



Purchase for Progress (P4P)

Procurement Snapshot
September 2008 – December 2014



World Food Programme

Overview

With the launch of [Purchase for Progress \(P4P\)](#) in 2008, the World Food Programme (WFP) began using its food purchases to help develop staple crop markets and spur improvements in smallholder agriculture. By linking WFP's demand for food commodities to the technical expertise of its partners in [20 pilot countries](#), P4P supported smallholder farmers, organized in farmers' organizations (FOs) with membership of over **1.7 million**. In addition to an assured market for their surplus crops, P4P-supported farmers received training and equipment necessary to engage in formal markets. Procurement data and analysis for the pilot period is available in the [Final Consolidated Procurement Report 2008 - 2013](#).

This report provides a snapshot of WFP procurement under P4P from September 2008 until December 2014, delineating procurement modalities, variety of suppliers, purchased crops, reasons for defaults and comparison of P4P procurement with the import parity price (IPP). Over the course of this six-year period, WFP issued contracts for **570,000 mt of commodities** under smallholder-friendly procurement modalities. **Over 480,000 mt of these commodities were delivered, reaching a value of US\$190 million**. Table 1 provides an overview of P4P purchases in the 20 pilot countries and their dollar values from September 2008 to December 2014.

Region/Country	Contracted Quantity	Delivered Quantity	Contract value in US\$	Paid amount in US\$
Asia	13,292	13,124	7,754,078	7,689,294
Afghanistan	13,292	13,124	7,754,078	7,689,294
Central America	76,382	63,723	43,081,970	36,860,575
El Salvador	6,646	6,425	3,106,192	2,990,164
Guatemala	29,109	21,360	13,706,278	10,047,452
Honduras	36,745	32,526	24,036,357	21,772,240
Nicaragua	3,881	3,413	2,233,143	2,050,719
Eastern & Central Africa	230,386	183,705	77,490,302	62,756,950
Ethiopia	127,844	109,305	39,541,728	33,534,229
Kenya	26,536	14,091	8,104,198	4,793,937
Rwanda	36,880	34,245	15,977,838	15,122,217
South Sudan	3,392	1,730	1,449,791	774,387
Uganda	35,734	24,334	12,416,747	8,532,181
Southern Africa	197,510	173,575	66,665,768	58,290,505
DRC	1,442	1,150	501,701	413,545
Malawi	66,410	59,930	23,562,211	21,461,192
Mozambique	19,798	11,458	6,661,641	3,707,815
Tanzania	67,899	61,582	22,920,354	20,807,367
Zambia	41,960	39,455	13,019,862	11,900,586
West Africa	52,618	47,093	27,303,238	24,584,992
Burkina Faso	7,400	6,670	3,272,172	3,030,397
Ghana	4,099	3,942	1,750,456	1,705,752
Liberia	3,043	1,876	1,581,576	985,153
Mali	35,877	33,389	19,319,987	18,067,984
Sierra Leone	2,200	1,216	1,379,047	795,706
Total	570,187	481,220	222,295,356	190,182,316
Percentage		84%		86%

Table 1 Total P4P purchases by region and country 2008 – 2014

Trends in P4P procurement

P4P procurement has grown over the years, with the most significant progress occurring between 2009 and 2010 when the number of implementing countries increased and the procurement tripled. However, challenges linked to climatic conditions and FOs' limited capacity to aggregate contracted quantities and meet the conditions of WFP contracts have been recorded¹. Severe droughts in the Horn of Africa and the Sahel led to a decline in procurement in 2011, which remains the lowest to date (44,000 mt). P4P contracts reached their peak in 2013, when 124,000 mt was contracted, resulting in the delivery of 113,000 mt. **The lowest default and the highest delivery rates were recorded in 2014, when 115,000 mt were delivered out of the contracted 120,000 mt.**

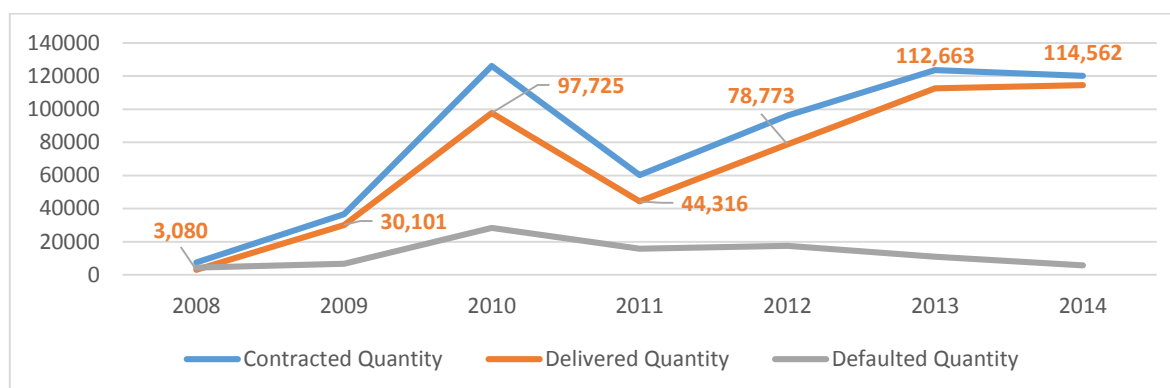


Figure 1 P4P procurement trend 2008 - 2014

Data on 2014 P4P procurement in 20 pilot countries is explained in Table 2.

Region/Country	Contracted Quantity	Delivered Quantity	Contract Value in US\$	WFP payments in US\$
Asia	3,790	3,624	2,006,764	1,943,761
Afghanistan	3,790	3,624	2,006,764	1,943,761
Central America	13,716	11,831	7,974,582	6,599,225
El Salvador	887	667	405,626	289,879
Guatemala	7,456	6,539	3,462,651	2,944,525
Honduras	4,291	3,599	2,968,524	2,255,272
Nicaragua	1,082	1,026	1,137,782	1,109,549
Eastern & Central Africa	48,107	47,561	15,153,984	14,990,575
Ethiopia	30,000	30,000	8,483,239	8,483,239
Kenya	3,633	3,494	1,484,910	1,440,185
Rwanda	7,256	7,244	2,838,688	2,834,696
South Sudan	384	347	210,975	191,074
Uganda	6,834	6,475	2,136,172	2,041,380
Southern Africa	45,989	44,363	14,920,444	14,377,312
DRC	932	810	325,598	268,377
Malawi	6,599	6,662	2,567,428	2,585,992
Mozambique	1,066	445	261,856	111,642
Tanzania	35,400	35,400	10,876,277	10,876,277
Zambia	1,991	1,046	889,285	535,024
West Africa	8,484	7,184	5,007,740	4,250,338
Burkina Faso	2,087	2,087	1,379,698	1,379,698
Ghana	337	180	96,676	51,971
Liberia	69	43	47,992	30,394
Mali	5,816	4,759	3,364,404	2,707,542
Sierra Leone	176	115	118,971	80,734
Total	120,086	114,562	45,063,515	42,161,211
Percentage		95%		94%

Table 2 P4P procurement in 2014

¹ Detailed reasons for defaults on P4P contracts can be found on page 22 of the [P4P Consolidated Procurement Report](#) for the pilot period.

Smallholder-friendly procurement modalities

To better engage P4P-supported FOs, WFP adapted its procurement requirements, while maintaining strict food safety and quality standards and price competitiveness². As a result, WFP elaborated three types of contracts: **forward delivery contracts, direct contracts and soft competitive tenders**. Contract types were selected based on FOs capacity and overall context in which P4P is embedded.

Working with low-capacity FOs, P4P introduced **forward delivery contracts** so as to incentivize farmers to invest in their production. Under this modality, an agreed floor price is set prior to the planting or harvesting season, which in some cases helped farmers obtain bank loans by using these contracts as collaterals³. To ensure a fair price, the final figures can be re-negotiated closer to the delivery date by taking into account the updated market prices. **Direct contracts** were issued in the harvest and post-harvest period and entailed direct negotiation with FOs relying on open market prices. In this way, lower-capacity FOs were supported to aggregate and market crops collectively without the challenges of external competition. For FOs with higher aggregation capacity and/or some experience in collective sales, WFP adapted its **soft competitive tenders** to include a number of FOs competing with one another. Table 3 shows P4P procurement from 2008 to 2014 by contract type.

Region/Country	Competitive tendering contracts	Direct purchasing contracts	Forward delivery contracts	Contracted quantity
Asia	5,748	7,544		13,292
Afghanistan	5,748	7,544		13,292
Central America	51,334	25,048		76,382
El Salvador	4,297	2,350		6,646
Guatemala	28,109	1,001		29,109
Honduras	16,804	19,941		36,745
Nicaragua	2,125	1,756		3,881
Eastern & Central Africa	66,292	63,293	100,801	230,386
Ethiopia	16,354	16,190	95,300	127,844
Kenya	17,467	4,733	4,335	26,536
Rwanda	6,235	30,645		36,880
South Sudan		2,226	1,166	3,392
Uganda	26,236	9,498		35,734
Southern Africa	148,362	43,068	6,080	197,510
DRC		1,442		1,442
Malawi	63,281	3,129		66,410
Mozambique	6,983	7,335	5,480	19,798
Tanzania	42,280	25,019	600	67,899
Zambia	35,818	6,142		41,960
West Africa	8,354	32,009	12,255	52,618
Burkina Faso	1,869	3,848	1,683	7,400
Ghana	849	3,250		4,099
Liberia	668	2,375		3,043
Mali	4,968	20,337	10,573	35,877
Sierra Leone		2,200		2,200
Total	280,089	170,962	119,136	570,187
Percentage	49%	30%	21%	100%

Table 3 P4P purchases by contract type 2008 -2014

² More information about P4P procurement and import parity price on page 7.

³ More detailed information on P4P procurement modalities is available on the [P4P website](#).

Smallholder-friendly aggregation systems

In all 20 countries, P4P mainly procured from smallholder farmer organizations.

Nonetheless, to strengthen agricultural development, WFP also purchased from other value-chain actors who buy from smallholder farmers, including processors, government reserves, NGOs, commodity exchange platforms and warehouse receipt systems (WRS). Table 4 shows P4P procurement from different types of suppliers.

Region/ Country	Traders	Commodity Exchange	FOs	Governments	NGOs	Processors	WRS	Delivered
Asia			9,272		490	3,362		13,124
Afghanistan			9,272		490	3,362		13,124
Central America			63,723					63,723
El Salvador			6,425					6,425
Guatemala			21,360					21,360
Honduras			32,526					32,526
Nicaragua			3,413					3,413
Eastern & Central Africa	7,563	5,051	141,798	21,363		3,054	4,876	183,705
Ethiopia	3,430	5,051	100,825					109,305
Kenya	2,217		11,834			40		14,091
Rwanda	1,917		7,952	21,363		3,014		34,245
South Sudan			1,730					1,730
Uganda			19,458				4,876	24,334
Southern Africa	9,822	91,274	19,690	47,900	1,634	763	2,493	173,575
DRC			280		870			1,150
Malawi	276	57,972	1,620				63	59,930
Mozambique	6,065		4,981			412		11,458
Tanzania	400		10,852	47,900			2,430	61,582
Zambia	3,081	33,302	1,957		764	351		39,455
West Africa	1,575		40,970			4,547		47,093
Burkina Faso			6,670					6,670
Ghana			3,942					3,942
Liberia			1,876					1,876
Mali	1,500		27,514			4,375		33,389
Sierra Leone	75		969			172		1,216
Total	18,961	96,324	275,453	69,263	2,124	11,726	7,369	481,220
Percentage	4%	20%	57%	14%	0%	2%	2%	100%

Table 4 P4P deliveries by supplier 2008 - 2014

Figure 2 explains gradual inclusion of other value chain actors into the P4P programme.



Figure 2 P4P procurement by supplier type 2008 - 2014

Crops purchased under P4P procurement

Under P4P, WFP has procured diverse crops, although maize remains the primary commodity, making up 74 percent of total purchases. Pulses (beans and peas) were commonly delivered in regions of Eastern, Southern and Central Africa and Central America. FOs in West Africa primarily delivered rice and cereals such as wheat, millet and sorghum, for a total of 81 percent of delivered quantities in this region. Processed food and other cereals amounted to large procurement quantities in Afghanistan, Rwanda and Mozambique. P4P procurement by crops purchased and countries is delineated in Table 5.

Country	Maize	Pulses	Rice	Other cereals	Processed food	Delivered quantity
Asia				10,923	2,201	13,124
Afghanistan				10,923	2,201	13,124
Central America	50,482	13,221	20			63,723
El Salvador	6,140	285				6,425
Guatemala	20,134	1,226				21,360
Honduras	21,318	11,208				32,526
Nicaragua	2,891	502	20			3,413
Eastern & Central Africa	167,879	10,573	40	1,806	3,407	183,705
Ethiopia	107,264	2,041				109,305
Kenya	10,703	1,308	40	1,647	393	14,091
Rwanda	25,195	6,036			3,014	34,245
South Sudan	1,570			160		1,730
Uganda	23,147	1,188				24,334
Southern Africa	126,382	27,059	1		20,133	173,575
DRC	1,149		1			1,150
Malawi	35,468	18,818			5,644	59,930
Mozambique	9,761	1,285			412	11,458
Tanzania	58,209	3,373				61,582
Zambia	21,795	3,583			14,077	39,455
West Africa	6,245	2,915	20,668	17,053	213	47,093
Burkina Faso	2,303	2,426		1,941		6,670
Ghana	3,942					3,942
Liberia		42	1,834			1,876
Mali		423	17,854	15,112		33,389
Sierra Leone		24	980		213	1,216
Grand Total	350,987	53,768	20,729	29,783	25,954	481,220
Percentage	74%	11%	4%	6%	5%	100%

Table 5 P4P purchases by crops and countries 2008 - 2014

Although maize accounted for 74 percent of overall purchases, it amounted to only 60 percent of the overall dollar value spent on P4P procurement. This is because maize prices tend to be lower than those of rice, wheat, and especially pulses. Consequently, pulses, which tend to have a higher price, accounted for 11 percent of the quantity delivered but 20 percent of the overall budget. Figure 3 shows how much of the P4P procurement budget was allocated to each type of commodities.

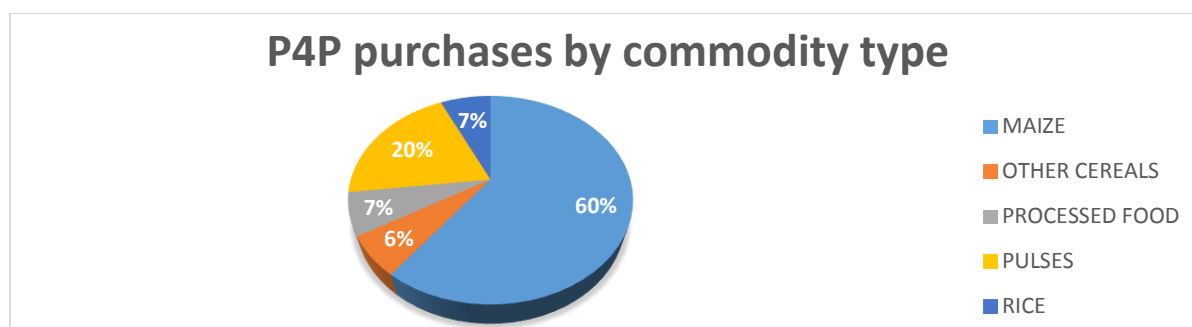


Figure 3 US\$ value for commodities sold to WFP through P4P 2008 - 2014

Defaults on contracts issued under P4P

Default rates of smallholder-friendly procurement have seen a significant decline from 22 percent in 2010 and 26 percent in 2011 to less than 9 percent in 2013 and below 5 percent in 2014. The overall P4P default rate for the period 2008-2014 remains below 16 percent. Overall figures are represented in Table 6.

Region/Country	Contracted quantity	Defaulted quantity	Default rate
Asia	13,292	167	1%
Afghanistan	13,292	167	1%
Central America	76,382	12,659	17%
El Salvador	6,646	222	3%
Guatemala	29,109	7,750	27%
Honduras	36,745	4,219	11%
Nicaragua	3,881	468	12%
Eastern & Central Africa	230,386	46,670	20%
Ethiopia	127,844	18,539	15%
Kenya	26,536	12,447	47%
Rwanda	36,880	2,623	7%
South Sudan	3,392	1,662	49%
Uganda	35,734	11,399	32%
Southern Africa	197,510	24,082	12%
DRC	1,442	292	20%
Malawi	66,410	6,594	10%
Mozambique	19,798	8,352	42%
Tanzania	67,899	6,317	9%
Zambia	41,960	2,527	6%
West Africa	52,618	5,620	11%
Burkina Faso	7,400	730	10%
Ghana	4,099	157	4%
Liberia	3,043	1,141	37%
Mali	35,877	2,608	7%
Sierra Leone	2,200	984	45%
Total	570,187	89,198	16%

Table 6 Defaulted quantities of P4P contracts 2008 - 2014

Reasons for defaults on P4P contracts

The most significant reasons for defaults were linked to suppliers' capacity. This includes side-selling, linked to price increase between the signature and delivery of the contract, low aggregation capacity closely tied to limited trust within FOs, lack of appropriate post-harvest handling storage and equipment. Lack of access to financial services was an additional challenge of farmers. Local environment, encompassing unfavourable weather conditions, along with socio-political context and poor infrastructure also led to defaults on P4P contracts. To prevent defaults, partners provided ongoing capacity development to improve agricultural production, post-harvest handling and organizational management⁴.

P4P sought to support smallholder farmers to increase productivity but also ensure their commodities reach high quality standards. In fact, while 5 percent of all contracted quantities was defaulted due to poor quality in 2010, that same figure decreased to 0.5 percent in 2014.

⁴ Information on P4P partners and their capacity development efforts is available in the [Snapshot: FOs Capacity Development and Partnerships \(2008 – 2014\)](#).

Reasons for defaults on P4P contracts



Figure 3 Main reasons behind defaults on P4P contracts 2008 - 2014

Defaults on P4P contracts issued to FO contracts

Significant efforts were invested in FO capacity development to produce quality crops and sell them to WFP and other large buyers. This has resulted in a substantial decrease in defaults on contracts issued to FOs, decreasing from 27 percent in 2009 to 7 in 2014, bringing the overall defaults on contracts with FOs to 21 percent. Yearly breakdown of defaults is shown in Figure 4.

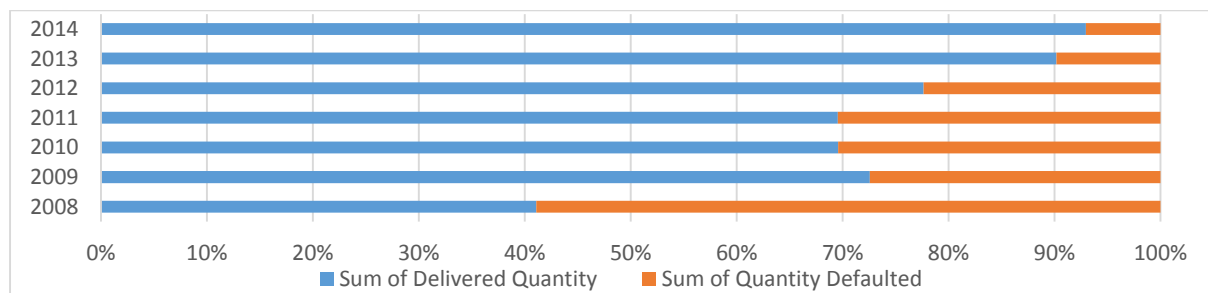


Figure 4 Defaults on P4P contracts issued to FOs 2008 - 2014

P4P procurement compared to the import parity price (IPP)

P4P purchases from smallholder farmers are subject to WFP's standards of buying from vendors offering the lowest prices for the required quality. As a result, contracts were issued to FOs whose prices did not exceed IPP. This means that the price of P4P commodities in most cases proved to be lower than the cost of WFP import and relative fees of transportation and transaction. With few exceptions, the overall P4P procurement of most country offices remained below IPP. From September 2008 to December 2014, WFP purchased 480,000 mt of food through smallholder-friendly modalities and realized savings of over US\$42 million.



For more information contact:
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