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EVALUATION REPORTS

Agenda item 6

For consideration

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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.

Officer in Charge, OE*: Ms S. Burrows tel.: 066513-2519

Evaluation Officer, OE: Ms C. Conan tel.: 066513-3480

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

* Office of Evaluation

EXECUTIVE SUMMARY

The pilot Purchase for Progress initiative seeks to use WFP's demand platform to leverage agricultural and market development in 21 countries through supply chain reforms. The purpose of this evaluation is to reflect on the contributions and limitations of this initiative to learn and improve practice.

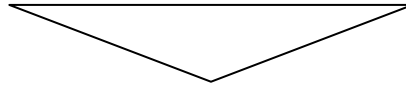
The scale and diversity of activity since Purchase for Progress started in 2008 has been impressive: implementation is underway in 20 countries; the rate of purchase is close to target; a wide range of supply-side partnerships have been established; and a comprehensive monitoring and evaluation system is being rolled out. So far, the benefit to smallholders in terms of increased income seems rather muted; but the evaluation questions the validity of this indicator and notes that the initiative has had some effects on productivity enhancement and on improving farmer organizations' governance.

Some of the "old-style" direct linkages with relatively weak farmers' organizations appear to be less cost-efficient and have lower impact and sustainability than working with more market-based solutions. However, maintaining a diversity of modalities to generate learning, potentially of great value to many, is more important for Purchase for Progress than achieving the largest direct socio-economic impact on the ground. Evidencing the cost-efficiency, impact and sustainability of various smallholders' support modalities will help WFP determine what is its most appropriate entry point between the farm gate and market institutions, in light of the existing trade-offs between the attribution of impact on smallholders and the cost-effectiveness and sustainability across various modalities. Achieving this will require adapting the monitoring and evaluation system to collect information to demonstrate impact and further enhancing the qualitative research methods.

The evaluation evidenced that Purchase for Progress global design had weaknesses but testing and reviewing the assumptions of the intervention logic through an iterative action research approach to implementation is entirely within the Purchase for Progress parameters. Purchase for Progress also gives WFP a window of opportunity to contribute more effectively to contemporary development debates and to use its unique institutional location to advocate for more progressive food grain policies with national governments.

The recommendations offered encourage WFP to: protect the pilot nature of the project until 2013 and review local project design when necessary; prioritize market-development objectives; and adapt the monitoring and evaluation system to encourage research and development.

DRAFT DECISION*



The Board takes note of “Summary Report of the Strategic Mid-Term Evaluation of WFP’s Purchase for Progress Initiative (2008–2013)” (WFP/EB.2/2011/6-B) and the management response (WFP/EB.2/2011/6-B/Add.1) and encourages further action on the recommendations, taking into account considerations raised by the Board during its discussion.

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

BACKGROUND

Evaluation Features

1. The objectives of this evaluation were to assess the achievements of Purchase for Progress (P4P) so far (accountability), and the reasons for these, to draw lessons for identifying best practice (learning). The evaluation focused on assessing: i) the relevance of the initiative and the appropriateness of its design; ii) its performance and results, including efficiency, effectiveness and the sustainability of the approach; and iii) the factors contributing to and explaining these results.
2. The Overseas Development Institute (ODI) conducted the evaluation between January and August 2011 with a team that included in-house experts in rural development, food security, procurement, gender and evaluation. Local researchers with expertise in grain value chains and qualitative research techniques contributed in the countries visited.
3. The approach adopted included a rich blend of research methods, desk reviews of documents and qualitative surveys along with quantitative analysis of value chains and farmers' livelihoods. Information was sought from WFP senior management and staff and external stakeholders, including some P4P donors, representatives from governments and partner organizations, smallholder farmers and traders.
4. Field visits took place from March to May 2011 in seven countries where P4P has been implemented for between 18 and 30 months: El Salvador, Guatemala, Kenya, Liberia, Mali, Uganda and Zambia. WFP's Office of Evaluation (OE) selected the countries based on transparent criteria; the choice was validated by the evaluation team. Country visits concluded with debriefing workshops with WFP staff and in-country stakeholders. A two-day workshop was held at WFP Headquarters in May to present findings and discuss recommendations.
5. Quality was ensured through peer review of all evaluation products by ODI's quality assurance panel, and by two reference groups set up by OE, one comprising main WFP stakeholders, and the other external practitioners and academics with a cross section of expertise and perspectives on the subject.

Context of WFP's Purchase for Progress Initiative

6. WFP is the largest single procurer of food aid in the world and has a significant and expanding procurement platform; in 2010, it spent US\$1.25 billion purchasing 3.2 million mt of food, a tenfold increase from the 1990s. In the 1980s WFP purchased less than 10 percent from sources outside donor countries. In 2010 it bought from 76 developing countries, spending 66 percent of its food budget in least-developed, low-income and lower-middle-income countries.
7. Over the last decade, WFP country offices have also started exploring options to purchase from smaller traders and farmers' groups in an attempt to change their local socio-economic footprint. The 2006 pivotal policy paper on food procurement in developing countries enshrined the WFP procurement principle "When conditions are equal, preference should be given to purchasing from developing countries" because it had the potential to generate positive developmental impacts. However, it cautioned against direct purchases from farmers' groups and the potential perverse distributional consequences of buying locally at premium prices, which could result in a transfer of resources from food aid recipients to better-off surplus-producing farmers.

WFP's Strategic Plan (2008–2013) brought local purchase further into the core corporate strategy; Strategic Objective 5 aims to “Strengthen the capacities of countries to reduce hunger, including through hand-over strategies and local purchase”. While P4P is a new approach, it is the extension of an idea with a long pedigree in WFP.

8. The P4P initiative is a five-year pilot launched in September 2008, which seeks to use WFP's demand platform to leverage smallholder agricultural growth in some of the world's poorest countries through supply chain reforms. Its goal is to learn from innovative programme and food-procurement activities that have the best potential to stimulate agricultural and market development in a way that maximizes benefits to low-income smallholder farmers.
9. P4P's targets are to purchase 500,000 mt of food over five years and to allow an annual income gain of US\$50 for 500,000 smallholders, with women forming 50 percent of the membership of assisted farmers' organizations (FOs).
10. The P4P objectives are to:
 - identify and share best practices to increase profitable smallholders' engagement in markets;
 - increase smallholders' capacities for agricultural production and market engagement to raise their income from agricultural markets;
 - identify and implement best practices for increasing sales to WFP and others with a particular focus on smallholders;
 - transform WFP food purchase programmes so that they better support sustainable small-scale production and address the root causes of hunger.
11. The P4P toolbox includes seven activities falling into three pillars. The procurement pillar (recently renamed “demand”) is made up of: i) competitive tendering; ii) direct purchases from smallholder groups; iii) forward contracting; and iv) food processing. The partnership and learning/sharing pillars include: v) partnerships and training; vi) monitoring and evaluation; and vii) policy advice and advocacy. P4P is being piloted in 21 countries.
12. Nine donors – an interesting mix of private, bilateral and multilateral – have contributed US\$140 million to P4P trust funds. Three have contributed 87 percent of the total: the Bill & Melinda Gates Foundation (BMGF), with 48 percent; Canada, with 21 percent; and the Howard G. Buffett Foundation (HGBF), with 19 percent. These extra-budgetary contributions support technical assistance, including capacity development, monitoring and evaluation (M&E) and grants for supply-side partnerships. More donors fund the actual P4P purchases through cash contributions – sometimes earmarked for P4P purchases – to the WFP operations for which the food is being purchased.

TABLE 1: FUNDING FOR P4P TRUST FUNDS UNTIL DECEMBER 2010			
Donor	Confirmed pledges (US\$)	% of total Pledges	Countries of operation
BMGF	67.1 million	48	Burkina Faso, Ethiopia, Kenya, Malawi, Mozambique, Rwanda, United Republic of Tanzania, Uganda, Zambia
Canada	29.3 million	21	Afghanistan, Ghana
HGBF	26.7 million	19	El Salvador, Guatemala, Honduras, Liberia, Nicaragua, Sierra Leone, Sudan
European Commission	9.7 million	7	Guatemala, Honduras, Mozambique
United States Agency for International Development (USAID)	3.5 million	2	Technical assistance funding relating to Ethiopia, Ghana, Kenya, Liberia, Malawi, Mali, Mozambique, Rwanda, United Republic of Tanzania, Uganda and Zambia
Belgium	1.9 million	1	Democratic Republic of the Congo (DRC)
France	858 690	1	South Sudan
Ireland	753 012	1	Liberia, Sierra Leone
Luxembourg	118 370	-	Lao People's Democratic Republic
TOTAL	140.0 million	100	

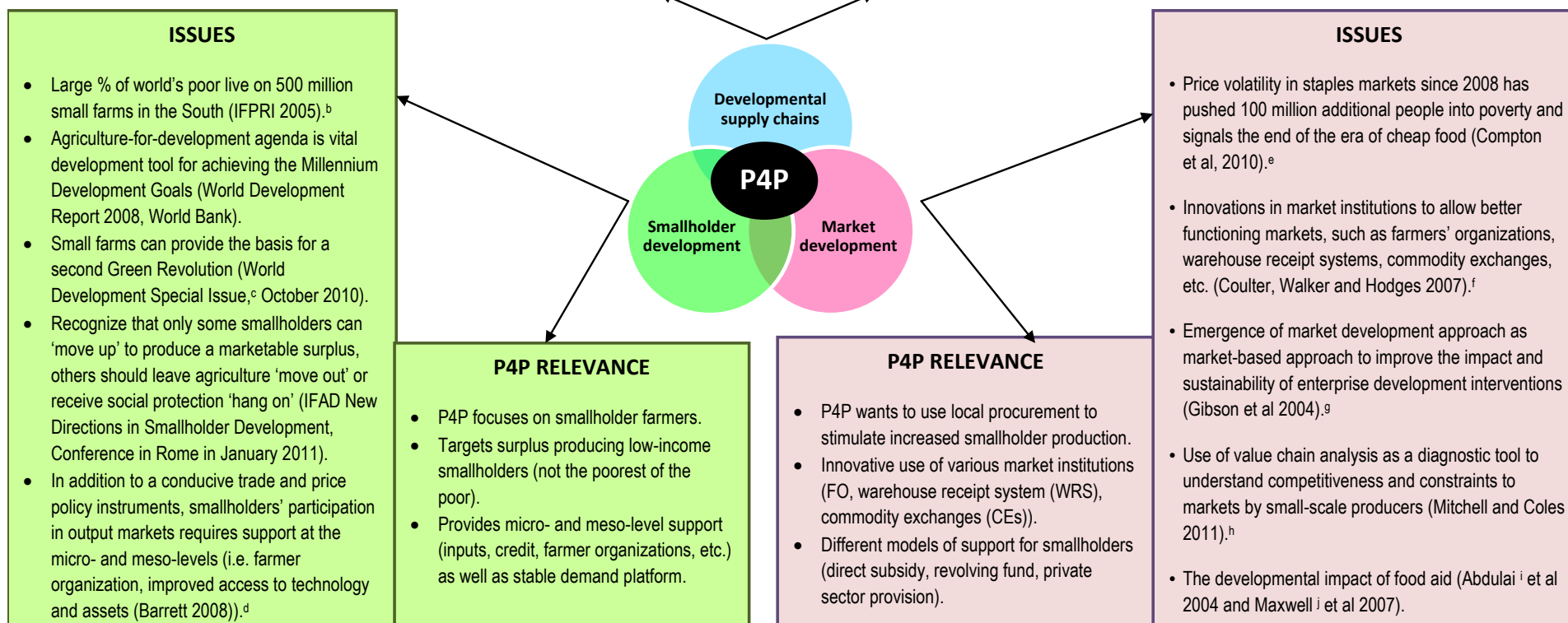
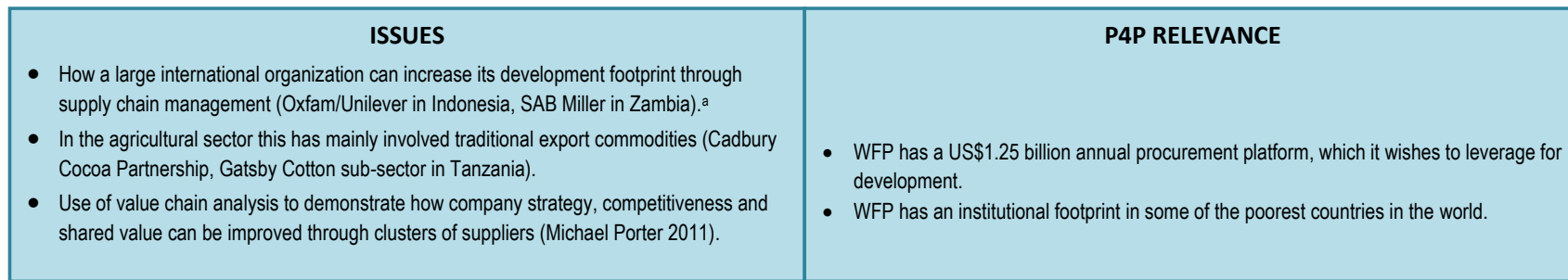
EVALUATION FINDINGS

Relevance and Design

⇒ *Relevance*

13. Purchase for Progress is highly relevant in terms of contemporary development debates. It is positioned at the interface of debates on smallholder development – focusing on how best to encourage a green revolution in Africa; market development – how to encourage sustainable linkages between smallholders and viable agricultural markets; and developmental supply chains – organizations seeking to enhance the impact of their supply chains. It is also aligned with government policies in the P4P countries.

Figure 1: P4P at the intersection of key development debates



Note: References for the figure are listed on the following page.

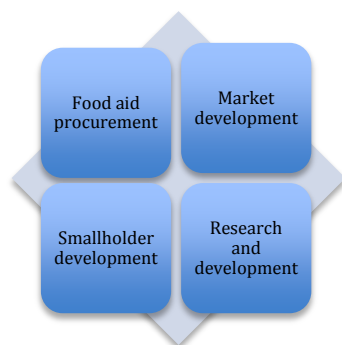


- ^a Clay, J. 2005. Exploring the Links Between International Business and Poverty Reduction: A Case Study of Unilever in Indonesia. Oxfam GB, Novib, Unilever and Unilever Indonesia. Oxford, UK.
- ^b International Food Policy Research Institute (IFPRI). 2005. The future of small farms: Proceedings of a research workshop. Washington DC.
- ^c Wiggins, S. et al. 2010. The future of small farms. *World Dev.* 38, (10): 1341–1526.
- ^d Barrett, C.B. 2008. Smallholder market participation: Concepts and evidence from eastern and southern Africa. *Food Policy*, 33:299–317.
- ^e Compton, J., Wiggins, S. & Keats, S. 2010. Impact of the Global Food Crisis on the Poor: What is the Evidence? London, Overseas Development Institute. Available at: www.odi.org.uk/resources/download/5187.pdf
- ^f Coulter, J., Walker, D. J. & Hodges, R. 2007. Local and regional procurement of food aid in Africa: impact and policy issues. *Jour. of Hum. Ass.*, Online : <http://hna.ac/2007/10/28/local-and-regional-procurement-of-food-aid-in-africa-impact-and-policy-issues/>.
- ^g Gibson, A. et al. 2004. *The Operational Guide for Making Markets Work for the Poor (M4P) Approach*. The Springfield Centre. www.springfieldcentre.com
- ^h Mitchell, J. & Coles, C. 2011. *Markets and Rural Poverty: Upgrading in Value Chains*. London and Virginia, Earthscan.
- ⁱ Abdulai, A., Barrett, C.B. & Hazell, P. 2004. Food Aid for Market Development in Sub-Saharan Africa. IFPRI DSGD discussion papers No. 5. Washington DC.
- ^j Maxwell, J., Lentz, E. & Barrett, C.B. 2007. A Market Analysis and Decision Tree Tool for Response Analysis: Cash, Local Purchase and/or Imported Food Aid? The Decision Tree Tool. Background Paper for CARE and USAID. Available at SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1141992

⇒ *Appropriateness of the Design*

14. The global design of P4P is the result of a fast-track process, which led to a high level of ownership by WFP and BMGF senior management and allowed swift implementation. The design demonstrates commitment to research and development (R&D) – with some US\$5 million devoted to the M&E system – and to the importance of partnerships as a mechanism for convening the skills that WFP does not have internally and that are required to convert its demand platform into an impetus for smallholder development.

Figure 2: The Four Facets of P4P



15. For the evaluation team, P4P combines four facets: i) food aid procurement; ii) smallholder development; iii) market development; and iv) research and development (R&D). While this perception of the initiative has been contested, with some stakeholders emphasizing certain facets over others, the evaluation team contends that P4P is multi-dimensional. Each facet is valid in its own right and allowing this mix is a strength of the intervention; indeed, it permits different models to co-exist, which is conducive to comparative analysis. For example, without obviating the other facets, the Central America pilots emphasize increasing food production and linking smallholders to corporate buyers, while the Zambia pilot emphasizes market development and food aid procurement.
16. On the other hand, some weaknesses are apparent in the global design. With hindsight, the intervention logic embodied in the P4P logframe could have been strengthened if more resources had been invested at the design stage in thorough problem analysis, notably on the current problems facing smallholders, and particularly women, in the value chain. Indeed, while P4P offers an intuitively excellent solution by bringing together sellers – smallholders looking for stable demand for staples – with a large and responsible buyer – WFP – viable market chains are not just composed of producers and sources of final demand; the health of input markets, support institutions and intermediaries is critical.
17. The logframe is useful in that it distills common elements across the 21 pilots funded from different sources, but it is heavy – 8 outcomes, 20 outcome indicators, 20 outputs and 36 output indicators – and its implicit results chain could be compromised by a number of assumptions that have not been recognized (“meta-assumptions”) or tested (“killer assumptions”) as per project design good practice (Table 2). While the success of P4P is not contingent upon the validity of these assumptions in every case, there is a risk that P4P activities will significantly depart from the desired outcomes where these assumptions do not hold. This evaluation team took no position on the validity of the assumptions on which the logic of P4P is based. However, it is quite clear from WFP’s own analysis that the assumptions may not hold in specific contexts.

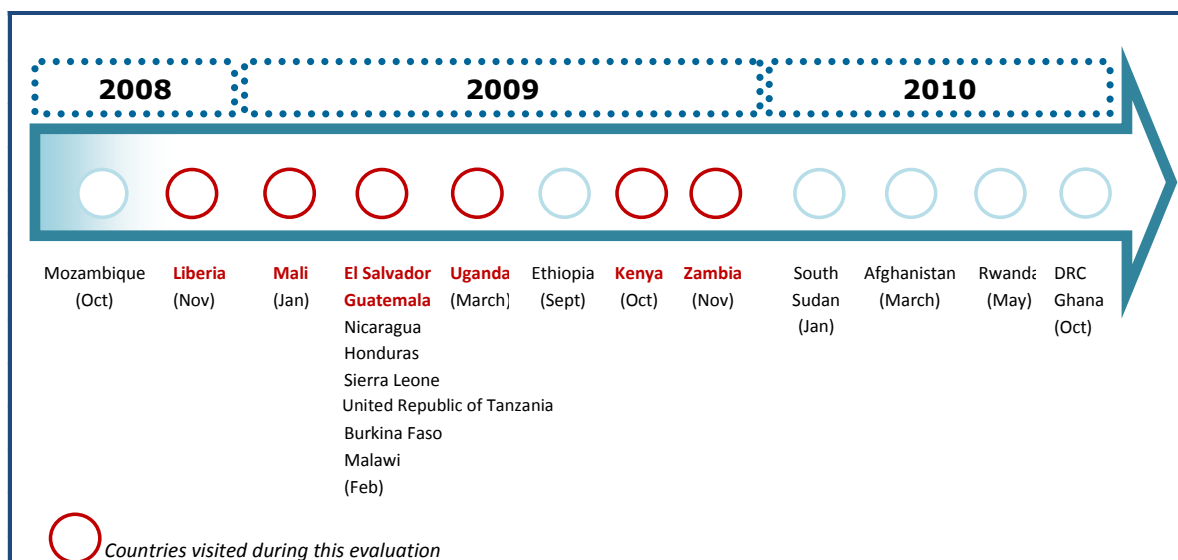
TABLE 2: CRITICAL ASSUMPTIONS IN THE PROJECT DESIGN	
Killer assumptions¹ (These were identified as risks rather than killer assumptions in the logframe for the global initiative)	1. Local procurement is an effective method for accomplishing development objectives without undue risk to the core objectives of WFP and other stakeholders.
	2. P4P is successful in building sustainable access to markets for smallholder/low-income farmers at prices that reflect the cost of production.
	3. Smallholder farmers have increased their production of staple foods and are choosing to sell more of their surplus through FOs.
	4. Markets for higher-quality commodities exist.
Meta-assumptions (These were not identified as assumptions in the global logframe)	1. Women can be empowered through participation in FOs.
	2. Grain production has the potential to help smallholder farmers increase incomes, and to contribute to poverty alleviation.
	3. Markets are inaccessible, inefficient and exploitive for smallholders and, as a result, do not empower smallholders at their full potential.
	4. Collective action through FOs is an effective way of addressing market failures.

18. Risks are insufficiently acknowledged in the logframe. Work with smallholders who have few financial or other assets and are in environments of rainfed agriculture in water-stressed regions and sometimes fragile socio-economic conditions involves many risks, such as harvest failures and price crashes. In addition, WFP's reliability as a buyer is challenged, partly by the operational difficulties of purchasing grain in line with smallholders' expectations and also by WFP's move away from supplying food aid. These risks and a mitigation plan should have been factored into the P4P design.
19. The P4P targets, which initially resulted from negotiation between a justifiably cautious WFP and an ambitious donor (BMGF), are questionable on a number of grounds. The relevance of the income target – an annual income increase of US\$50 per household – is questionable as the nature of the indicator makes impact measurement and attribution difficult. In addition, the appropriateness of extrapolating this target beyond the BMGF-sponsored African countries to the pilots in Central America and Asia is dubious, as the huge variations in national per capita income mean that annual income gains of US\$50 have differing impacts. The target for number of smallholders is also overly ambitious and arbitrary, as it was derived from calculations based on conjectures about volume of sales and farmers' profitability. Finally, it is unclear whether the gender target relates to women's participation in FOs as an end in itself, to their power to influence the FOs, or to the benefits they would derive from selling their produce.
20. Evidence points to project design being more rigorous at the country level, with more careful analysis. An assessment was conducted in each pilot country and documented in a country assessment report (CAR). The Central America CARs are noteworthy in their inclusion of problem analyses and logframes. In addition, although the meta-assumptions were recognized in most CARs – an important advance at the global level – their validity was not rigorously tested. The assumptions when tested were found to hold in only half of the cases, with the gender assumption being the most thoroughly investigated and the assumption that grain production could help smallholders increase their incomes and contribute to poverty alleviation the least thoroughly investigated.

¹ Killer assumptions are given this dramatic name to underline the fact that if the assumption is not valid, there is likely to be serious impairment of the project's ability to achieve the desired result. Killer assumptions should therefore be investigated rigorously during the design stage.

21. Country assessment reports provide the basis for country implementation plans (CIPs), which are reviewed by the P4P Coordination Unit and the WFP Programme Review Committee before being approved by the Executive Director. Figure 3 shows the dates when CIPs were signed for each country. Countries in bold are those visited by the evaluation team.

Figure 3: P4P Implementation Timetable

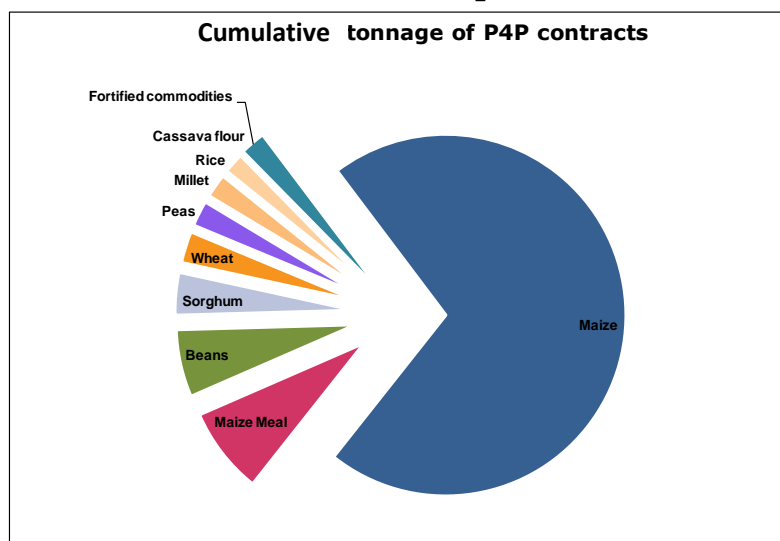


PERFORMANCE AND RESULTS

Food Aid Procurement Facet

22. Purchase for Progress has been successful in contracting more than 160,000 mt of food – more than 100,000 mt of which were delivered – from 20 countries by March 2011. Nearly 80 percent of purchases were maize or maize meal, and most of the remainder are other cereals. Pulses are the only major non-cereal crop (Figure 4). While the rate of purchase is slightly below target, it is likely that the tonnage targets will be met, as contracting has recently accelerated, and in 2010 almost 10 percent of local purchases in the pilots were P4P purchases.

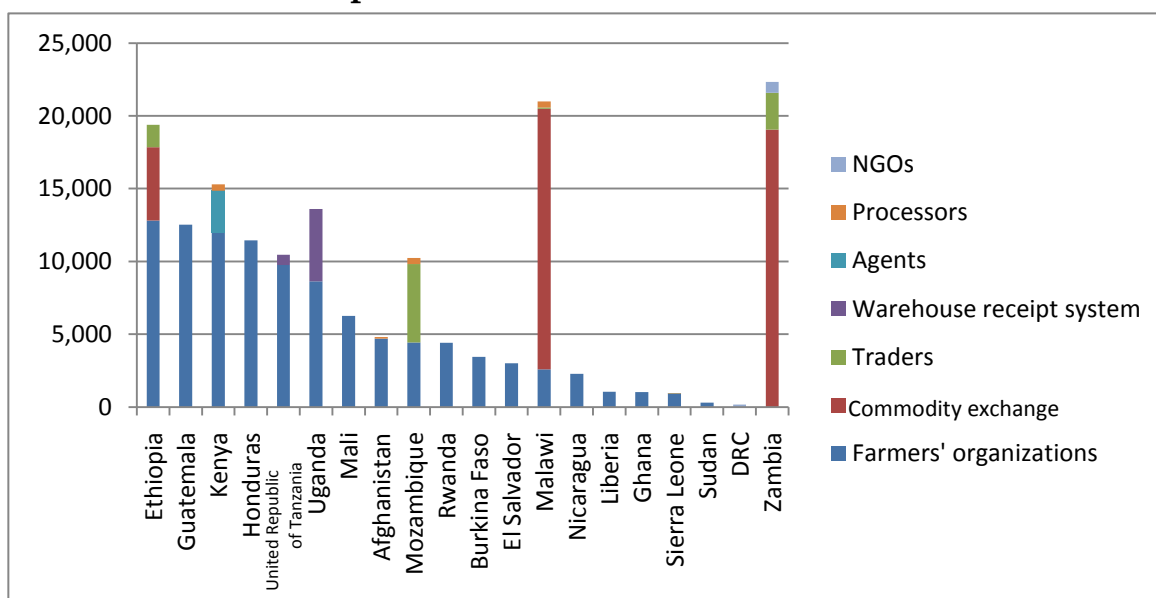
Figure 4: What P4P has Purchased (September 2008–March 2011)



Source: Data extracted from the procurement database on 4 May 2011.
 The amount of cassava flour (5mt) is proportionately too small to appear in the figure.

23. Nearly two thirds of the food was contracted from FOs, whose capacities varied greatly. These purchases were made through direct purchasing or, where FOs had sufficient capacity, competitive tendering. More than one quarter was contracted through new market institutions: commodity exchanges in Ethiopia, Malawi and Zambia, and the warehouse receipt system in Uganda. The remainder was contracted through other intermediaries including traders, agents, processors or non-governmental organizations (NGOs). Fifty-six percent of the food was contracted in five countries: Zambia, Malawi, Ethiopia, Kenya and Uganda, in descending order of tonnage. There is a close association between the scale of purchase, the modality used to buy food, and the resources available for food purchase (Figure 5).

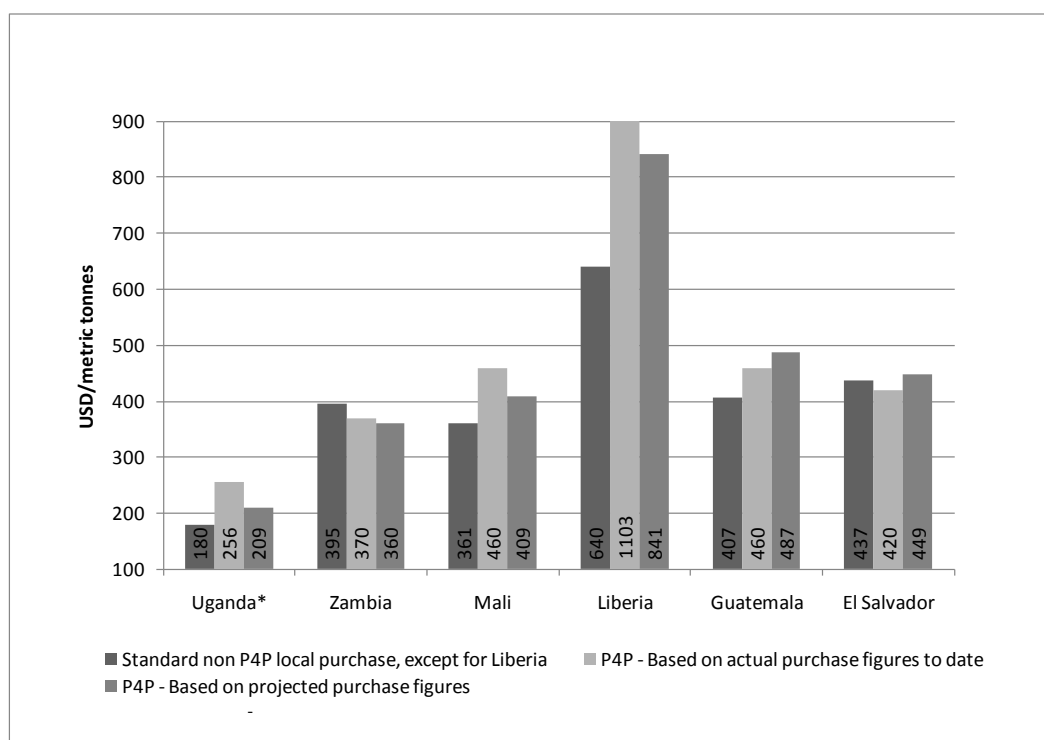
Figure 5: Cumulative P4P Tonnage Contracted, by Vendor Type (September 2008–March 2011)



Source: Data extracted from the procurement database on 4 May 2011.

24. Purchase for Progress adheres to the WFP procurement principle of cost-efficiency by ensuring that P4P purchases compare favourably to the cost of imported and local food. This is important and correct because paying inflated prices would mean less food for WFP's food aid recipients, could put upwards pressure on food prices locally and would undermine the sustainability of the initiative.
25. When looking beyond the mere cost of food and considering the full costs of the purchases, including the management costs and amortized costs for supply-side investments, P4P purchases were found to be generally less cost-efficient than non-P4P purchases. However, different cost profiles with different modalities are emerging, along with an intuitively plausible relationship between the extent of supply-side support required and the full cost of grain purchased. For instance, P4P appears to be cost-efficient in Zambia, where large volumes have been purchased through the commodity exchange, without significant supply-side costs; slightly less cost-efficient than traditional local purchases in countries such as Guatemala and Mali, where grain is purchased through competitive tenders, with FOs beginning to act as proto-traders; and more inefficient still where WFP supports FOs with infrastructure and other investments in challenging environments, such as post-conflict. This is shown in Figure 6, which is a tentative attempt to compare costs; the evaluation team did not have access to the information required to make a more reliable estimate.

Figure 6: Tentative Full Economic Cost Analysis for Grain Purchased Through P4P and Non-P4P

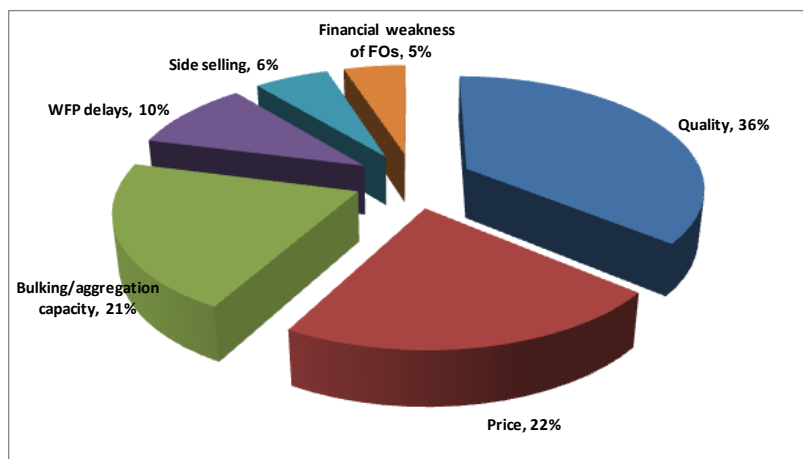


Sources: Country procurement logs by April 2011; P4P expenditure report by April 2011.

Notes: Food prices refer to purchases for which comparisons were possible between standard non-P4P and P4P (similar timing and destination for delivery). Personnel: Twenty-five percent of P4P staff costs are related to buying food from smallholders, and the rest are assumed to be the one-off costs of running a pilot project and are not included in the Figure. Supplies: Ten percent of these costs are assumed to be directly proportional to purchases (bagging, transport, quality control, etc.), and the rest is amortized over ten years. Training and equipment: These costs are amortized over ten years. The economic life of infrastructure investments is amortized over 20 years. Consultancies and contracted services: These are assumed as one-off costs and are not accounted for in Figure 6. Logistics: Any extra logistics costs not covered by the P4P budget are not included in the Figure (in Liberia, for instance, the non-P4P logistics costs are similar to the entire P4P budget).

26. Defaults have not significantly disrupted the pipeline to WFP's food aid beneficiaries. Over three quarters of the food contracted from smallholders in some of the poorest countries has been delivered with time, price and quality specifications met, which is an important achievement. However, the P4P default rate – 24 percent of purchase volume delivered – is tolerable only because P4P represents such a small share of WFP's total local procurement. The default rate is high mostly because P4P is responsibly overseeing the quality of P4P outputs, but also because farmers sell to other buyers when the balance of risk and reward tips against supplying food to WFP (Figure 7). The latter indicates i) that the meta-assumptions related to market benefits and collective action do not always hold, and ii) that WFP prices might not be attractive to farmers when considering the extra costs of dealing with WFP – such as protracted price negotiations, concerns with quality, late payments and payment through FOs – compared with traders, who pay cash on pick-up and have fewer quality concerns. Thus the meta-assumptions related to market benefits and collective action may not always hold.

Figure 7: Main Default Reasons



Source: WFP consolidated P4P procurement report, 2011.

27. Recent efforts to streamline business processes were noted: new procurement guidelines were issued and experiments for accelerating payments were being carried out, for example in Mali. WFP still needs to develop a deeper understanding of the beneficiaries and their requirements to undertake pro-smallholder reforms.
28. P4P was originally conceived with a view to restructuring WFP's supply chain to open it to more smallholder farmers – an approach that increases low-income farmers' dependence on steady WFP demand. Although WFP has been procuring an increasing amount of locally produced food over the last 20 years, this trend might not continue as WFP moves towards using more cash-based hunger solutions. Thus it is welcome that P4P is seeking to expand the engagement between smallholders and commercial markets beyond its own procurement needs, particularly in Central America and Uganda, showing that P4P modalities may be used as tools for helping develop the capacities of farmer organizations.

Smallholder Development Facet

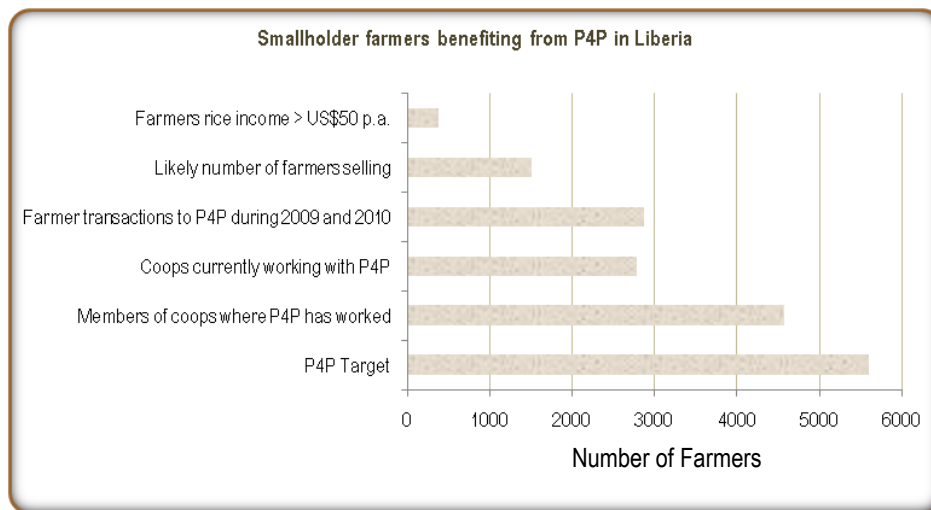
29. P4P has successfully engaged many thousands of smallholder farmers. Although it is difficult to count beneficiaries defined as those smallholders successfully selling to WFP, such data are essential to allow a cost-benefit analysis per farmer and modality (Box 1). Counting becomes more arduous when there are intermediaries between WFP and farmers. New market institutions in particular allow little traceability of suppliers, and thus of the

proportion of smallholders among them though they are likely to engage larger numbers of farmers than FOs.

Box 1: Measuring P4P Farmer Numbers in Liberia

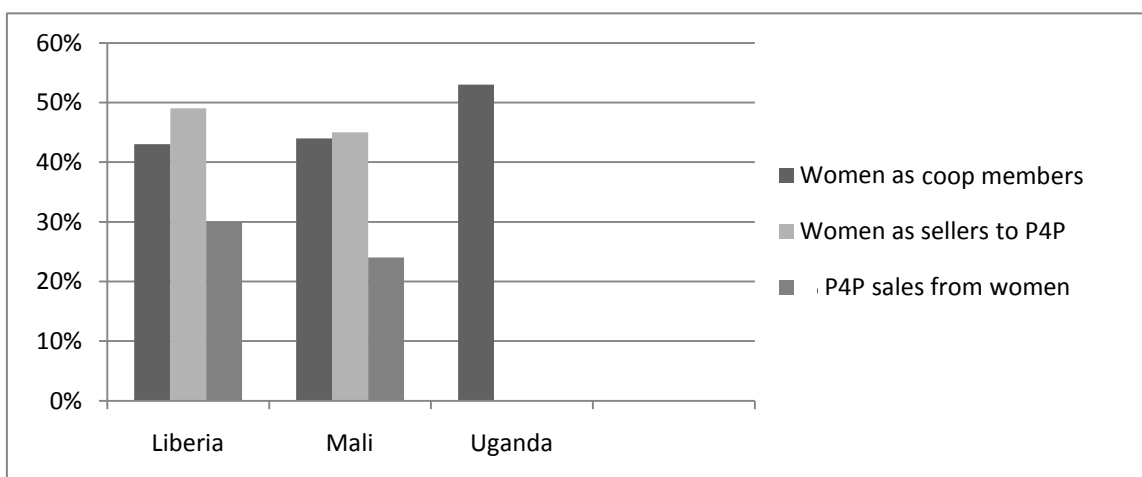
The project target in Liberia is for P4P to benefit 5,600 smallholder farmers over two years (i.e. November 2008 to November 2010). The eight cooperatives with whom the project has engaged have some 4,600 members. However, the project is currently working with five farmers' organizations which have a membership of 2,789. As a result of the payment system (where individual farmers are paid rather than farmers organizations) we know the total number of farmers who have sold paddy rice to P4P at some point over the past two years at 2,878. Clearly many farmers have sold more than once to P4P since the start of the project (three crop cycles) and we estimate with P4P staff that 1,501 individual farmers have sold to P4P at some point.

Estimating the number of farmers who have sold enough paddy rice to achieve an increase in rice sales of \$50 a year (some eighteen 50kg bags of paddy – about 900 kg - at a P4P price premium of US\$2.8 per bag) is challenging because we have not received information about the scale of farmer deliveries around the mean figure. But, given average paddy delivery figures of between around 325kg per farmer (across all coops and both years) – this suggests that only a small proportion, we estimate one-quarter of the total number of farmers selling to P4P (or 375 farmers), sell enough paddy to P4P to achieve the \$50 income target.



Source: *P4P Liberia procurement information.*

30. Women's sales of grain are a notable achievement because FOs are traditionally patriarchal and P4P purchases mainly crops grown by men. However, the share of tonnage for which women receive payment is significantly lower than women's participation rates in FOs (Figure 8).

Figure 8: Women's Levels of Participation in P4P

Source: WFP country-level procurement data. Some information on women is not available for Uganda.

31. Evidence is emerging to show that most sales to P4P are made by a small number of the more productive smallholders. Congruent with the patterns observed in green revolutions, those with assets and social and human capital respond more quickly to a development process, and are more likely to move up in rural structures. For example, about half of the sales in Mali come from the 10 percent of farmers with highest production levels, most of whom still fall below the poverty line. In Liberia, the number of farmers selling to P4P appears to decline with each successive harvest with fewer farmers delivering more rice. This could be a sign of an emergence of a class of entrepreneurial farmers, particularly in Africa, which is positive. Some of the poorest sellers to P4P may not be surplus producing farmers but sell after harvest because they need cash; they then have to purchase food for three or more months in the year. This raises questions as to whether P4P should seek to buy from them.
32. It is difficult to demonstrate the project's effect on smallholders because P4P does not collect information on farm-gate prices for local procurement or P4P purchases in all countries, and such information is essential to demonstrate impact. Preliminary evidence suggests that farmers' gross income gains from P4P in Africa are about half the US\$50 target (Box 2). This is because the average volume of farm sale is very low, and the price premium, which is modest – at less than 10 percent more than market prices – is sometimes eroded further by the costs imposed on farmers by FOs and WFP's payment terms (see paragraph 26).

Box 2: Estimated Effects of P4P on Farmers' Net Income

Mali	A median WFP supplier of millet or sorghum in Mali supplies about 400 kg per household per year. The P4P premium over conventional markets ranges from US\$0.04/kg to US\$0.10/kg, depending on whether the farmer is part of a small FO or the large Union of Faso Jigi; a typical premium is US\$44/mt. In the absence of an increase in output, a farmer with a median output of 400 kg, with subsidized inputs, will realize a gain of US\$18–22 per year. Only the largest 25 percent of WFP suppliers, with sales of 900 kg per year, would have a chance of realizing the target of a US\$50 increase in net income.
Kenya	P4P provides a potential premium of US\$20/mt which is above regular market prices, this will be eroded by the costs borne by farmers for aggregation and improving the quality of their output. The evaluation team assesses a net income gain of US\$24 per household per year.

Market Development Facet

33. P4P is located on the cusp of two different philosophies of poverty alleviation through market engagement: i) direct provision of subsidized inputs, services and infrastructure to poor farmers; and ii) support for sustainable changes to markets with direct and indirect impacts that benefit the poorest people. The rationale for using the latter approach is that sustainable improvements are more likely to be achieved by building upon local dynamics and ownership than by providing temporary subsidies.
34. In some pilot countries and contexts – post-conflict situations in particular – subsidies of inputs, equipment and services are used extensively. But there is evidence that the slower, more difficult approach of supporting markets by requiring farmers to pay for the goods and services they receive ultimately has more impact and is more sustainable.
35. Through supply-side partnerships and capacity development efforts aiming to increase productivity at the farm level and enhance FOs' capacity to act as a marketing channel for smallholders, P4P anticipates benefits to farmers in addition to those resulting from price premiums. Preliminary evidence in Kenya and Mali suggests some rising of productivity, which in Mali appears to be linked to enhanced access to credit and inputs resulting from forward contracts. Some commercial banks (through P4P and beyond the project) have started offering farmers and FOs credit against the security of forward contracts or warehouse receipts, which could in turn create a demand for agricultural inputs to which the market may respond.
36. The P4P strategy of working with FOs through training and capacity development to help the weak ones “graduate” to the status of mature FOs that can participate in competitive tendering and become market actors is crucial to sustainability. After two years, this strategy is generating some signs of success – mainly in terms of improved formal governance – which is unexpected because conventional wisdom suggests that organizational change for FOs takes place over a much longer period. Also, evidence suggests notable achievements in encouraging women's participation in FOs, with an average of 30 percent participation, and over 50 percent participation in Burkina Faso, Kenya, Sierra Leone and Uganda. While women in El Salvador were grateful to P4P for helping them realize their potential within FOs and for raising their self-esteem, participation has not always resulted in women having a strategic voice in the organizations.
37. Procurement through new market institutions makes it more difficult to exclude farmers who are not part of the target group and to control directly the price farmers receive. However, these modalities appear less costly (see paragraph 25) and more sustainable than direct engagement with FOs, because they introduce resources and institutions that provide incentives for local market actors and, possibly, bring benefits beyond the mainstream market even if these may be less traceable, attributable and obvious. As evidence of the theoretical advantages of new market institutions has not yet been established, and as they require a conducive policy environment – which is not always present, such as in Zambia, where government policy currently undermines the prospects of success – P4P does well to limit its experiment with market institutions to a small number of conducive countries during the pilot phase.
38. Keeping several modalities across countries going should allow P4P, by 2013, to evidence their respective effectiveness, impact and sustainability for supporting smallholders. This should help WFP determine what is its most appropriate entry point between the farm gate and market institutions in light of the existing trade-offs these imply between the attribution of impact on smallholders and the cost-effectiveness and

sustainability. Also, as the additional costs for P4P consist of WFP costs for running the initiative – rather than of farmers getting higher prices at the farm gate – it will be crucial for WFP to determine which proportion of these additional costs are legitimate one-off investments benefiting FOs and which are the additional costs associated with WFP and partners engaging in the field.

Research and Development Facet

39. The M&E framework is rightly centred around two overarching R&D questions to allow comparing P4P modalities between themselves and to local procurement against a number of coherent and specific criteria. However, the M&E system is neither adequately addressing the validity of assumptions or models nor adequately capturing procurement data, ultimately for assessing project effectiveness. It is also cumbersome and too focused on quantitative surveys, which are slow to generate learning, and resource-intensive and have quality risks, as illustrated by the fact that most of the 18 baseline studies conducted thus far have not yet been validated owing to quality concerns currently being addressed.
40. The recent contracting of the African Economic Research Consortium (AERC) as a data hub for controlling data quality, consolidating baselines and conducting analysis is a response to these challenges and could possibly mitigate quality issues. In addition, qualitative research outputs are attracting more attention. Case studies are starting to be conducted as initially planned and write-shops - qualitative research focusing on one theme across several countries – are being introduced.
41. As a result, most learning has been generated from local and global annual reviews or one-off fora with mostly governmental and operational partners. Learning and communication through the two main knowledge dissemination tools – the P4P website and monthly updates – have focused chiefly on project management. This is important in allowing WFP to develop new approaches and mainstream these by the end of the pilot, and has already resulted in some positive changes to project focus and organizations' systems. However, the success of the initiative's R&D aspect will depend on raising aspirations beyond project management learning towards generating and disseminating learning from deeper lessons.

EXPLANATORY FACTORS

42. Trends in the external environment have benefited P4P. These include high food prices, as it is easier to link producers to a rising market than to a stagnant or declining one. In addition, the emergence of innovative market institutions and new ways of engaging with smallholders, such as banks, has diversified the partnership options. However, government actions have occasionally run counter to P4P objectives. For instance, the Government's large purchases of maize at inflated prices in Zambia make it impossible for P4P to purchase from the supported smallholders and do not encourage smallholders to become competitive market players.
43. The emphasis on partnerships has been significant; 250 partners have been established across 20 countries. Some partners have delivered real added-value to the initiative, but the technical capacity of others has been inadequate. Governments' ability to offer practical support has been poor, and some interventions in markets have been unhelpful. Generally, P4P's relationship with existing commercial intermediaries is too limited for a market development initiative.
44. WFP staff are enthusiastic about P4P, and awareness of and support for its aims are very high. P4P is positively challenging WFP staff to change their ways of doing business,

notably in relation to procurement and finance. The initiative is also contributing to discussions about adapting the WFP financial system to activities that are not directly linked to food aid.

45. The P4P Coordination Unit makes strenuous efforts to promote a culture of learning, and most P4P partners hailed WFP's drive to innovate and willingness to learn. However, spreading a pilot project over 21 countries – or 28 percent of WFP country offices – has meant that disproportionate efforts are directed to keeping implementation going as opposed to learning from it. The balance between learning and doing would have been better with fewer pilot countries.
46. P4P is visible and has a high profile. The support of senior management is important and welcome, but P4P's showcase status impinges on the ability of operational staff to discuss openly the negative as well as the positive learning from P4P, and complicates external communications, where a balance still needs to be found among disseminating information, marketing the project and creating expectations.

CONCLUSIONS

47. The sheer scale and diversity of P4P activity since September 2008 have been impressive: implementation is underway in 20 countries; more than 160,000 mt of food commodities have been contracted; some 250 supply-side partners are working with targeted FOs; and a very comprehensive M&E system is being rolled out and adapted.
48. There is clear evidence that P4P has supported the innovative evolution of long-term thinking in WFP about what its role and development impact could be. One end of the spectrum of possibilities would be for it to continue its current approach, where some 97 percent of local procurement in the South uses a mainstream approach – although monitoring of impact should be conducted. The developmental focus will fall on the 3 percent of WFP local procurement that makes use of P4P or other “pro-smallholder” approaches. The other end of the spectrum of possibilities would be for WFP to become fully engaged with the rural development agenda: working with its partners, WFP would provide a full range of services, from infrastructure provision to production support and marketing services. Between these two points are a multitude of options by which WFP uses the learning generated by P4P concerning the impacts of both P4P and standard local and regional procurement supply chains and gradually applies incremental and tested pro-poor innovations to its core business.
49. However, the P4P design has weaknesses, and there is need to test and review the assumptions of the intervention logic and change aspects of the design as implementation continues. An iterative action research approach to implementation is sensible and entirely within the P4P parameters.
50. Some of the “old style” direct linkages with relatively weak FOs are likely to be less cost-efficient and have lower impact and sustainability than working with more market-based solutions. However, maintaining a diversity of modalities to generate learning, potentially of great value to many, is more important for P4P than achieving the largest direct socio-economic impact on the ground. P4P also gives WFP a window of opportunity to contribute more effectively to contemporary development debates and to use its unique institutional location to advocate for more progressive food grain policies with national governments.

51. The market development and learning dimensions have so far received less attention than the other facets of the initiative. The mid-term is a suitable moment to raise their profile.

RECOMMENDATIONS

52. Important lessons from and risks to P4P have already emerged at mid-term. The evaluation team proposes three sets of recommendations.

One set for now: P4P must remain a pilot project until the end of year five

53. **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.
54. **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.
55. **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.
56. **Recommendation 4:** Review project targets and renegotiate the unrealistic ones with the funders on a country-by-country basis.
57. **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.
58. **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.

One set for a direction of travel: P4P should prioritize market development objectives

59. 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.
60. **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.
61. **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.

62. **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 gender study should help inform these strategic choices.
63. **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.
- 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.

One set to facilitate the journey: P4P should adapt the monitoring and evaluation system to encourage research and development

64. **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.
65. **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 local and regional procurement. Standardize the approach across countries and procurement modalities.
66. **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.
67. **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.

ACRONYMS USED IN THE DOCUMENT

AERC	African Economic Research Consortium
AMS	Agriculture and Market Support (project in Uganda)
BMGF	Bill & Melinda Gates Foundation
CAR	country assessment report
CE	commodity exchange
CIP	country implementation plan
DRC	Democratic Republic of the Congo
FO	farmer organization
HGBF	Howard G. Buffett Foundation
IDS	Institute of Development Studies
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
M&E	monitoring and evaluation
NGO	non-governmental organization
ODI	Overseas Development Institute
OE	Office of Evaluation
P4P	Purchase for Progress
R&D	research and development
WRS	warehouse receipt system