

6th Annual Consultation — Summary report

February 2015

The sixth Purchase for Progress (P4P) Annual Consultation was held at the Radisson Blu hotel in Rome from 24 to 26 February 2015. Some 170 P4P stakeholders from around the globe attended the discussions on 24 and 25 February, while 26 February was an internal session for WFP staff.

Between 2008 and 2013, WFP and its P4P partners tested ways of procuring quality staple foods from smallholder farmers in 20 pilot countries in Africa, Latin America, and Asia. Experiences of implementing P4P and similar programmes were extensively documented during the pilot period. This Sixth Annual Consultation, *“Beyond the Pilot – A Dialogue on Future Opportunities”*, provided an opportunity for partners to discuss lessons that could be leveraged in the post-pilot phase, identify the main challenges, and propose ways of improving the effectiveness of future P4P-like efforts.

Delivering the keynote address on the first day of the consultation, Mr Khalid Bomba of Ethiopia’s Agricultural Transformation Agency noted the critical role played by P4P in supporting the Ethiopia Government’s agricultural development strategy, in which smallholder farmers are viewed not as beneficiaries but as business people. Other speakers included members of the P4P Technical Review Panel (TRP) – an independent, non-remunerated group of technical experts who provided advice throughout the P4P pilot – and representatives of a wide range of P4P partners who shared their perspectives on the pilot. Strongly evident from these perspectives was the fact that the P4P approach is part of a much larger dynamic, and that the journey of learning and experimentation embarked upon with P4P must continue.

Day 2 focused on opportunities and challenges for broadening and deepening demand-driven smallholder market development approaches such as P4P. To help stimulate and frame those deliberations, WFP Executive Director Ertharin Cousin hosted a high-level panel that provided an opportunity for participants to hear from senior officials from partner countries, collaborating organizations, and FAO on high-potential opportunities for enhanced coordination and deepened partnership toward sustainable transformation of smallholder agriculture from the demand-side. Participants then moved on to group discussions on cross-cutting challenges and opportunities, and strategic thrusts for the future. The day concluded with each of the eight discussion groups presenting recommendations for the way forward.

Taking stock

In addition to the actual value of the food procured in a pro-smallholder way by WFP (US\$148 million) during the pilot, P4P’s key achievement has been the building and strengthening of soft infrastructure along the value chains, including government institutions.

The P4P pilot has helped to move smallholder farmers to the centre of the development agenda in many countries, confirming the importance of market access to farmers’ livelihoods

and demonstrating how large food purchasers can engage with smallholder farmers to improve their livelihoods. Challenges relate mainly to the sustainability of results and emphasize the need for strong partnerships and long-term commitment.

There will be no quick wins, but the pilot has shown how P4P-like programmes provide a good platform for developing the capacities of smallholder farmers and their organizations – essential steps in a world where food needs are projected to double by 2050, and smallholders are expected to produce half of the increase.

Results to build on

P4P projects have been a complement and catalyst to many other developments. They have fitted well with governments' agricultural programmes and policies; boosted the broader humanitarian and development efforts of WFP and other partners; and renewed smallholder farmers' interest in farming, encouraging them to see themselves – and be seen – as entrepreneurs and potential partners in the fight against food insecurity, rather than the recipients of aid.

P4P has encouraged smallholders to work together, mainly through farmers' organizations and cooperatives, to obtain access to markets and negotiate better prices and conditions. For some farmers' organizations, experience of supplying WFP has helped building their capacity and served as informal quality assurance for other purchasers, and P4P has given many farmers their first experience of having readily available price and market information and receiving higher prices for quality commodities.

Implementing P4P has demonstrated WFP's value to a wide range of partners along staple crop value chains. Through P4P, WFP and partners have supported the strengthening of commodity exchanges and warehouse receipt systems, helped provide storage and other infrastructure for farmers' organizations, and influenced government agriculture programmes and policy, stimulating innovation.

Issues to keep in mind

The independent strategic evaluation emphasized the need for WFP and partners to improve coordination and the sharing of experiences, recommending that WFP develop clear guidance materials for dissemination to governments and others interested in implementing P4P-like activities. As noted also by the TRP, M&E data collection systems require further improvements, to provide stronger evidence for attributing benefits to P4P interventions. Information gaps identified include cost-effectiveness and cost-benefit data, comparative analyses among countries, and methods for measuring qualitative results and wider impacts.

Five years is a short time to establish long-lasting links between smallholders and markets, and sustainability remains a major issue if WFP withdraws from programmes. As well as identifying alternative markets in both government and the private sector, WFP and partners need to ensure continuing capacity development and support for farmers and their organizations, enabling them to become reliable suppliers in a range of different markets.

Into the future

Participants agreed with WFP's Executive Director that although the pilot phase has ended, P4P-like programmes and activities are here to stay. Discussions on the main themes and dimensions of future interventions identified recommendations for broadening and deepening

demand-driven smallholder market development going forward. These recommendations are still being synthesized for broader sharing. The major categories are detailed below.

Building capacities of smallholder farmers and their communities

Linking smallholders to markets is just the start of the story. Ongoing capacity building for smallholder farmers is needed to embed the required skills, particularly in improving and sustaining productivity levels, building financial and business skills, obtaining credit, quality enhancement and assurance, compliance with standards and contracts, and expanding into regional and other markets.

To reach more smallholders who have the potential to produce surplus – including poorer and more marginalized groups – P4P partners might explore opportunities for expanding into new value chains and commodities, including those where women traditionally have larger roles; less explored points along the value chain, including small-scale traders; and alternative ways of organizing farmers for aggregation, such as through collection centres or lead farmer schemes.

Involving young women and men in farmers' organizations and activities is critical in attracting unemployed youth to the opportunities in farming and agribusiness, and helps prepare a new generation of business-oriented, smallholder farmers ready to supply modern markets and growing demand. Targeting youth also promotes gender equality by facilitating women's inclusion in groups from a younger age.

P4P partners should:

- enhance the capacities of local and national governments, including capacity development of extension staff and support to improve agricultural infrastructures;
- explore opportunities for expanding P4P activities into new geographic areas, commodities and points in the value chain; and
- target young women and men.

Government engagement and ownership

Governments have a clear role in establishing policies, programmes and a legal environment that bring smallholder farmers into the broader development agenda and are conducive to smallholders' own development.

Government support can include investments in storage and other infrastructure for improving market access and linking food-secure with food-insecure areas; providing capacity building where the private sector has so far been unable to; convening stakeholders along agricultural value chains to promote links between smallholders and private-sector buyers and partners; developing policies and legislation to encourage women's involvement along the value chain; and investing in R&D to better understand what investments and programmes can best help smallholder farmers reach their potential.

Governments also provide a market opportunity for smallholder farmers: institutional purchases from smallholder farmers are increasingly being used for social safety nets, national grain reserves, schools, hospitals, prisons and other government requirements.

- Governments should seek to make public procurement procedures and policies smallholder-friendly, and remove impediments to full participation of smallholder farmers. One example is to encourage institutional purchasers to buy at least a minimum percentage of their needs from smallholder farmers.

- P4P partners can support these efforts and contribute to further research, such as into the costs, benefits and sustainability of institutional buying, including its impact on the private sector.

Facilitating private-sector engagement

Increasingly, private companies are viewing smallholder farmers as business oriented actors and are thus willing to join forces with organizations like WFP to draw smallholder farmers into formal markets. For smallholders, the private sector can be both a buyer of produce and a supplier of inputs and financial services. However, private companies will work with smallholders only when it makes economic sense to do so, and the support of governments and development partners is still critical in building smallholders' capacities to deliver reliably on the quality and quantity demands of private-sector buyers. While commercial viability for all supply chain actors is crucial when bringing smallholder-support to scale, there is still a need for capacity development and other support for local, small-scale traders and dealers investing to add value, in order to increase the reliable market options for smallholder farmers.

Governments' main role is in creating an enabling environment by developing policy, infrastructure, market information systems and incentives that encourage private-sector companies to purchase from women and men smallholder farmers.

Development partners should:

- clarify their expectations of the private-sector's engagement with smallholder farmers; and
- involve private-sector stakeholders from all relevant points along the value chain in the design of programmes where they have a potential role – cereal fairs, buyer/seller platforms and WFP's Patient Procurement Platform (PPP) are forums for these discussions.

Financial inclusion

Access to finance is a major challenge for smallholder farmers, and P4P has had a valuable role in facilitating this access, providing a good example of how contracts with WFP and other large-scale buyers can be leveraged as collateral for loans to smallholder farmers. As a result the potential for re-investment has increased and more smallholder friendly products have been developed. Partners can build on these experiences, starting by examining the informal local systems that operate successfully in contexts where formal institutions are wary to lend, and identifying features that could be adopted by financial institutions to extend the reach of credit even in areas where currently they don't lend because of the perceived risk and yet where informal systems are doing a "thriving" business.

Partners and WFP should continue facilitating the building of relationships between financial institutions and smallholder farmers. Partners could consider investments and providing capacity development that supports other tools for facilitating access to finance, such as weather insurance and warehouse receipt systems.

To continue building trust between farmers' organizations and financial institutions suggestions included establishing a system for determining whether a farmers' organization is a viable partner, based on the capacity of its members and the achievement of agreed milestones to

justify continuation of the partnership; ensuring transparency of financial institutions and enhance farmers understanding about the benefits and transaction costs so that they can make more informed decisions about their marketing options.

- WFP and other purchasers of farmers' produce should revise and improve the efficiency of their procurement processes and mechanisms to make them more conducive to smallholder suppliers, including by contract negotiation, easing regulations and speeding up payment processes.
- All partners should gather and disseminate learning on financial inclusion in order to promote best practices that enhance smallholder farmers' access to credit.

Knowledge management

Participants noted how valuable the annual consultations have become in building common purpose and encouraging ownership across all stakeholders. WFP's Executive Director and Assistant Executive Director both stressed WFP's commitment to complete specific learning activities, including analysis of existing data and assessment against outstanding questions and sharing results widely. To that end, the P4P Coordination Unit will continue to work with African Economic Research Consortium (AERC) to establish an information sharing and learning platform for all relevant P4P data and learning, and continuing this process in the next stage of P4P. The P4P Coordination Unit will complete the process of reviewing the recommendations, aiming to identify a manageable set for implementation with relevant partners.

Next steps

WFP's role in the post-pilot stage is to support the development of P4P-like programmes and related policies and systems by government, pulling in other supporting partners when needed, but promoting that interventions are government- and not donor-led. WFP will also continue to mainstream learning from the P4P pilot into all relevant programmes and tools.

WFP is committed to:

- providing demand-driven support to smallholders through P4P-like interventions and the Patient Procurement Platform;
- completing the learning agenda on P4P and making it available as a public good; and
- strengthening and developing the partnerships it has developed through P4P.

It asks that:

- national governments continue their engagement and leadership in P4P interventions, but take more ownership of the programmes, especially the coordination role;
- all partners deepen their investments in programmes that support smallholders; and
- all partners join the ongoing consultation process on defining the objectives and design of future P4P interventions.