



Making the case for Institutional Demand: Supporting smallholders through procurement and food assistance programmes

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ABSTRACT

This paper focuses on the rationale for supporting market interventions for smallholders through what we call Institutional Demand. Institutional Demand consists of different interventions that target procurement from smallholder farmers and distribute their surplus to vulnerable populations. This policy intervention links the goals of both agricultural development and social protection through three key areas: price stabilization; income generation and; food security. We argue that Institutional Demand should be a key policy intervention as it can directly address both rural poverty and malnutrition. It does this by linking the productive capacity of smallholder farmers with populations living in situations of food insecurity. Impact evaluations and assessments of Institutional Demand programmes are limited in scope and depth. Therefore, while this paper outlines much of the evidence thus far, the primary purpose of this paper is to push forward a new research agenda that looks at the ways in which Institutional Demand can promote policy synergies between the goals of social protection and agricultural development. The issues outlined in this paper present fruitful areas for more qualitative and quantitative assessments of Institutional Demand programmes.

1. Introduction

Recent literature has shown that there can be potential synergies between social protection and smallholder agriculture development (Tirivayi et al., 2013; Sabates-Wheeler et al., 2009; Devereux and Sabates-Wheeler, 2004). For example, in the case of Mexico, Conditional Cash Transfers (CCTs), agricultural credit, public works employment schemes and crop subsidies have been shown to have income multipliers and promote investments in agricultural production (Sadoulet et al., 2001; Davis et al., 2002; Todd et al., 2010). While there is evidence that these policies play a crucial role in reducing vulnerability and strengthening rural livelihoods, the role of Institutional Demand initiatives in promoting such synergies has not been thoroughly explored. We define Institutional Demand as a set of initiatives that stimulate long-term demand through the procurement of smallholder production for distribution to vulnerable populations through food assistance programmes. The explicit focus on state ownership over the design and implementation of procurement policies is where institutional demand differs from the broader concept of “structured demand” and local and regional procurement (LRP) that often includes foreign aid based programmes (Soares et al., 2013; Coles, 2013). We argue that Institutional Demand should be a key policy intervention as it can directly address both rural poverty and malnutrition by linking

the productive capacity of smallholder farmers with populations living in situations of food insecurity.

Many developing countries are currently implementing institutional food procurement initiatives such as national food reserves, local and regional food distribution and Home Grown School Feeding programmes (HGSF). These programmes constitute Institutional Demand and have the dual objective of both strengthening smallholder agriculture and promoting food security among vulnerable populations. However, quality evidence and evaluations on the impact of these various Institutional Demand programmes is still limited. In this paper, we aim to push forward a new research agenda that looks at how Institutional Demand can help produce linkages between the goals of social protection and agricultural development. The issues outlined in this paper present fruitful areas for more qualitative and quantitative assessments of Institutional Demand programmes.

We start by making a rationale organized around three key areas where we see the most promise and highest impact: income generation; price stabilization and food security. Following the rationale, we then outline some of the key issues associated with the design and implementation of Institutional Demand programmes illuminated with some examples. The idea here is to present some preliminary obstacles and effects together with different ways these problems have been dealt with in a few examples. The paper ends by summarizing the most

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promising synergies between Institutional Demand and social protection as well as some concluding thoughts on the importance of further research.

2. The rationale for Institutional Demand

Institutional Demand promotes pathways to poverty alleviation and malnutrition by combining agricultural development with social protection goals (Tirivayi et al., 2013). The agricultural component focuses on outputs that result in greater market access, increased profits, price supports and productive investments. There is also a social protection component under the definition that the programmes “provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of the marginalized; with the overall objective of reducing the economic and social vulnerability of poor, vulnerable and marginalized groups” (Devereux and Sabates-Wheeler, 2004: 9; see also FAO, 2015).

The current development literature has pointed to various synergies between social protection and agricultural development (Sabates-Wheeler et al., 2009; Tirivayi et al., 2013). There is a growing evidence base that challenges the view of agricultural and social protection policies operating in different spheres with distinct goals. A number of strategies, such as Institutional Demand, are trying to achieve both objectives through integrated instruments that support smallholder farmers and connect their productive capacity with populations living in conditions of food insecurity. This relationship between social protection and agriculture is strongest when policies aim to address the multiple risks and vulnerabilities that smallholders face in agriculture protecting and promoting livelihoods (Devereux et al., 2008; Tirivayi et al., 2013). However, there has been insufficient attention on the ability of food procurement policies to serve as an innovative strategy to promote synergies between social protection objectives and agricultural development.

There is no one accepted and encompassing definition of a “smallholder” farmer or family farm. In the most general sense, smallholders are characterized by limited access to resources (financial, material, technological, human capital, infrastructural). For the purposes of this paper, we understand that there is a wide array of producers who could be described as “smallholders”, “family farmers” or “peasants” depending on your political or analytical aims. Because of this diversity and different context of what constitutes a smallholder, we are fairly broadly focused on producers that primarily rely on household labour, have relatively limited land holdings and an income primarily derived from the land. Nevertheless, the case studies and evidence that appears in this paper will attempt to highlight and use the various definitions of smallholders based on their own policy context. A focus on smallholder producers is crucial given the problems of elite capture and rent seeking associated with the non-targeted procurement schemes such as the Public Distribution System (PDS) in India (Khera, 2011).

We understand that rural populations, and specifically smallholders, face numerous development challenges and barriers in private markets (Humphrey and Navas-Alemán, 2010). In many areas of the developing world, a history of underdevelopment and inequality has resulted in uncompetitive markets and numerous social, economic and infrastructural barriers for small farmers. In areas where there is an overwhelming presence of private investors, they tend to favour economies of scale and export commodity production via international supply chains (Dorward et al., 2004; Poulton et al., 2006). These market channels often exclude or take advantage of smallholder surpluses through monopolistic intermediaries that reduce the bargaining power of producers (Key et al., 2000) and the ability to remain on the land (Wolford et al., 2013). Thus, while increasing productivity is central to increasing rural incomes, marketing channels also need to be adapted in order to promote the inclusion of smallholder farmers. Institutional Demand is an approach that harnesses the power of the

state to support certain sectors in order to achieve specific social and economic benefits in the long-term (Tendler and Amorin, 1996; McCrudden, 2004; Bolton 2008; see also Timmer, 1989).

Institutional Demand can promote synergies between social protection and smallholder agriculture in 3 key areas: (1) *Income generation* by creating favourable markets for producers and offering a reliable source of income; (2) *Price stability* through the establishment of a price benchmark that facilitates more access to information for negotiation and; (3) *Food security* is enhanced both directly through the procurement of food for local disbursement to vulnerable populations and increased demand for agricultural goods that incentivize production for local to regional markets.

All of these aspects have a certain appeal and seemingly apparent optimism. These aspects should not be considered a panacea to guarantee effective operationalization of an Institutional Demand policy or a silver bullet to rural development. Rather, for illustrative purposes, we see Institutional Demand policies as centring on these three aspects that overlap with goals of social protection by reducing the economic, social and nutritional vulnerability of marginalized populations.

2.1. Income generation

Smallholder agriculture is a key source of income and food security for the rural poor in most of the developing world (Gollin, 2014). Nonetheless, agriculture remains predominately a low return and high-risk activity for small producers. In order to generate increases in productivity, smallholders must have access to resources such as capital, land and assets; however most rural households do not earn enough income to save and invest. In addition, the high costs of obtaining information on prices, producer organizations, product characteristics and market actors means that productive investments can be risky, and longer-term income gains are often not realized.

There is ample data on the variable challenges facing smallholders and their responses. Morduch (1995) found evidence that agricultural households most vulnerable to income shocks focus on more conservative and less profitable activities such as choosing less risky but lower yielding crop varieties and reducing investments in inputs. Dorward et al. (1998) used a case study on cotton growers in Tanzania to show how high information costs led to significant underinvestment in production. Additionally, Dercon and Krishnan (1996) demonstrated that the investment requirements to enter more lucrative agricultural activities pose significant structural barriers to the poor.

In the event of an income shock, smallholders may make choices to maintain their income despite significant costs to their longer-term wellbeing. Farmers with limited resources often sell productive assets such as equipment, machinery, livestock and land, which affect their future productive capacity. Further, when an economy-wide shock occurs and many producers decide to sell their assets, lower prices reduce the potential income generated from this strategy (Dercon, 2002). This can also have a negative effect on household welfare. During periods of crisis poor households often cut their expenditures on health and education significantly (Chaudhuri et al., 2002). Under income shortfalls consumption is reduced and the burden may fall disproportionately on the most vulnerable groups such as women and children (Singh et al., 2012).

Institutional Demand policies help to address income insecurity by ensuring a consistent level of demand that is predictable over time. Regular payments on production allows for predictable income and even the potential to accumulate capital in a bank account. Access to a guaranteed market and secure source of income also reduces risk and uncertainty related to production and marketing encouraging productive investment (Coles, 2013). Productivity gains lead to greater market integration producing a long-term positive impact on rural livelihoods. In Brazil, the Food Acquisition Program (PAA) has increased the viability of local food systems and increased producers' incomes three

times that of non-participants (Sparovek et al., 2007). Additionally, impact assessments of the WFP's P4P in El Salvador, Tanzania and Ethiopia showed increases in household average incomes, food consumption and productive assets (WFP, 2015).

2.2. Price stabilization

Blein and Longo (2009) have demonstrated that countries that are dependent on food imports have experienced higher transmission of international commodity prices and are more vulnerable to global food crises such as the doubling of the food price index in 2007–2008 (UN, 2011). Bolstering national and regional agricultural markets can help insulate import-dependent countries during the current era of global food price volatility. Domestic markets can also play an important role in price volatility for smallholders. Several factors play a role in price instability for smallholders such as weak value chains, monopolistic intermediaries, information asymmetries and regional segmentation and adverse weather. Consequently, smallholders often find themselves increasingly at the whim of seasonal and regional price fluctuations with limited information on how, when or why these price trends occur (Bronkhorst, 2011; Onumah et al., 2007).

Smaller farmers are particularly vulnerable to volatile prices for both the selling of their surplus and consumption of food in the market to compensate for production shortfalls. Many rural households in the developing world are net food buyers and soaring food prices mean that a larger proportion of their income is dedicated to purchasing food (Reardon et al., 2008). An estimate by FAO indicates that 75 million people were thrown below the hunger threshold after the 2007–08 food crisis (FAO, 2008). High prices for surplus producers discourage investments in higher value crops while low prices immediately after harvest reduce household net incomes (Poulton et al., 2006).

Price volatility also has a significant adverse effect on smallholders by lowering their incomes, reducing incentives to make farm investments and diversify production limiting market integration (Key et al., 2000). Institutional Demand can help to bolster domestic markets by combining a minimum price guarantee with production support strategies that allow intensification in response to price signals (Poulton et al., 2006; Slater et al., 2013). Productivity gains can increase the supply of staple crops lowering consumer prices. The establishment of a price benchmark helps to provide more information to smallholders allowing more room for negotiation and less of a reliance on seasonal price volatility (Wittman and Blesh, 2015). In addition, new profitable marketing channels introduce more competition into local and regional markets helping to stabilize domestic markets.

Some studies have indicated that large food procurement policies can generate price increases in markets with high inelasticity (i.e. low surplus to demand) at the regional level (Zavale et al., 2015). Targeted procurement towards smallholder farmers and vulnerable households can potentially minimize any adverse impacts on local food prices by not changing existing supply chains. The size of purchases and prices can be publicized in advance allowing traders and retailers to plan their operations in regional and local markets. The limited size of the procurement reduces fiscal costs making Institutional Demand programmes sustainable in the long term. Clearly defined procurement rules that regulate the extent of government intervention increase predictability and transparency. This strategy was successfully implemented in Indonesia by the Food Logistics Agency (BULOG) from the 1960s until the financial crises in the 1990s (Timmer, 2008). BULOG limited its purchases to less than 10% of the rice market in the country (Ellis, 1993). The margins provided by the floor price and retail price remained profitable for traders preventing crowding out of the private sector as well as ensuring that domestic prices did not drift to far from world prices (Timmer, 1997). In short, effectively targeted public procurement programmes can be an effective strategy for stabilizing prices and increasing the bargaining power of smallholder producers in

economies of scale.

2.3. Food Security

Food security remains a prominent concern in the international development agenda and a constant concern to for social protection policies. Institutional Demand programmes operate by distributing procured food through social protection networks that typically include: community kitchens, food banks, schools, homeless shelters, hospitals and subsidized food markets. Many of these networks were set up to compensate for food availability, access or price increases. High food prices or price shocks limit the purchasing power to buy food, which becomes especially critical for households where food comprises a significant portion of total household expenditures (Sabates-Wheeler and Devereux, 2008). In order to cope, vulnerable households reduce their food consumption and invest less on human capital such as health and education. Food price hikes also exacerbate micronutrient deficiencies undermining children's physical and cognitive development (World Bank, 2012; Meerman and Aphane, 2012; Lustig, 2012). While not the only modality of Institutional Demand, HGSF programmes demonstrate the ability to target specific communities (children) that can target the most marginalized groups. Evidence has shown that this targeting has helped to close the gender gap in school attendance while also providing some relief to households or communities facing food insecurity (Gelli et al., 2007). Thus, Institutional Demand programmes can target communities facing a common issue where “low farm productivity, poor agricultural market development and poor educational and nutritional outcomes are mutually reinforcing and they jointly determine key aspects of rural hunger and poverty” (Slater et al., 2013).

HGSF programmes, and other coordinated efforts such as bread (*boulangerie*) unions contracting with farmers for purchase of local grains in Senegal provide a predictable outlet for local or regional producers (Sow, 2014). Institutional Demand programmes have also shown to increase the nutritional content and diversity of foods (Adelman et al., 2008; Sumberg and Sabates-Wheeler, 2010; Wittman and Blesh, 2015) that fit with local taste preferences and cooking methods (Upton et al., 2012; Violette et al., 2013). When properly designed and implemented, distribution mechanisms can strengthen the connection between local production methods and capacity with local dietary needs.

More broadly speaking, Institutional Demand can have an impact on 4 dimensions of food security: *Availability* – which refers to a country's ability meet its own demand for food; *access* – concerned with a household's capacity to buy or produce enough food to meet its own needs; *utilization* – which is related to relative intake of nutritious food; and *shocks* – meaning the provision of food during crisis and emergencies (Coles, 2013), such as reconstituting markets following conflict (IRIN 2013; WFP, 2012a, 2012b).

1. Availability – Institutional Demand expands marketing channels and demand for smallholder production that incentivizes production for the market and coordinates local and regional food markets expanding supply
2. Access – Institutional Demand uses food to advance social objectives through programmes that distribute food to vulnerable groups
3. Utilization – food assistance programmes can procure non traditional crops that have high nutritional value such as legumes, fresh vegetables and fruits contributing to nutritional diversity
4. Shocks – productivity growth stimulated by Institutional Demand strengthens local food systems enhancing their resiliency. In the event of shocks, Institutional Demand provides an important safety net by enabling households to purchase food through income effects and through food assistance programmes targeting the poor.

These important factors must be considered relative to impacted

communities, which include food recipients and food producers. During high harvest times, and especially with foraging and gathering, food procurement can help offset food waste. [Nehring and McKay \(2013\)](#) found that Institutional Demand via Brazil's PAA was able to purchase otherwise wasted fruit in regions with excess ripened fruit and is overabundant. Gatherers, who are typically women, were able to gain an income from previously perished fruits by processing the fruit into pulp and selling it through procurement. The PAA then distributed the pulp throughout the region to schools and food banks in areas with fewer fruit trees. This is one important redistributionist mechanism that Institutional Demand can offer for supporting regional food security ([Table 1](#)).

3. Key issues for institutional demand

The intent of Institutional Demand is to bridge gaps in economic and political shortcomings toward more effective, reliable agricultural market access points for smallholders and food insecure populations. Nevertheless, these interventions pose potential challenges for implementation and the achievement of long-term goals addressed above. There are several different ways to design and manage Institutional Demand programmes, which are specific to national, regional and local contexts. Here we address these potential challenges and weigh them with currently available evidence. We focus specifically on the role of farmer organizations and traders, the trade-offs with different modalities and different production support strategies.

3.1. The role of farmer organizations and traders

Farmer organizations are key to the implementation and continued success of Institutional Demand programmes. They provide both scale and an institutional platform for procurement. This platform has shown to facilitate initial procurement as well as efforts in scaling-up for the longer-term ([Nehring and McKay, 2013](#)). Effective farmer organizations also reduce the reliance on local intermediaries or traders that leverage market asymmetries due in large part to the inherent remoteness and weak value chains of smallholder farming in much of the developing world. However, traders and intermediaries can also still play a role when it's beneficiary. Some cases of Institutional Demand can also increase the efficiency of intermediaries by ensuring stable prices and expanding their market share by expanding cooperative production and marketing. The end goal is to ensure (or even create) better functioning links along the value chain ([Humphrey and Navas-Alemán, 2010: 22](#)). Still, limited access to market information further underpins the ability of smallholders to negotiate a favourable price. An intermediary can leverage purchasing power over smallholders because they rely heavily on transactions with a high number of smallholders. For intermediaries, excluding a single producer who does not agree to their price has little effect on the intermediaries' bottom line. From the side of the farmer, however, the economic strain poverty causes may limit an individual farmer's ability to holdout for a better price. The inhibitory cost and smallholders' limited means to transport their harvest to regional markets to receive a better price leaves them with little option but to sell to traders ([Barrett, 2008](#)).

In Uganda, intermediaries expose market asymmetries by acting on early knowledge of regional food shortages or other causes of impending price increases ([Hill et al., 2011](#)). Knowing when food and grain prices are poised to rise, intermediaries can improve their profits during instances of shifting local and regional market prices. Farmer organizations can reduce gaps in market knowledge through coordinated sharing networks of a farmer organization within a community and in nearby communities. Moreover, farmer organizations that collect member harvests for bulk sale are better able to negotiate a price than individual farmers.

When food shortages arise, food insecure communities dispropor-

tionately suffer from traders exploiting regional scarcity and market volatility ([Onumah et al., 2007; Hill et al., 2011](#)). Along similar lines, farmers often rely on "distress sales" in which food crops are sold to traders immediately after harvest when prices are lowest ([Bronkhorst, 2011](#)). This is done for multiple reasons that are largely outside of the control of producers. The first is that many smallholders must borrow money in the months leading up the harvest to cover costs. Local traders often lend money in absence of formal or alternative banking services and can thus leverage the immediate need of smallholders for a share of the future harvest. Other farmers also sell most of their surplus immediately after the harvest because of low funds and to take advantage of the presence of traders. Knowledge about assured payment, and in some cases local saving programmes, help to reduce "distress sales" ([FAO, 2013: 40](#)).

Even in years of excellent production, a strong reliance on traders can also hurt smallholders without sufficient organization and coordination within the market. When markets become saturated, traders may refuse to purchase from smallholders due to small and risky profit margins. With many smallholders lacking adequate and proper means to transport or store their harvest, the investment in that year's harvest risks spoiling. Traders can benefit from farmers' marginalized position within the market and their lack of infrastructure. While farmer organization is often times desirable for efficiency matters, problems such quality control and exposing intra-community divisions remain a concern for Institutional Demand. Further, while intermediaries remain key to the marketability of smallholder production, there exist several asymmetries in market size, information and prices.

3.2. Trade offs between different procurement models

The benefits of Institutional Demand to smallholders are highly dependent on the procurement model used by governments. Very decentralized approaches where food is procured at the community level using schools or civil society organizations (such as farmer organizations or local NGOs) facilitates possible spillovers into the local economy and reduce transportation and storage costs. But, how that is done can depend on how the food is being procured. Buying food directly from farmer organizations and cooperatives can generate a number of benefits to smallholders. One the one hand, farmer organizations can aggregate smallholder production by fostering the efficiency along the supply chain. But, on the other hand, direct purchases can guarantee that a larger portion of the income will revert to smallholders. While farmer organizations can be key to implementing procurement models, they need to be transparent, inclusive and allow for scaling-up.

Procurement from farmer organizations can be riskier and costlier than procuring from private traders or corporate intermediaries. It may be difficult to ensure a constant supply of food to schools, as small producers are more vulnerable to sudden shocks such as floods, droughts and other natural disasters. Splitting tenders into smaller bids leads to supply fragmentation, which entails processing numerous

Table 1

Summary of Institutional Demand Benefits for Smallholders.

Source: Summarized for the purposes of the authors from [Sumberg and Sabates-Wheeler \(2010\)](#)

Direct benefits	Indirect benefits
<ul style="list-style-type: none"> ● Increased demand for food crops ● New marketing channels for producers ● Reduction in risk and income uncertainty ● Higher productivity ● Increases in wages and incomes ● Incentivizes producer organization ● Food redistribution 	<ul style="list-style-type: none"> ● Increased demand for non food goods and services ● Lower food prices ● Local economic growth ● Social capital formation ● Reduced on and off-farm waste

bids, assessing and monitoring the quality of several different lots and organizing transportation. Costs can also be associated with providing training programmes to cooperatives and higher default rates among farmer groups, as they are more vulnerable to risks. However, these costs can decline with appropriate investments in capacity building strategies and institutional support targeted at smallholder organizations, echoing the necessity of complementary rural development programmes such as extension, credit and political representation.

Purchases from suppliers or traders can ensure a more reliable supply of food as intermediaries have more capacity to aggregate production and overcome supply shortages. This is especially important in food insecure areas. Regular purchases can increase demand for smallholder production in local markets providing a regular source of income for smallholders. However this depends on the ability of traders and suppliers to integrate smallholders in the supply chain. The monopolization or introduction of intermediaries can also mean that farmers receive a smaller share of the income from the sales to Institutional Demand programmes. Evidence from the HGSF program in Ghana indicates that challenges in linking farmers and caterers have reduced the participation of smallholders in the program (De Carvalho et al., 2011). While we understand there is a role for both traders and farmer organizations in Institutional Demand, the ways in which procurement is done is dependent on the context, scale and goals in mind.

Food procurement done through government agencies at the regional or national level have more objective authority over the food quality and quantity since they typically use codified purchasing processes consistent across regions and are more likely to have received more substantive quality assurance training (Espejo et al., 2009). The larger scale of the demand is more likely to stimulate production and generate backwards and forwards linkages. However, there needs to be an adequate balance in the amount and type of regulations around purchases as they can encourage or hamper smallholder participation (Sumberg and Sabates-Wheeler, 2010). Bureaucratic systems and burdensome requirements make it difficult for smallholders to participate without effective targeting. These requirements lead to payment delays in Brazil's PAA limiting the long-term participation and income of smallholders (Nehring and McKay, 2013; Chmielewska and Souza, 2010). Effective and timely purchase mechanisms are necessary for widespread participation and to fulfil the goals of income generation and food security.

3.3. Production support strategies

The potential gains for small-scale producers are only realized if farmers are able to meet demands by achieving higher yields, which in turn require agricultural production support strategies (Birner and Resnick, 2010; World Bank, 2007). Policies to improve productivity and post harvest practices are crucial for the long-term success of Institutional Demand. Risk management schemes that protect farmers against the adverse effects of climate change are also key in guarantying a reliable supply of food (Vermeulen et al., 2012). In addition, investments in infrastructure and utilities such as roads, electricity, water and sanitation and Information and Communication Technologies (ICTs) are also crucial to achieve agricultural growth in

the long-term (IFAD, 2011). The ability of farmers (and especially women) to participate in Institutional Demand programmes also depends on the strength of farmers associations and cooperatives; thus technical support and training to improve management skills are another important element of supply-side measures (Penunia, 2012; Hellin et al., 2009). Targeting mechanisms can also aim to include farmer organizations that are transparent and include the most vulnerable producers, if possible. This has been one of the challenges in the case of Brazil's PAA even in the most recent effort to target procurement towards the most vulnerable producers (Soares et al., 2013).

Institutional Demand aims to coordinate producers and consumers with the long-term goal of establishing market linkages in local and regional settings. Increased demand of local and regional food will help to promote increased farmer productivity and less of a reliance on imported food or food aid. Further, the three components of institutional demand for development (income generation, price stabilization and food security) are all features of inclusive agricultural growth that promote smallholder development and fight hunger. While evidence thus far remains limited, we hope these areas demonstrated potentially fruitful areas for further evaluations to demonstrate the potential of Institutional Demand for effective social protection (Table 2).

4. Main lessons from institutional demand

Institutional Demand can play an important role in achieving goals of agricultural development and social protection. Targeted procurement and effective distribution helps support long-term livelihood improvements for both smallholders and food insecure groups. This paper intended to show how Institutional Demand can support these synergies through the three components: income generation, price stabilization and food security. While the evidence is limited, there does appear to be promising impacts that could be further explored with long-term qualitative and quantitative evaluations in different contexts.

However, the ability of Institutional Demand to produce positive agricultural development and social protection benefits also depends on several factors and are context specific. Differences in producers, problems and institutional capacities reinforce the responsibility of local and national governments in designing and implementing Institutional Demand programmes. Decentralized procurement models create a sense of community ownership and allow responsiveness at the local level and even the Right to Food at the national level (De Schutter, 2014). Geographical proximity also facilitates the linkage between smallholders and procurement processes as well as possible spillovers into the local economy. However, in order for Institutional Demand to have an impact on price stability it must have a degree of market power. This is directly related to the scale of the demand, which is more closely associated with centralized models of procurement. There are few key elements of the procurement system that must be considered when designing Institutional Demand policies:

1. *Objectives:* Institutional Demand aims at advancing social protections goals and rural development. It is important to identify synergies and trade-offs as highlighted in the four components of

Table 2
Summary of issues for institutional demand programmes.

Farmer Organizations and traders	1. Elite capture / Exclusion of particular groups 2. Minimize role of monopolistic intermediaries
Procurement models	3. Increase pricing information for better bargaining and reduced volatility 1. Decentralization can limit costs and have potential local spill over effects 2. Farmer organizations can be effective procurement platforms but may be limited in their capacity 3. Direct procurement could maximize farmer income if farmer organizations are not suitable
Production support	1. Investments in credit, extension and infrastructure are necessary for production increases 2. Programmes need to be long-term to ensure predictable and constant demand

Box 1. The Case of Purchasing from Africans for Africa (PAA-Africa)

The Brazil-Africa Dialogue on Food Security, Fight against Hunger and Rural Development in Brasilia more than two years ago brought together more than 40 African ministers to share experiences in fighting hunger and supporting rural development interventions for smallholders. Brazil's Food Acquisition Program (PAA) was a policy that stood out as being a particularly innovative component of Brazil's experience in reducing poverty and hunger while also promoting state capacity and ownership over rural development. As a result of that dialogue, ten countries initiated a pilot project with a three-year timeframe. Ultimately, five countries were selected (Mozambique, Niger, Senegal, Ethiopia and Malawi) under the direction of Brazil's humanitarian wing of the Foreign Ministry (CG-Fome), with support from the FAO and the WFP. Each country's program is funded by the Brazilian government and implemented by both the FAO and WFP (US\$500,000 per country).

The PAA-Africa has an emphasis on state capacity and eventual management over the program as well as an element of social participation in the second phase of the policy. Each country has a slightly different mechanism for design and implementation but the FAO is responsible for selecting communities that are marginalized and willing to participate. The WFP helps coordinate logistics and to maintain a relationship with the producers, beneficiaries and coordinate future actions with the local government. The first pilot phase of the program is currently ending in all five countries with the second phase due to start at the end of 2013. There are already discussions with member countries about how to develop a five-year plan and transition the funding and management of the programmes to the national governments. This goal of national ownership is fundamental to the long-term security of the program.

institutional demand.

2. *Scale*: The scale of the demand will have different effects in the market and influence agro value chains from the local to the global.
3. *Modalities and farmer organizations*: Depending on context, there are different ways to target and reach the most vulnerable producers in need of support. Additionally, farmer organizations should be inclusive and transparent.
4. *Rules and regulations*: Tendering rules that establish bureaucratic systems may restrict the ability of smallholders to participate in procurement processes.
5. *Food quality management*: Food safety and quality standards are crucial however they can pose very strict regulations and burdensome registration systems which smallholders are unable to comply.

Following the 2007–2008 and 2011 food crises, governments are in need of new strategies to boost domestic agricultural production that complement social development goals. The support of domestic, smallholder agriculture is one crucial way to address both of those goals. Poverty is largely a rural phenomenon with over 70% of the world's poor being located in rural areas where a majority of the population relies on agricultural production for their livelihood (IFAD, 2011). There must also be a focus on the barriers facing smallholders' entry into the market such that private intermediaries are not monopolizing already underdeveloped rural markets. Institutional Demand programmes can be essential tools for governments to extend favourable markets to smallholders and establish a social protection networks that promote food security. The evidence and rationale presented in this paper is limited but hopefully opens new avenues for the investigation and evaluation of Institutional Demand programmes – from Home Grown School Feeding to communally managed procurement strategies. Longer-term, state-run programmes will have the dual-effect of ensuring continual benefits for producers and consumers as well as providing the opportunity to evaluate long-term effects. New evaluations and assessments could potentially address these barriers and propose additional modalities. Such studies could improve the outlook of Institutional Demand as an effective and innovative strategy for agricultural development and social protection. (Box 1).

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