to make mistakes and encourage the public sharing of learning from these.</p>	<p>P4P Steering Committee</p>	<p>Agreed. Top management will continue to invest staff time and resources to support learning. Lessons and outputs from the M&E system, write-shops and case studies will inform policy debates. The upcoming global annual review in November 2011 will provide the next major opportunity for sharing and discussing successes and challenges with stakeholders.</p>	<p>December 2011</p>



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Recommendations	Action by	Management response and action taken	Implementation deadline
<p>Recommendation 6: Manage expectations carefully. Do not signal to farmers that WFP is a generous buyer; make sure that project partners also avoid doing this. Openly communicate the risks, impact and sustainability.</p>	<p>Country offices/ regional bureaux/P4P Coordination Unit</p>	<p>Agreed. How best to manage expectations is an ongoing subject of discussion within WFP and with external stakeholders. WFP will reinforce messages regarding its role and procedures with government counterparts and P4P vendors at the upcoming global annual review. WFP and its partners will also continue to conduct joint trainings with farmers' organizations (FOs) to ensure that common messages are transmitted.</p>	<p>December 2011</p>
<p>One set for a direction of travel: P4P should prioritize market development objectives</p>			
<p>This is the key strategic recommendation; WFP should promote effective market institutions and work with or through traders or structured FOs – rather than trying to compete with traders for the business of smallholders by improving its procurement and financial procedures.</p>	<p>P4P Steering Committee</p>	<p>Agreed. WFP agrees that market development is at the core of the P4P strategy with its focus on four areas: increasing farmers' productivity (through partner actions); developing FO capacity to reach profitable markets; strengthening market structures; and promoting an enabling environment through policy advocacy. WFP is not competing with traders or structured FOs because it is not buying at the farm gate but rather requiring a certain quality of commodity – sorted, cleaned, bagged, etc. WFP aims to give farmers greater opportunities to sell better-quality commodities and to link to alternative and more remunerative market outlets. WFP will expand its work with existing market platforms, processing industries, small/medium-scale traders, and FOs with a clear progression strategy. WFP continues to improve its procurement and financial procedures for maximum efficiency and effectiveness in reaching operational targets.</p>	<p>Ongoing</p>



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<p>Recommendation 7: Do not engage in contexts where potential market development benefits of P4P are unclear, and seriously consider withdrawing from contexts where such benefits are absent – particularly in contexts where government actions in the grain market are undermining the potential benefit of P4P because certain government policies can harm smallholder farmer livelihoods. Criteria should be developed to assess the opportunity to engage or to withdraw, and should use the analytical approaches and cover the issues below.</p>	<p>Country offices/regional bureaux/ Operations Department/ Policy, Planning and Strategic Division (PS)</p>	<p>Agreed. WFP will continue to review market development benefits in line with our response to recommendation 2 above. Criteria for assessing the opportunities for engaging or withdrawing will be developed by the end of the pilot phase, taking into consideration the learning from the pilots.</p>	<p>September 2013</p>
<p>Recommendation 8: Conduct market system analysis. A detailed market system analysis should be conducted to determine where there are bottlenecks and blockages, and to assess whether and how WFP purchasing power could usefully contribute to unlocking them. Ideally these assessments should be conducted before interventions are implemented, although in many cases involving P4P, analysis will need to take place on ongoing interventions.</p>	<p>Country offices/regional bureaux/OD/ P4P Coordination Unit</p>	<p>Agreed. This is in line with current operating models and guidance. WFP will undertake periodic reviews of the market environment to ensure that P4P support is appropriately targeted to support market development and enhance value chain relationships to the profit of smallholder farmers.</p>	<p>Ongoing</p>
<p>Recommendation 9: Rethink the gender strategy. P4P should reflect upon the extent to which gender is a strategic objective for the initiative. If it is one, the P4P design should be reviewed, which would probably imply a much greater focus on other crops and other nodes of the value chains in most contexts. The ongoing Institute of Development Studies (IDS) gender study should help inform these strategic choices.</p>	<p>PS Gender Service/P4P Coordination Unit</p>	<p>Agreed. The IDS gender strategy for P4P has been finalized (www.wfp.org/content/p4p-gender-strategy) and will be deliberated further within WFP and with partners at the P4P global annual review. A quarter of the country pilots will be selected for in-depth review of gender activities, and gender mainstreaming efforts will be enhanced in these countries, to provide learning for the global pilot initiatives.</p>	<p>December 2012</p>



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Recommendations	Action by	Management response and action taken	Implementation deadline
<p>Recommendation 10: Prioritize modalities that can be taken over by market intermediaries. WFP should seek to work with the grain of current market intermediaries and promote new market institutions in the few locations where these are appropriate – rather than trying to provide in-house commercial services. A market development project should not risk undermining the very market it is meant to support. A good strategy – and one in alignment with the current M&E framework – would be to help engage smallholders with the market.</p> <ul style="list-style-type: none"> ➤ FOs should be categorized and P4P should work only with those FOs that have a credible progression strategy and can realistically win competitive tenders by September 2013. ➤ To ensure cost-effectiveness, P4P costs and benefits to smallholder and market efficiency should be analysed and compared with those of regular local procurement and other approaches for market development. 	<p>Country offices/ Procurement Division (ODP)/Logistics Division (ODL)/P4P Coordination Unit</p>	<p>Agreed.</p> <p>WFP agrees that the FOs should be categorized, and this work is in progress.</p> <p>Measuring the costs and benefits of P4P activities is a main element of the M&E system, which is built around two research questions : i) Which models are the most effective in connecting smallholders to the market? and ii) How best can WFP balance the risks and costs to implement these models? By the end of the pilot, WFP will have analysis of the cost-effectiveness of different P4P interventions.</p> <p>WFP has commissioned Michigan State University to undertake an impact assessment of the standard local and regional procurement (LRP) approach.</p>	<p>December 2011</p> <p>July 2013</p>
<p>One set to facilitate the journey: P4P should adapt the M&E system to encourage research and development</p>			
<p>Recommendation 11: Skip the second round of household surveys and give enough time to AERC to review and analyse the first round. The next and final round of household survey data should be collected in year four so there is enough time for data analysis and learning before the project ends. This will generate savings that could be used for the purposes mentioned below.</p>	<p>Country offices/ P4P Coordination Unit</p>	<p>Partially agreed.</p> <p>Based on the Technical Review Panel's advice, a few countries will be identified for full impact assessment; attempts to measure income change will be confined to these countries.</p> <p>For countries not involved in the impact assessment, sections requiring the collection of income data will be removed from the survey and the collection of data on control groups will no longer be a requirement.</p> <p>Where high-quality data collection can be ensured, the Technical Review Panel advises the collection of a second round of data; otherwise it advises skipping to the final round.</p>	<p>December 2011</p>



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		The recent partnership with AERC has increased the capacity of P4P pilot countries to undertake surveys and process the data in a timely manner. With AERC's support, country baseline data sets are currently being reviewed case by case, to assess the quality of the baseline and its suitability for a follow on survey.	
<p>Recommendation 12: Implement a practical system for quickly collecting and analysing proxy and process indicators such as farm gate prices, margins along the chain, payment delays and the level of farmer satisfaction. Collect this information every year and allow comparison with regular LRP. Standardize the approach across countries and procurement modalities.</p>	Country offices/ Food Security Analysis Service (ODXF)/P4P Coordination Unit	<p>Partially agreed.</p> <p>Much of this information is already being generated by the pilot countries. A system will be put in place to support the timely analysis and use of these data.</p> <p>As mentioned in the response to recommendation 10, an assessment of the regular LRP approach is being undertaken by Michigan State University and will be completed by mid-2013.</p> <p>WFP will engage in additional primary data collection only where there is absolute need to fill gaps that cannot otherwise be addressed.</p>	March 2012
<p>Recommendation 13: Expand on the write-shops type of approach: identify a list of 10 priority learning themes for the 21 countries and run write-shops as soon as possible. Once completed, organize a lessons-sharing conference followed by a review of the action plan.</p>	P4P Steering Committee/P4P Stakeholder Group/P4P Coordination Unit	<p>Agreed.</p> <p>A list of recommended priority learning themes will be discussed and validated during the 2011 global annual review, and will inform the P4P work plan for 2012.</p> <p>Learning events will be contingent on the availability of funding.</p>	December 2012
<p>Recommendation 14: Conduct a full cost-monitoring exercise on an ongoing basis in all pilot countries, disaggregated by commodity and by procurement modality. This will require systems to record time and cost allocations so non-P4P staff and other costs can be recognized and allocated accordingly.</p>	Country offices/ Resource Management and Accountability Department (RM)/ODL/ODP/P4P Coordination Unit	<p>Agreed.</p> <p>WFP will continue to improve the process for analysing cost monitoring information and will produce consolidated reports for discussion at the various P4P management fora.</p>	December 2013



ACRONYMS USED IN THE DOCUMENT

ACTESA	Alliance for Commodity Trade in Eastern and Southern Africa
AERC	African Economic Research Consortium
AMS	Agriculture and Market Support (project in Uganda)
ASARECA	Association for Strengthening Agricultural Research in Eastern and Central Africa
FAO	Food and Agriculture Organization of the United Nations
FO	farmer organization
IDS	Institute of Development Studies
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
LRP	local and regional procurement
M&E	monitoring and evaluation
NGO	non-governmental organization
OD	Operations Department
ODL	Logistics Division
ODP	Procurement Division
ODXF	Food Security Analysis Service
P4P	Purchase for Progress
PS	Policy, Planning and Strategic Division
RM	Resource Management and Accountability Department
RMP	Performance and Accountability Management Division
SAA	Sasakawa Africa Association
UNDP	United Nations Development Programme