

Inclusive Procurement and Transparency

Connecting Smallholder Farmers
to School Feeding



Procurement Governance for
Home Grown School Feeding Project

Learning Series #3



SNV

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Author's Note

A point of departure for the Procurement Governance for Home Grown School Feeding (PG-HGSF) project was the recognition that national school feeding programmes, although explicitly stating that they would work with “Home Grown” food products, were not successfully doing so. In part, this was due to procurement regulations and practices that did not factor in the situation of the regions’ smallholder farmers, who were unable to compete effectively, or even participate, in the procurement process. The authors set out to formulate a convincing argument for flexibility in the procurement system to provide for inclusion; aiming to reverse this situation and hoping to persuade policy makers and procuring entities that transparency and inclusion were not mutually exclusive.

The paper is based on the findings of a desk examination of data developed by SNV and others for the PG-HGSF. Public procurement legislation and school feeding procurement guidelines from Mali, Kenya and Ghana were also examined. An extensive review was conducted of worldwide sustainable public procurement policies and practices.

This learning document is the result of collaboration between Eliana Vera, PG-HGSF project manager, Dick Commandeur, Senior Technical Advisor to the project, and John Brooks, procurement expert and consultant for ANJO Global Consulting Ltd. John’s knowledge and standing in the procurement community, his enthusiastic embrace of the assignment, and especially his ever-deepening curiosity about what was possible, shaped the content and ideas; the project’s perspective and its unwavering commitment to smallholder farmers made those ideas applicable for working with school feeding programmes.

In the course of producing this paper we came to the conclusion that procurement principles of transparency, integrity, and openness need not be compromised when making efforts to be inclusive. The authors trust this message comes through clearly, with practical examples of how this can be achieved using the existing system and the flexibility it already contains.

The authors are grateful to everyone involved in bringing Learning Document #3 to completion. In particular, the SNV teams in Ghana: Alimata Abu, Sylvester Ekpe, Ernestine Sanogo and Fati Seidu; in Kenya: Leah Njeri, Eliud Nkunja, David Makongo, and Mathews Wanjala; and in Mali: Hapsatou Dème, Fily Diallo, Alassane Konaté, and Satta Laouali, whose work continues to probe and test the possibilities for making smallholder inclusion a reality. We extend our thanks to Temidayo Akenroye, procurement consultant to the project, for the report on his work with the team in Kenya which provided insights for the paper, and for his objective review of the final version; to Wan Lee and Katherine Casey for shepherding the document through the editing process with Christy Macy, and completing the design with Kathy Strauss. And finally, our thanks go to the Bill and Melinda Gates Foundation for their financial support of the PG-HGSF project, of which this exercise is a part.

John Brooks, Dick Commandeur, and Eliana Vera

About SNV

SNV is an international not-for-profit development organization. We believe that no-one should have to live in poverty and that all people should have the opportunity to pursue their own sustainable development.

Founded in the Netherlands nearly 50 years ago, we have built a long-term, local presence in 38 of the poorest countries in Asia, Africa and Latin America. Our global team of local and international advisors work with local partners to equip communities, businesses and organizations with the tools, knowledge and connections they need to increase their incomes and gain access to basic services—empowering them to break the cycle of poverty and guide their own development.

By sharing our specialist expertise in Agriculture, Renewable Energy, and Water, Sanitation & Hygiene, we contribute to solving some of the leading problems facing the world today—helping to find local solutions to global challenges and sowing the seeds of lasting change.

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Inclusive Procurement and Transparency

“Governments ... have duties that go beyond efficiency in procurement. They have duties of justice. While all social institutions are required to meet the demands of justice, a government as a buyer is in a special role to promote justice; it is now well accepted that governments can and do use procurement as a social policy tool”.

–Sue Arrowsmith¹

Governments, when deploying public funds for the provision of goods, works and services, can and should use this important function to advance social and economic development by ensuring the inclusion of otherwise excluded suppliers. The challenge is how to carry out that commitment while safeguarding the essential principles of public procurement, transparency, open competition, and value for money, among others.

The national Home Grown School Feeding (HGSF) programmes offer a valuable example of both the challenges and opportunities of such inclusive procurement efforts. Governments declare their intention to make their school feeding programmes “Home Grown” by striving to secure the participation of smallholder farmers as suppliers. However, this lofty goal has often proved elusive, given the realities of the smallholder farmer, whose production capacity limitations; lack of knowledge, skills and organisation; and independent style of operations, bordering on isolated in some instances, hinder efforts to promote their fair participation in the process.

This paper analyses the tension between the principles of open procurement and the targeting of specific groups such as smallholder farmers, and offers specific recommendations for how procuring entities can implement their work differently but effectively while maintaining transparency and fairness. The paper draws on the experiences of the procurement process for the governmental school feeding programmes in Ghana, Kenya and Mali, where SNV implements the Procurement Governance for Home Grown School Feeding (PG-HGSF) project. However, we hope these findings and recommendations will find relevance within the broader development community.

Inclusive procurement: Combining vertical and horizontal policies

The principles of public procurement have developed over many years and have been generally accepted in most jurisdictions worldwide. The essential aspects of transparency and fairness are exercised to obtain the ‘best value’ for the purchase resulting from solicitations open to qualified bidders. The

1. Sue Arrowsmith, “Public Procurement as a Tool of Policy and the Impact of Market Liberalisation.” *Law Quarterly Review*, 1995, pages 111, 235–284.





concept of 'best value' reflects the effective balance of price, delivery and quality for the purchases of products and services needed by government procuring entities. Depending on the circumstances, any one of these factors could become primary. In an emergency it could be delivery; where reliability is essential, it is quality; and, if delivery and quality are acceptable (e.g. for an off-the-shelf item) then price is the main determinant. These are currently considered 'vertical policies.'


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In addition to these vertical policies, most jurisdictions have identified that for many purchases, public procurement power can effectively support economic, social or environmental goals, known as 'horizontal policies.'² The term horizontal is used here to reflect the interconnectedness of these two policies. A procurement process that includes both types of policies is known as 'sustainable public procurement.'

The horizontal policies adopted by jurisdictions can vary in objectives, sectors of the economy or population involved, and types of goods, works and services affected. However, they are primarily focussed on the following:

 **Economic aspects** (e.g. developing and protecting domestic or regional sectors and industries, and developing micro, small and medium enterprises—MSMEs);

 **Social aspects** (e.g. prioritising poverty reduction, affirmative action, and racial and religious equity criteria—often with an emphasis on the disadvantaged, women and youth);

 **Environmental aspects** (e.g. eliminating pollution, reducing global warming and safeguarding non-renewable resources).

Home Grown School Feeding and smallholder farmers: A brief introduction

One objective³ of the HGSF programmes is to link school feeding to local and national agricultural development. This is to be achieved by the purchase of local and domestically produced food, especially from smallholder farmers. In this sense it is related to horizontal policies focusing on economic and social aspects: agricultural production and more specifically, on the rural poor who are smallholder farmers, a population that largely consists of women. The relevance of HGSF programmes to impact these policies is reflected in the estimated current yearly allocation of \$US 71 million⁴ to be 'spent' on food purchases in Ghana, Kenya and Mali.

For many purchases, public procurement power can effectively support economic, social or environmental goals

2. *Public Procurement Regulation in Africa*—Geo Quinot and Sue Arrowsmith, Editors, Chapter 15, page 370. Cambridge University Press, 2013.

3. Other objectives are generally related to education and health.

4. D. Commandeur, "Challenges and Opportunities—Smallholders and School Feeding—Initial Baseline Report." SNV—PG-HGSF *Learning Series #1*, 2012.



Although the purchase of food from smallholder farmers is an objective of these governments, there is little evidence that they have participated in practice in the national HGSP programmes of these three countries since they were established over the past decade. There are a number of reasons that have been identified to explain this lack of smallholder farmers' involvement. They include restrictions of the public procurement protocols especially in relation to horizontal policies, delays in the payment of these farmers for food delivered, and the limited financial, administrative and production capacity of the smallholder farmers themselves.

There is little evidence that smallholders have participated in practice in the national HGSP programmes

It is important to understand the capacity issues that arise when working with this sector of the population. Smallholder farmers by their very nature have unpredictable supplies that may be year-round, seasonal, infrequent or regular, and often vary in terms of quality. The supply of food thus may or may not be adequate or predictable enough for the regular demands of procuring entities. A high proportion of smallholder farmers sell surplus produce either at the 'farm gate' or in the local market. Given their selling practices, many may operate on the informal market outside of the tax structure of their applicable

jurisdiction. In many cases, these farmers have had little or no access to educational opportunities, thus limiting their reading and writing abilities and the development of their business skills.

Moreover, the majority of smallholder farmers are not registered as commercial enterprises, nor do they possess the necessary trade licenses—both of which are requirements under the current school feeding guidelines in Ghana, Kenya and Mali. They are either reluctant or unable to do the necessary paperwork required to obtain business licenses or company registration. Moreover, their individual volume of sales is generally too low to justify the costs. For example, in Kenya, the costs of meeting these requirements start at 10,000 kes (118 US\$) per year and require multiple visits to district administrative offices.⁵

In sum, the smallholder farmers' informal style of business poses a range of challenges for these farmers to meet the many requirements of the formal sector. Among other things, they would need to have (i) compliance with quality standards; (ii) availability of set quantities; (iii) price consistency; (iv) packing capacity for transport and storage; and (v) supplier compliance with tax and other legal requirements of the jurisdiction.

One strategy to elevate the capacity of smallholder farmers is the formation of formal producer organisations

5. See: "Transparency International Kenya: The Home Grown School Feeding Programme (HGSFP)," *A Rapid Appraisal*, 2014. Paper commissioned by the SNV PG-HGSF project.

6. Formal means that the organisation must have a legal status that permits registration as a business entity, establishing commercial agreements and access to financial services, among others.



One strategy to elevate the capacity of smallholder farmers is the formation of formal producer organisations.⁶ Such organisations could lead to economies of scale and greater certainty of supply. They would also relieve the need for the provision of financing, support compliance with tax and company regulations, and facilitate adequate handling of products for sale. While producer organisations could help smallholder farmers to participate more fully in public bids, some of those organisations themselves may require additional assistance to develop the necessary skills and expertise to sell to procuring entities.

Horizontal policies referring to micro, small and medium enterprises are quite common in most countries. However, when it comes to HGSF programmes, such policies are not readily applicable for working with smallholder farmers.


Horizontal policies referring to micro, small and medium enterprises are quite common in most countries. However, when it comes to HGSF programmes, such policies are not readily applicable for working with smallholder farmers. As indicated earlier, as individuals, farmers may not reflect the basic characteristics of MSMEs. In addition, when organised as producer organisations, their size and volume of transactions can cause them to exceed criteria established for MSMEs regarding yearly sales, investment, or number of employees. It would be important, then, to review and in some cases adapt


MSME-oriented horizontal policies when applying them to smallholder farmers, as in the case of food procurement for HGSF programmes.

Horizontal goals: From policy to practice

Horizontal policies that support specific economic and social goals have a number of procedures and tools that can be used collectively or individually as required, and can be adapted to the situation of smallholder farmers in the following ways:

1. Administrative Adjustments (also known as 'levelling the playing field'), where the objective is to reduce the gap in capacity between the smallholder farmers and their producer organisations on one side and conventional suppliers to governments on the other. Such adjustments can include outreach programs and protocols that aim:

 **To advise farmers and their representatives of bidding opportunities** and how to prepare and submit effective bids. These outreach programmes and especially any follow-on 'one-on-one' coaching of smallholder farmers and producer organisations should not be conducted by procurement officers themselves, as they are not likely to have the time or the experience to do so, and their involvement could give rise to accusations of favouritism in the bid selection process.

 **To improve communications** by publishing and disseminating tender announcements in locations frequented by smallholder farmers, including the procurement plans of what is to be bought in the near term and the current invitations to bid. The matchmaking events or meetings between producer organisations and teachers in Kenya, and between producer organisations, traders and



district officers in Mali organised by the PG-HGSF project, are examples of improved communication mechanisms. Additionally, email and fax distribution can be used.



To match smallholder farmers/producer organisations bidding and supply capacity with additional time allowed to respond to bid requests and permit suppliers to deliver food at the most convenient times related to the agricultural cycle. This may require starting the procurement cycle earlier and planning effectively to accommodate these conditions.



To simplify registration with other government departments (e.g. business registries, or tax agency). Registration requirements are set by jurisdictions, applicable in a transparent way to all suppliers for all transactions, not only those for HGSF. The governments should in principle only contract with law-compliant entities. While registration can be made simpler, it is the first step for smallholder farmers and their producer organisations in joining the formal market and must be seen to be fully supported by governments. Registration has obligations, principally the collection and payment of taxes. However, it also offers benefits that include the ability to open bank accounts, obtain credit, access legal institutions, and gain eligibility for government contracts and government support.⁷



To align payment policies with the realities facing smallholder farmers and producer organisations by:

- **Making advance payments** that are not fully guaranteed. This is done by using forward purchasing contracts or paying against warehouse receipts.⁸
- **Making prompt payment.** With little or no surplus operating funds, farmers and producer organisations require payment as soon as possible for deliveries. Payment on delivery or shortly thereafter is preferred. This carries no risk and incurs for procuring entities just the 'time cost of money'. A reasonable solution is to pay as close to delivery as practical and at least meet the terms of payment established in the contract. In the event of delays in payment, interest should be paid based on the then current central bank rate and/or credit notes should be provided that are negotiable at local financial institutions. In Ghana, payment delays, at times more than 6 months, are creating serious problems for caterers, who contractually are obliged to pre-finance their food purchases. The delays in payment by the government exhaust the caterers' liquidity. As a result, they have to buy from traders (instead of farmers and producer organisations) who can deliver products on credit, which incurs additional costs.
- **Paying in cash** instead of by cheque. In Kenya for instance, the latter is regulated by the school feeding guidelines as it enables better control. However,


7. This topic is well reviewed in "Registering for Growth: Tax and the Informal Sector in Developing Countries" by Christopher Woodroff. *CAGE- Chatham House Series*, No. 7, July 2013.


8. The Warehouse Receipt System consists of handing over a delivery certificate to farmers at the store gate, which they can use to receive credit from the bank. On selling the product in bulk, the debt for the credit is repaid directly and deducted from the final payment to the farmer.





most smallholder farmers will not accept being paid by cheque “due,” according to a recent study, “to distances to banks, bank charges and the fact that cheques do not clear immediately”.⁹ The increasing popularity of mobile payments can be an adequate alternative as they are increasingly accessible to smallholder farmers and the transfers are easily recorded.

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 **To facilitate bid and performance surety.** These protocols are required to protect the procuring entity from default by the bidder, or once the contract is awarded, by the contractor. Consideration should be given to eliminating these protocols when dealing with smallholder farmers and producer organisations and/or using Bid Securing Declarations, as it is impossible for most farmers to provide bank guarantees and very difficult for producer organisations to hold substantial deposits in reserve as collateral.

 **To apply a ‘micro purchase’ or ‘shopping’ approach,** especially when the purchase has low value, requiring a relatively informal method for direct sourcing from smallholder farmers or producer organisations. This would require guidelines to ensure such an approach is not used to circumvent more formal methods that would be for higher value or longer periods of supply.

 **To combine purchase requirements among several procuring entities** of HGSP programmes. This may impact the value for money related to economies of scale, but the specific effect on smallholder farmer inclusion should be carefully assessed in advance. For example, in the case where farmers are organised in producer organisations, consolidated purchases can mean economies of scale and give farmers and their organisations an advantage in competition with (small) local traders. However, for individual farmers, consolidated purchases can lead to exactly the opposite, resulting in farmers not having the capacity to meet the required consolidated scope. Nevertheless, even in this case, there could be an advantage. Consolidated purchases can help smallholder farmers see the value of organising, which in the long term will enhance their competitiveness in this and other markets.

 **To pre-select bidders** by using open but generic solicitations. Suppliers that meet the criteria are identified and only then are requested to submit bids against actual requirements (restricted bidding). This will reduce wasted time and effort for unqualified bidders and for procurement entities

9. See: “Home Grown School Feeding Programme (HGSFP): A rapid appraisal.” *Transparency International Kenya*. Paper commissioned by the PG-HGSF project, 2014.





evaluating bids. The criteria can be related to compliance history, including evidence of sourcing from smallholder farmers and high quality and available facilities.

To offer different contract types that facilitate inclusion of smallholder farmers. Examples could include:

- **Incremental contracts** which would offer a small initial quantity with the procuring entity's option to renew for the same or increased quantity, where performance of supplier is adequate. This could accompany a strengthening process for increasing producer organisations' capacity.
- **Framework Contracts (FCs) and Supply Arrangements (SAs)**, which are usually awarded as the result of a competitive solicitation. While entered into by the purchaser in good faith, neither is a firm contract obligating the purchaser to buy all or any of the estimated scope. However, the scope and quality of product and other terms for the purchases are defined. These two purchasing instruments differ, however, on a number of aspects.

Framework Contracts: Overall quantities, firm prices and delivery times are usually established when awarding the FC. Procuring entities then make 'call-offs' (creating a contract), as required, that reflect specific quantities, as well as deliveries and unit prices, based on FC terms. The good faith commitment by the procuring entity gives the producer organisation a sense of confidence for planning quantities to be collected from its smallholder farmer members and needed storage capacity and management.

Supply Arrangements: Prices and deliveries may only be set as targets at the time of the SA award. At the time a purchase is required, the procuring entity conducts a mini-competition between the holders of the SAs and then selects the SA holder on the basis of best value. A confirming contract is issued. SA holders that choose not to bid may do so without penalty. This instrument allows the smallholder farmers and producer organisations to assume formal contracts even when they are still in the early stages of building their bulking, storage and administrative capacities. It also gives them flexibility not to participate in a tender when production is low without losing their contract relationship with the procuring entity.



To offer additional miscellaneous support. That support could include:

- **Debriefing unsuccessful bidders** to assist them in improving their chances of success in the next round;
- **Conducting post contract completion assessment** of the performance of both the procuring entity and supplier;
- **Providing an open and easily accessible forum** for farmers and their organisations and all bidders, who claim grievances, to appeal pre-award decisions by the procuring entity.

To comply with transparency and fairness principles, the administrative adjustments should be open to all potential bidders that wish to avail themselves, although more experienced companies will not need all of them, and in most cases their implementation is already permit-



ted under legislation. Administrative adjustments entail nil to limited costs to governments but can result in social and economic benefits. In some cases, these adjustments can even create increased competition in the market, not only for the bigger and more experienced companies, but also for new entrants like producer organisations, hence improving the procurement process in general and ensuring value for money.

- 2. Focussed procurement**, where the bidder selection process is modified to assist a defined category of bidder, in this case farmers and their producer organisations. Unlike the administrative adjustments outlined above that are relatively easy and low cost, can be quickly implemented, and are generally consistent with existing procurement policies, focussed procurement is more challenging. In some instances, implementation may require legal or regulatory underpinning. Among the strategies that could be used:

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Packaging the size of the contracts, thus reducing the scope of the purchases to suit the capacity of participating farmers or producer organisations. This strategy can result in less favorable prices due to loss of volume leverage. That disadvantage, however, can be offset by reduced costs due to higher competition (e.g. numerous farmers, producer organisations, or small traders can bid vs. one or two large suppliers) and risk reduction to procuring entities in the event of default by a supplier holding 100% of the contract vs. one with only 10%.



Setting aside or reserving contracts for the defined category, thus limiting the competition ('set-asides') for either specific types of purchases (e.g. vegetables or local basic grains) or any purchases amounting to a set value of the overall budget. These "set-asides" can be bid by, and purchased from, only a defined category of suppliers, in this case smallholder farmers and their producer organisations.¹⁰ Alternatively, those bids could also be open to other prime contractors that guarantee subcontracting parts of the purchase to the defined category (e.g. to traders committing to purchase a percentage of their products from smallholder farmers).

Set asides are based on the premise that vertical and horizontal policies will be satisfied because:

- There is sufficient competition within the defined category;
- Any inherent premium paid by restricting competition is appropriate;

10. See Brazil—A.2 of Law No.11 947 of 2009. This provides that 30% of school feeding program funds be used for direct purchase from family farms or their organizations. Source: A review of policy and legal frameworks by Samrat Singh, The World Bank—World Food Programme—*Partnership for Child Development*, July 2012.



- The defined category of suppliers has the capacity to deliver the amount set aside.

There are a number of practices used for set-asides. However, the most prevalent approach is a specified percentage of the procurement annual budget of procuring entities that must be spent (either directly or indirectly) within the defined category of suppliers.¹¹ The percentage (for example 80% of purchases from smallholder farmers defined in the Ghana school feeding policy or 50% in the Mali programme) in total can be subdivided to permit focus on more than one category. For example, of the 80%, a certain percentage would go to women farmers or to local smallholder farmers.

The percentages selected for most set-asides can be based on current sourcing experience from the defined category/ies of suppliers or from a market assessment of the potential capacity and competitiveness of defined categories. The percentages for set asides should be consistent with the principles outlined above, and be achievable by the procuring entity, within the procurement protocols. The overall approach and expectation for meeting set-asides would be reflected in a procurement plan.



Offering preferential treatment for the defined category. The government (as the purchaser) pays a higher price, accepts a longer delivery or additional risks for purchasing from the defined

category of supplier (in this case the smallholder farmers), sets specifications, or packages the scope of work to suit its needs. The government can use a point system to consider the objectives of both vertical and horizontal policies.¹²

Preferential treatment usually takes the form of a price concession with bids solicited from all qualified bidders. In this case, the smallholder farmers and producer organisations are invited to bid in competition with other non-defined bidders. A price premium in favour of the former (that is specified in the bid documents) is to be considered in the bid evaluation. Premiums can range up to 15% and are usually paid against the lowest bid price. For example, three bids are received: A \$100, B \$110, and C \$115. Bids A and B are from non-defined bidders, and Bid C is from the defined category. Assuming a premium of 15% is permitted, then Bid A plus 15% = \$115, which is the same price as Bid C. Therefore, the contract would be awarded to a supplier from the defined category C.

Putting the two groups in competition challenges both to quote competitively as long as the premium is reasonable and is not too large to deter non-defined bidders or permit defined bidders to unreasonably profit.

Sound and explicit policies and procedures have to be developed and published for focussed procurement to ensure transparen-

11. See Kenya—*Public Procurement Oversight Authority*—circular #1/2014, January 29, 2014. This requires a mandatory set aside of 30% of all government procurements be allocated to micro and small enterprises owned by young people, women and persons with disabilities.

12. This approach is used in the Republic of South Africa where price is scored, depending on overall value of the purchase, against 80–90% and social objectives scored at 10–20%. Thus the two factors of selection criteria can be considered and the bidder providing the optimum combination selected.



cy.¹³ Also, as part of the transparency, smallholder farmers and producer organisations should be required to register to qualify for such concessions. To limit over-dependency, or use by now 'developed' sellers, the registration period can be limited, for example, to a maximum of two five-year terms.





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In focussed procurement it is particularly important for the procuring entity to have a good understanding of the supply market and the capacity of the smallholder farmers and their organisations. This understanding of the market is a requirement for defining the most optimal packaging size of contracts, percentages for set-asides, and specific preferences, such as for smallholder farmers.


3. Initiatives to strengthen the defined bidders, designed to increase the productivity or sales of the smallholder farmers and their producer organisations. These can include development grants, training and technical assistance, and low-cost financing. The initiatives are indirectly related to procurement and should be seen as complimentary but independent from the procurement process. Most governments address these initiatives under trade or sector policies, such as extension services or credit programs.

HGSF and horizontal procurement goals: Additional hurdles and opportunities

The implementation of the administrative adjustments and focussed procurement procedures and tools in HGSF programmes face a range of challenges. These include:

-  The absence of clear policies on the use of these (potential) procedures and tools, and the current rigidity of public procurement protocols;
-  The limited procurement experience of procuring entities for HGSF purchases. In Kenya and Mali, those entities are either school management committees or district officers, while in Ghana, they are caterer services.
-  The inexperience of the smallholder farmers in the bidding process;
-  The uncertain supply capacity of smallholder farmers.


The procurement process for school feeding has some particular requirements for targeting (local) smallholder farmers. These include:


-  **Type of products:** HGSF requires the supply of food that, depending on the location, season and school meal menus, could include:
 - **Fresh food** (e.g. vegetables, fruit, meat and fish). All these require short supply chains and limited storage as goods must be consumed shortly after harvesting. Clearly, local suppliers have an advantage for complying with specific requirements for fresh food, especially in areas where that food is abundant.
 - **Staple food** (e.g. rice, sorghum, maize, and beans). In general, these products represent the major cost percentage of the total HGSF pro-

13. Examples of such policies can be found in the approaches of USA and the Republic of South Africa, among others.



gramme annual food purchases. The supply chains can be longer and storage may be required for significant periods. An opportunity for including them lies in aligning the demands of procuring entities for the specific products to what is (locally) produced by smallholder farmers and if possible, specifically by those who are women.

 **Quality standards:** Fair and reasonable quality food standards must be established. They should primarily be concerned with the quality of the meals and the health of the students, but they should not be excessive in relation to the capacities of farmers and their organisations, such as presentation and uniformity. For transparency and fairness reasons, the same standards must be valid for all suppliers.

 **Definition of smallholder farmers:** To ensure transparency and fairness when some advantages (e.g. preferences) are being given to defined categories of suppliers, it is essential that the criteria for category membership or those receiving the advantage are well defined. There could be a need to 'register' as a smallholder farmer to benefit from specific programmes.¹⁴

Indirect procurement from smallholder farmers

The previous sections place a greater emphasis on creating a direct relationship between smallholder farmers and producer organisations and school feeding programmes. But in fact, indirect selling relations are more common and, in cases of food deficiency or dispersed and unorganized farmers, also more practical.

Two ways of indirect selling to school feeding programmes—through public boards and pri-

vate traders—will be briefly described here. The former refers to state entities set up to buy food from farmers, generally within the context of relief or strategic reserve programmes. For instance, in the case of Ghana, there is a specific role for such a public board in supplying rice to the school feeding programme. The private traders play a significant role in all three participating countries. Although both actors are important and in most cases indispensable, their inclusion in the chain between smallholder farmers and school feeding programmes also means that they receive part of the profits. In addition, other potential positive impacts of linking farmers and producer organisations with school feeding as a formal market may get lost, such as the pressure to organise and formalise themselves or improve on the quality and productivity of their crops. Special attention must be given to avoid the loss of transmission of those signals from formal markets and to take advantage of the role these intermediary actors can play in trade and logistics, especially when transporting food from food surplus to food deficit areas.

It is essential that the criteria for category membership or those receiving the advantage are well defined

Public boards: A clear example of how these boards relate to school feeding programmes is the National Food Buffer Stock Company (NAFCO) in Ghana. In practice, NAFCO buys rice from traders or, more recently, from large

14. See for instance the practice in Brazil: Programa de Adquisicao de Alimentos. Manual Operativo, 2014.



The requirement to prove the source of all sales to school feeding procurement should rest with the seller (producer organisation, Trader or Board) and be verified by the procuring entity through spot checking

farmer organizations and sells it to the Ghana School Feeding Programme. Until now they have not kept records that indicate that their product is sourced from smallholder farmers. Public boards would represent a guaranteed market and price for those farmers' products, enabling them to benefit as suppliers. For instance, according to the existing regulations in Ghana, the guaranteed price paid to producers, which should be at least the local market price, is determined by NAFCO.

Traders: In practice, traders are the main competitors of smallholder farmers and producer organisations for direct selling to school feeding programmes. However, they also play a very important role in supporting unorganised and dispersed farmers, and also for producer organisations that aspire to sell to more distant markets, including school feeding markets in other regions of the country. As indicated above, procurement rules can to some extent promote and direct relationships between the traders and the farmers to ensure smallholder farmers are more visible actors and receive fair treatment from traders.

Both intermediaries should be required to prove the traceability of food back to a smallholder farmer origin.¹⁵ Accurate reporting is an essential element to demonstrate the success of HGSF objectives. It is also an essential requirement if HGSF procurement strategies include 'set asides' or 'premiums' for indirect smallholder farmer purchases. The requirement to prove the source of all sales to school feeding procurement should rest with the seller (producer organisation, Trader or Board) and be verified by the procuring entity through spot checking.

Procurement planning

Procurement planning is an essential requirement for sound procurement and especially for transparency. Inclusive procurement planning involves additional aspects to guarantee that horizontal policies are implemented in an effective and transparent way. A clear procurement plan should be a condition for the release of public budget funds to the procuring entity.

Such planning requires research, especially of supply market conditions. Ideally, the procurement strategies should be discussed with the supply community. These plans should detail:

- (i) Specification and quantity of purchases;
- (ii) Method of procurement, including the procedures and tools discussed earlier in this document relating to administrative adjustments and focussed procurement;
- (iii) Timing for the purchases—complete procurement cycle (bidding to delivery);
- (iv) Risk factors and risk management strategies developed.

15. The SNV project is implementing interventions related to the mobile collection of data about the sourcing by NAFCO and especially improved record keeping by producer organisations, caterers, procuring entities and the traders themselves. The goal is to support the need for those intermediaries to prove traceability of the food they sell to school feeding programmes.



A key factor of a procurement plan is the development of the specific targets for purchases to be made from smallholder farmers. These should be arrived at by considering any top down targets (e.g. 50% in Mali, 80% in Ghana) and the results of any focussed procurement initiatives, as outlined earlier. The targets should be ambitious but achievable and help motivate the procuring entities to be innovative with their approach yet consistent with procurement and other protocols. The procuring entities would be monitored against these agreed upon goals and, where considered appropriate, rewarded, for example, with extra budget funds allocated¹⁶ when goals are met.

A key factor of a procurement plan is the development of the specific targets for purchases to be made from smallholder farmers

The procurement plans should be published to provide the supply communities with advance notice to enable them to prepare for the tender cycle and other responsibilities.

16. The SNV PG-HGSF project introduces the social audit as an additional approach to regular internal (financial) audits, where the entity provides information about the extent to which the social goals are met, including sourcing from smallholder famers. This information is discussed with stakeholders and civil society organisations in general to determine actions for improvement by all stakeholders.



Conclusion

What is the best way to deal with the inherent tension in public procurement processes between transparency requirements and the targeting of specific suppliers or types of products and services in order to achieve specific policy/development goals—including stimulating employment creation and income generation among vulnerable groups?

Inclusive, or sustainable, procurement has over the years gained broad recognition with specific procedures and tools developed. In the framework of horizontal policies, this approach is accepted in most countries. At the same time, its implementation is far from widespread, especially in developing countries. This paper challenges procuring entities of HGSF programmes at all levels to enter with greater vigour into the inclusive procurement realm, while offering a broad range of opportunities to do so with transparency.

The primary purpose for writing this paper was to inform the following question of the PG-HGSF project: *What is the best way to deal with the inherent tension in public procurement processes between transparency requirements and the targeting of specific suppliers or types of products and services in order to achieve specific policy/development goals—including stimulating employment creation and income generation among vulnerable groups?*

Throughout the document, several examples have been provided to show that such tension can be mitigated by being transparent and fair in the application of the existing regulations for public procurement. Rather than explicitly targeting vulnerable groups, in this case smallholder farmers, the focus is on administrative adjustments of regulations and their implementation, taking into account the reality of those groups who are traditionally not considered potential suppli-

ers. A good application of those adjustments could, in fact, even improve competition in our view, as new bidders are attracted. The result could be more value for money when using public funds for purchases.

Rather than explicitly targeting vulnerable groups, in this case smallholder farmers, the focus is on administrative adjustments of regulations and their implementation, taking into account the reality of those groups who are traditionally not considered potential suppliers.

In much the same way, focussed procurement, an established and transparent practice, enables specific targeting that gives preferences to smallholder farmers and their organisations.

A third way, the strengthening of the capacity of smallholder farmers and producer organisations to participate in tenders through the use of development grants and other initiatives under trade or sector policies, is not fully developed in this document. These efforts should be seen as independent of the procurement process, but by no means disregarded as important input for effective par-



ticipation. On the contrary, capacity building is indispensable not only for participation in the procurement process but also for compliance with any awarded contract.

Planning moves procurement from reactive to strategic and gives procuring entities a strong tool to assess the local situation

A final word on the importance of procurement planning. Planning moves procurement from reactive to strategic and gives procuring entities a strong tool to assess the local situation and the targets of inclusion that already exist or should be defined. Inclusive procurement requires that the procuring entities are supported and strengthened to plan, adapt and implement tools, and evaluate the implementation together with other stakeholders and civil society representatives. Procuring entities have an important role to play in stimulating economic development and ensuring the inclusion of vulnerable groups such as smallholder farmers. But they need to have the right tools and strategies at their disposal to play their part in a transparent way.





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