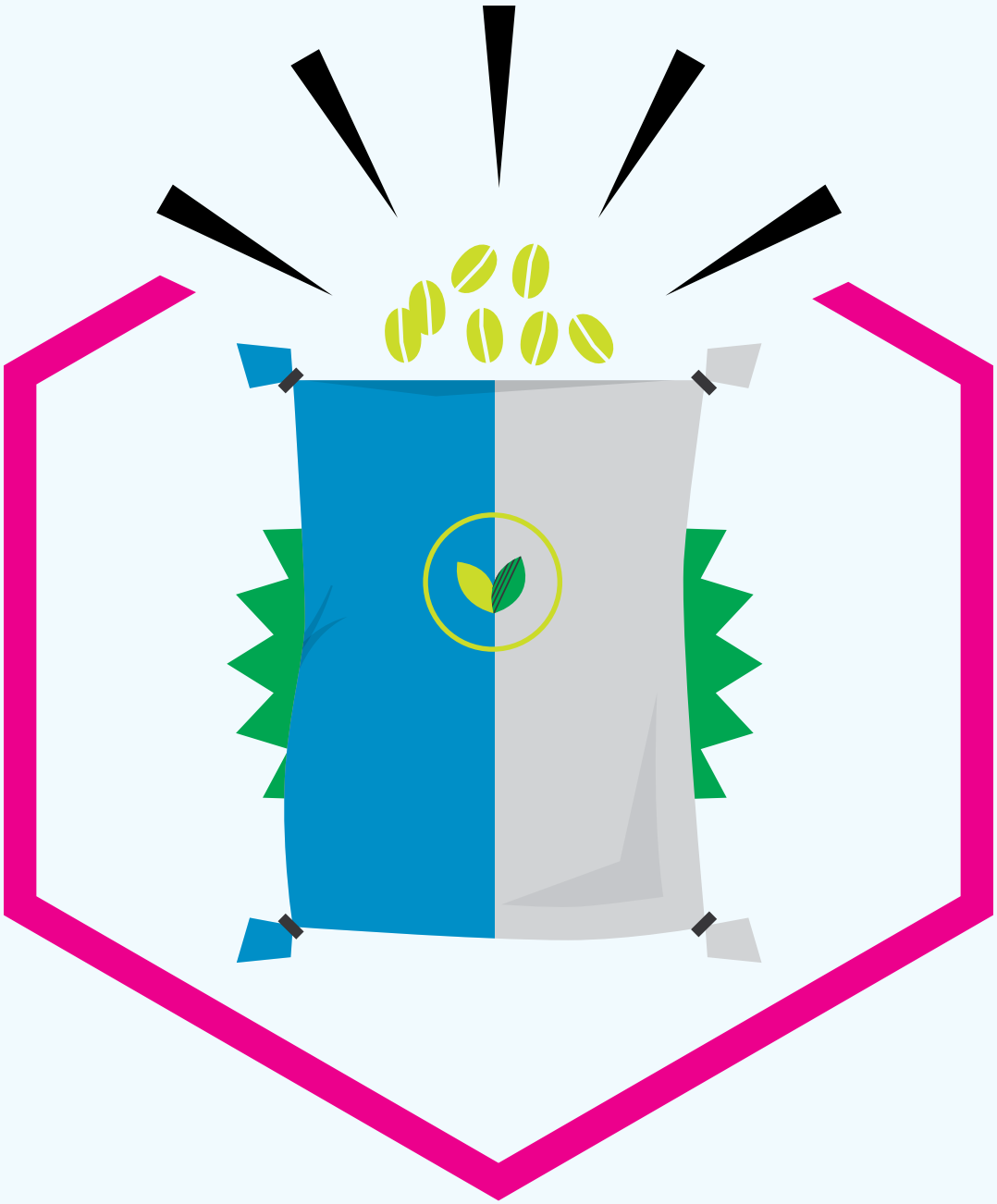

SNV

Structured Demand Markets and Smallholder Farmers:

Relevance and Access

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SNV

SNV is a not-for-profit international development organisation. Founded in the Netherlands 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 works with local partners to equip communities, businesses and organisations 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.

This report is based on research funded by the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.

Contents

Abbreviations

GHS	Ghanaian Cedi
GSFP	Ghana School Feeding Program
HGSF	Home Grown School Feeding
MOFA	Ministry of Food and Agriculture
MT	Metric Ton
NAFCO	National Food Buffer Stock Company
NCPB	National Cereals and Produce Board
NEPAD	New Partnership for Africa's Development
OPAM	Office des Produits Agricoles du Mali
P4P	Purchase for Progress

Abbreviations (Continued)

PG-HGSF	Procurement Governance for Home Grown School Feeding
PO	Producer Organisation
SD	Structured Demand
SFR	Strategic Food Reserve
SHF	Smallholder Farmer
SIE	Stock d'Intervention de l'Etat
SNS	Stock National de Sécurité
SME	Small-to-Medium Enterprise
WFP	World Food Programme

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Summary

Structured Demand (SD) markets are markets created by public or non-profit entities that have a predictable and reliable demand for food products. SD markets include school feeding, relief programs and strategic food reserves, hospitals, prisons and the military. The procuring entities are national and local governments, World Food Programme (WFP) and NGOs. Because these markets procure foodstuffs with public or non-profit funds, their funding decisions can and in some cases do move beyond selecting suppliers based on best value for money to serve other development objectives, such as supporting local agricultural production, food security, and rural economic growth. On the demand side, the procuring entity can offer a market and an additional source of income for smallholder farmers through inclusive public procurement processes. On the supply side, SD markets can inspire farmer organizations to increase their levels of production and organization in order to meet the demands of SD and other high-value markets.

"Because these markets procure foodstuffs with public or nonprofit funds, their funding decisions can…move beyond selecting suppliers based on best value for money…"

In order for SD markets to be positioned to support social development objectives, three conditions must be met:

1. The procurement process must facilitate equal opportunities for SHF to participate and procuring officers must be prepared for implementing the process in a transparent way.

2. Smallholder farmers must organize themselves in business-like organisations to create economies of scale and be competitive in SD markets among experienced suppliers.

3. The enabling environment must empower smallholder farmers, their organizations and other rural enterprises to invest in and change agriculture and processing activities.

The SNV Procurement Governance for Home Grown School Feeding (PG-HGSF) project, supported by the Bill & Melinda Gates Foundation, proposed and supported efforts to link smallholder farmer Producer Organizations (POs) to SD markets in Ghana, Kenya, and Mali, with a primary focus on each country's nationally-funded school feeding market. This document examines actual SD markets in the PG-HGSF project countries to determine which markets have the potential to serve as effective boosters of rural development and poverty reduction.

The document presents an analysis of local SD markets in six counties in Kenya to demonstrate the relevance of these markets for smallholder farmers as well as the procurement mechanisms in place that support, or could be adapted to support, smallholder farmer inclusion. We discuss primary and secondary schools, post-secondary institutions, hospitals, and prisons – which procure an average of US $2 million per year per county – and represent an attractive and local market for farmers. Since all markets are guided by the Procurement and Disposal Act 2005, they have the potential to facilitate access for SHF and POs; however, further adjustment of the Act is necessary to expand preferential categories, such as Small and Medium Enterprises and women, to apply to smallholder farmers and POs as well.

The document also presents an analysis of strategic food reserves in the three project countries: the National Food Buffer Stock Company (NAFCO) and grain banks in Ghana; the National Cereals and Produce Board Strategic Grain Reserve in Kenya; and the Office des Produits Agricoles du Mali (OPAM) and cereal banks in Mali. The document demonstrates that the volume of goods demanded by these reserves, and market size they represent, can be attractive markets for smallholder farmers. Grain banks in Ghana and OPAM in Mali are in the best position to purchase from smallholder suppliers. However, the infrastructure to link smallholder farmers to strategic food reserves is just emerging. While most reserves refer to smallholder farmers in their objectives, weak management, limited financial and logistic capacity, and lack of systems to monitor direct sourcing from smallholders all inhibit significant links with smallholder farmers.

The document concludes with recommendations to support smallholder farmer linkages with SD markets, starting with reflections on the project's collaboration with four strategic food reserves: National Food Buffer Company and community grain banks in Ghana, and the Office des Produits Agricoles du Mali and Cereal Banks in Mali. Returning to the three conditions that SD markets must meet in order to fulfil their potential as boosters of rural development and poverty reduction, SNV makes recommendations for how governments and development partners can make these SD markers more inclusive to smallholder farmers. The document concludes with a summary of complementary interventions to facilitate smallholder farmer access to the SD market of school feeding, in particular, based on the experience of PG-HGSF. It is intended for this information to inform how governments and development practitioners can take steps toward using SD markets as part of their rural development and poverty reduction strategies.

Introduction

1

The Procurement Governance for Home Grown School Feeding (PG-HGSF) project was designed to test and boost the effectiveness of the agricultural mandate of Home Grown School Feeding (HGSF) programmes in Ghana, Kenya, and Mali: Do HGSF programmes, with their local and reliable public procurement needs, represent markets with the potential to improve the livelihoods of smallholder farmers? And what mechanisms can facilitate this?

HGSF refers to government-funded programmes with an agricultural mandate to include smallholder farmers in the production and provision of the programmes' foodstuffs. In addition to the nutrition and educational benefits that pupils receive through HGSF programmes, the programmes are designed to also support agricultural development in rural regions by formalising producer organisations into reliable suppliers and by creating opportunities for economic growth wherever the programmes operate, often in rural and disadvantaged communities. Access to markets can prompt the formalisation and professionalisation of farmer organisations, and motivate farmers to improve the quantity, quality, and reliability of their products. School feeding—a growing market in sub-Saharan Africa that purchases US$1.7 billion of food annually—could be an untapped market for smallholder farmers.

SNV used an integrated, participatory piloting approach to answer the above questions. The project worked on the supply side, enhancing supply-chain governance and equipping farmers and their organisations with the knowledge and skills required to bid on and fulfil school feeding orders. The team also worked on the demand side, improving the HGSF procurement process and strengthening the capacity of all actors to ensure the inclusion of smallholder farmers in school feeding opportunities.

Data on sales to school feeding markets answered the question by 2013: school feeding is an attractive market for smallholder farmers that can trigger some organisational improvements, yet HGSF alone does not represent a market with high potential to improve the livelihoods of many smallholder farmers, as the volumes required per procurement entity (schools or caterers) are relatively small for the quantity of products most producer organisations (POs) can provide. In addition, HGSF is not a sufficiently large market for POs to increase their profits, enable investment in storage, inputs, attract new members, and permit major organisational improvements, including hiring staff and expertise. However, when combined with other government-funded markets en masse, these new or overlooked market opportunities might be sufficiently large enough to elevate the POs/smallholder farmers to the next level.

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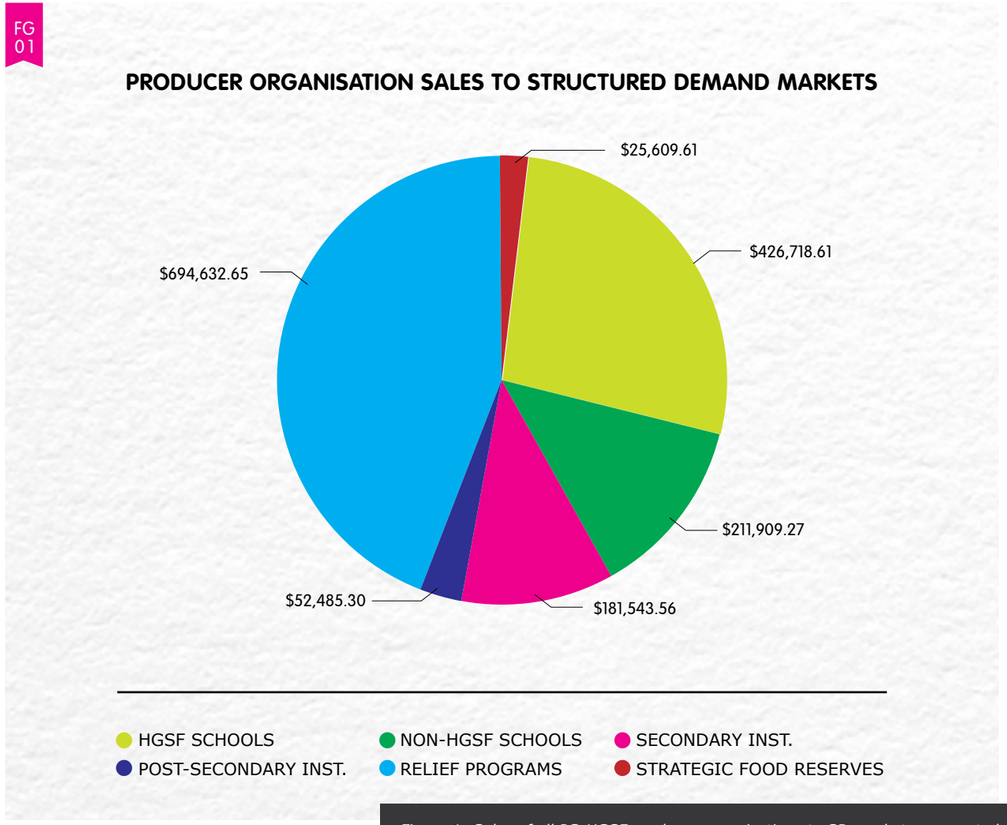

Figure 1: Sales of all PG-HGSF producer organisations to SD markets, supported and monitored by the PG-HGSF project. The high sales to relief programmes refer mainly to WFP procurement in Kenya.

Therefore, while maintaining a focus on HGSF, SNV started linking POs to other public and humanitarian procurement opportunities known collectively as Structured Demand (SD) markets. Farmer organisations working with PG-HGSF started selling to non-HGSF primary and secondary schools, colleges, cereal banks, grain banks, strategic food reserves, World Food Programme (WFP), and other relief programmes. Sales to these SD markets surpass sales to HGSF (see figure 1), prompting interest in gaining a better understanding of these markets, and their potential to be linked to SHFs.

It is important to clarify that the PG-HGSF project considers connecting smallholder farmers to public sector SD markets as including them in competitive public procurement processes, respecting the rules related to transparency, value for money, and required competition among potential suppliers.[1] The project promotes access and strengthens the producer organisations to participate in an open bidding process in a direct or indirect way. This is contrary to solutions that encourage direct contracting from farmer organisations by procuring entities.

Image Caption
WFP food distribution

Community members unload bags of sorghum in North Darfur, Sudan. Photo by Albert Gonzalez Farran, UNAMID.

Image available here: http://bit.ly/1SzpYYn

Table 1: Rough estimates of the potential of some structured demand markets

COUNTRY	SD MARKET	ESTIMATED VALUE (US$)	PRODUCTS	COVERAGE
KENYA				
	Home Grown School Meals program (HGSM)	19,430,017	Maize, beans	National, estimation based on number of pupils fed[A]
	WFP	19,990,000	--	National[B]
	Hospitals	1,879,005	Maize, beans	National, estimation based on 6 counties[C]
	Secondary schools	55,120,423	Maize, beans	National, estimation based on 6 counties[C]
	Prisons	4,204,041	Maize, beans	National, estimation based on 6 counties[C]
	Post-secondary institutions	5,528,759	Maize, beans	National, estimation based on 6 counties[C]
	Strategic Grain Reserves	64,000,000	Maize	National[D]
GHANA				
	Ghana School Feeding Program (GSFP)	47,174,400	Diverse	National, estimation based on number of pupils fed[B]
	National Food Buffer Company (NAFCO)	8,000,000	Maize, rice, soybean	National[D]
	Community grain banks	54,000	Maize, groundnut, beans	30 grain banks in northern Ghana[E]
MALI				
	School feeding program (ALISCO)	12,395,160	cereals, beans	National, estimation based on number of pupils fed[F]
	Community cereal banks	260,000	Sorghum, millet, maize, cowpeas, rice	National, 200 cereal banks[G]
	Office des Produits Agricoles Mali (OPAM)	37,700,000	millet, sorghum, rice	National[G]

Table 1 presents estimates of the potential of these different SD markets in Ghana, Kenya, Mali (the countries where the PG-HGSF project is implemented). Most data is roughly estimated as the available information is incomplete, but the idea is to illustrate the relevance of SD markets, especially for smallholder farmers acting at local markets.

This document contributes to an increased understanding of the relevance and accessibility of SD markets to smallholder farmers, with a focus on actual SD markets in the PG-HGSF project countries of Ghana, Kenya, and Mali. It starts with a brief explanation of the concept of SD markets and their link to agricultural development, and identifies three conditions for smallholder farmer inclusion. Chapter 3 elaborates on examples of several specific local SD markets in Kenya to show how relevant they might be. This chapter is based on the study "Report for the study and analysis of alternative structured demand markets for grains besides HGSF" by Capital Strategies (K) Ltd. Representative strategic food reserves as a main opportunity for SHF are explored in Chapter 3, drawing on the study "Opportunities for smallholder linkages to strategic food reserves" by Oxu Solutions. Chapter 5 contains initial experiences of the PG-HGSF project in working with some of the SD markets' alternative to the national school feeding programmes, and recommendations and ideas for establishing and improving the SHF and PO linkage with the different SD markets. The document ends with some final conclusions in Chapter 6.

TABLE 1 FOOTNOTES

(A) Calculation made in: Challenges and opportunities: Smallholders and school feeding. Initial baseline report. PG-HGSF. SNV, 2012.

(B) Food Procurement Annual Report 2013. World Food Programme, 2014.

(C) Calculation made by extrapolating data from six counties to the national level based on population figures. County data in: Report for the study and analysis of alternative structured demand markets for grains besides HGSF. Capital Strategies (K) Ltd, 2014, study prepared for the PG-HGSF project (see Chapter 4).

(D) Calculations made in: Opportunities for smallholder linkages to strategic food reserves. Oxu Solution, 2015, study prepared for the PG-HGSF project (see Chapter 3).

(E) Calculations made by extrapolating data from five grain banks to thirty grain banks established by Action Aid in northern Ghana. Grain banks data in: Opportunities for smallholder linkages to strategic food reserves. Oxu Solution, 2015, study prepared for the PG-HGSF project (see Chapter 3).

(F) Calculation made in: Challenges and opportunities: Smallholders and school feeding. Initial baseline report. PG-HGSF. SNV, 2012.

(G) Calculation made in: Opportunities for smallholder linkages to strategic food reserves. Oxu Solution, 2015, study prepared for the PG-HGSF project (see Chapter 3).

Structured Demand and Agricultural Development

2

In 2007, the Bill & Melinda Gates Foundation coined the term 'Structured Demand' (SD) to describe the potential effect of large-scale predictable demand generated through public or non-profit food procurement.[2] This market can evolve from school feeding programmes, relief programmes, strategic food reserves, hospitals, armies, etc. Institutional buying can offer a market—and hence income—for smallholder farmers through inclusive public procurement processes. SD markets have the potential to reduce rural poverty and can incentivise specific behaviour related to agricultural and rural development, such as:

- More investment by farmers in their production technology, when they have a guaranteed market.
- Adoption of new crops or varieties in accordance with specific demands from this market.
- Organisation of farmers, because only as a group can they fulfil the quantities and continuity required.[3]
- Local private sector, as traders, agrodealers and banks, will target the smallholder farmers and producer organisations, providing inputs for improved agriculture production and recognising the relevance of the smallholder farmer as economic actor.
- The public procurement with clear standards for products and contracting will make agricultural trade more transparent. As many governments have decentralised procurement mechanisms, the SD purchases will create different market incentives and dynamics in communities further away from the main markets.
- Institutional programmes may require processed food or meals, giving opportunity to new rural businesses and off-farm job creations, such as milling or other transformation, catering, etc.

The concept of linking agricultural goals to poverty-alleviating programmes, like school feeding, was championed under the New Partnership for Africa's Development (NEPAD) beginning in 2003 and adopted thereafter by several African countries. This coincided with greater international attention to Brazil's dramatic gains in the same period across health and development indicators, which were largely driven by safety net programmes,[4] of which school meals and government procurement from family farms were two pillars.

SHF can sell directly or indirectly to SD markets. Direct selling normally happens when SHF are organised in producer organisations that aggregate from their member farmers and participate in tenders for procurement. Direct selling of individual smallholder

farmers is only feasible at a very small scale and when procuring is done without formal bidding procedures, as SHF have only small quantities to offer and they can't invest much to be eligible and participate in such a procedure. An example of an SD market to which individual smallholder farmers sell directly are the grain banks in Ghana (see section 4.1.2).

Indirectly selling can be from individual farmers or producer organisations through traders that participate in public procurement tenders or are licensed buyers under contract with a specific SD market; such is the case with the national strategic food reserve NAFCO in Ghana (see section 4.1.1). School feeding caterers in Ghana can also be seen as intermediaries that link farmers with an SD market, accessible for individual or organised

Image Caption
A cereals store in Kenya. Stores are a collection point from farmers and a dispatch point to schools and other markets.

Table 2: Characteristics of SD Markets that Define their Accessibility for SHF

CHARACTERISTIC	EXPLANATION
Relevant policies and procedures and the degree to which they are enforced	This characteristic begins with the existence of pro-SHF objectives or policies that promote smallholder procurement, combined with the ability to enforce such policies by the procuring entity.
Capacities of the procuring entity	Local and national SD buyers are often severely constrained by capacity issues or challenges, especially in terms of financial, management, and infrastructural capacity, which can lead to ineffectiveness. Such issues can also have a direct impact on smallholder engagement: for example, irregularities in the procurement process, mismanagement of funds or delays in payment can discourage SHFs from seeing the SD market as a reliable source of purchase for their production.
Commodity selection	For SHFs to be able to access public procurement, the commodities that are procured will need to be those that SHFs are able to produce and for which SHFs are already or at least have the possibility of producing surpluses and being able to sell them competitively.
Procurement/pricing/ payment procedures and mechanisms	Procurement mechanisms and procedures refer to the ways in which procurement is implemented by an SD buyer, including announcements, tender procedure, business registration requirements for suppliers, selection criteria, contract type, product quality and quantity specifications, and transport requirements. The procurement mechanism can also include pricing, when they are set by the government, instead of being market-driven (and part of the selection criteria), as is the case with some national strategic food reserves. Payment timing is also an important consideration, as SHF have little financial capacity and payment on delivery will be a condition for them.
Level of purchasing/ selling	It is generally believed that SHFs are more likely to be able to access institutional purchasing at more decentralised levels.[5] Therefore SD markets that purchase at levels closest to SHFs should entice greater SHF participation.
Buying season	The timing of purchases (i.e., the 'buying season') by the procuring entity can help or hinder SHF ability to sell, as SHFs typically are not able to store their production for lengthy periods of time. POs can play a role when investing in storage facilities.

The table is adapted from "Opportunities for smallholder linkages to strategic food reserves," prepared for SNV by Oxu Solutions, 2015.

farmers. Traders play an important intermediary role, especially in situations where farmers live too scattered and/or in situations where their production levels are too low to make commercial organisation of them feasible.

For the SHF-SD linkages, there are a number of characteristics listed in Table 2 (left) that help in the understanding and analysis of the potential of the linkages, and includes the accessibility for SHF, a brief explanation of each category, and notes on whether the characteristic is relevant for each of the two categories of linkages.

Three conditions are essential to convert the SD markets into effective boosters of rural development and poverty reduction:

1. The procurement process for these markets must facilitate at least equal opportunities for SHF to participate direct or indirectly, alongside or in alliance with traditional suppliers. The procuring officers must be prepared to implement the process in a transparent way.

2. Smallholder farmers need to organise themselves in business-like organisations to create effective economies of scale and be competitive in SD markets among other experienced suppliers, mostly traders.

3. An enabling environment must be created and maintained to empower smallholder farmers, their organisations and other rural enterprises for investing in and implementing change in agriculture and processing activities. This environment would include coordinated agriculture, industry, and finance policies, and support from the ministries responsible for the public procurement, local government, financial institutions and non-financial service providers.

Local Structured Demand Markets: a Spotlight on Kenya

3

This chapter is based on data from Report for the study and analysis of alternative structured demand markets for grains besides HGSF. Capital Strategies (K) Ltd, 2014, study prepared for the PG-HGSF project. The study covered the counties of Elgeyo Marakwet, Baringo, Narok, Laikipia/Meru, Kitui and Lamu/Kilifi.

The first SD markets created by public food procurement needs that smallholder farmers and producer organisations will find in their region are public primary and secondary schools, post-secondary training institutions, hospitals and prisons. Whether local, regional or national, all SD markets share a constant, guaranteed demand for food products to feed recipients of public services, although the demand of primary schools in practice also depends on an adequate budget allocation and the flow of funds from the national level to the local schools.[6] This chapter looks specifically at local SD markets in Kenya, based on a study implemented in six counties. It also demonstrates the relevance of these markets for smallholder farmers, as well as the established procurement mechanisms that support, or could be adapted to support, smallholder farmer inclusion. Additionally, in Section 4, the particular SD market of strategic food reserves will be discussed in the three countries Kenya, Ghana and Mali.

Figure 2 shows the relative importance of each local SD market in Kenya based on

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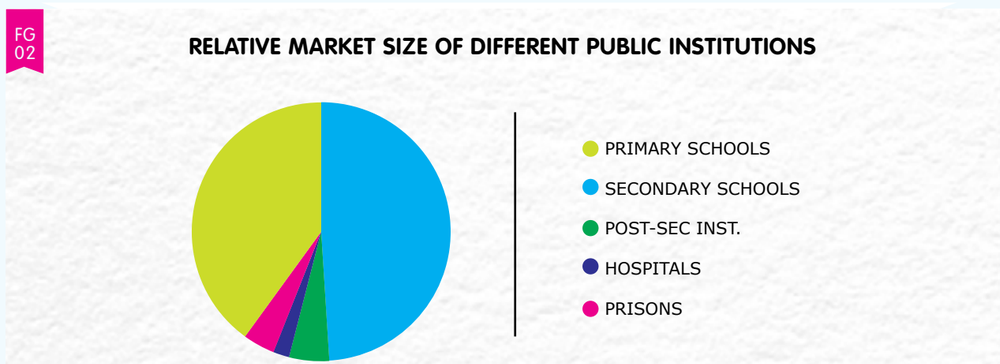

Figure 2: Local SD markets in Kenya based on actual food procurement needs in six counties.

Table 3: Average demand per county in volume and value of public entities in six counties in Kenya.

SD MARKETS	PRIMARY SCHOOLS	SEC. SCHOOLS	POST SEC. INSTITUTIONS (5 SAMPLED)	HOSPITALS	PRISONS	AVG TOTAL SD MARKET PER COUNTY
Estimated demand for maize (MT)	1220.5	1385.3	18.7	21.6	83.7	2729.7
Estimated demand for beans (MT)	325.3	420.7	79.1	20.1	35.3	880.5
Estimated demand for sifted maize (MT)	0.0	0.0	43.1	13.6	0.0	56.7
Total demand for maize, sifted maize and beans (US$)	863,911	1,046,845	105,001	35,686	79,843	2,131,288

actual food procurement needs in six counties. The secondary schools account for almost half of it at 49 percent, followed by the primary schools included in the Home Grown School Meals (HGSM) programme, at 40 percent. The post-secondary institutions, prisons and hospitals, in this order, offer a far less important market, but the values in Table 3 show that they are still relevant for individual POs. Table 3 shows county averages of data of the different types of institution and the total per county: volumes per product (maize, beans and sifted maize) and total value.

In general, local SD markets do not have specific objectives regarding buying locally or from smallholder farmers and in practice, they purchase mostly from traders without any attention to the origin of the products. Procurement is done at the individual entity level, which means that they function as local markets, which may facilitate access for SHF and POs. On the other hand, the scattered procurement makes it difficult to find country-level statistics about type of products and market size. In the following sections, each local SD market will be briefly described, with a focus on the procurement mechanism in place.

3.1 Primary Schools

The Government of Kenya's HGSM programme represents a total market size for maize and beans of almost US$20,000,000 (see table 1, page 5; data from 2012). In the six counties studied, the market size is on average US$864,000 per year per county. The programme's goal is to link school feeding to local agriculture and give access to smallholder farmers.

Procurement mechanisms are stipulated in the HGSM procurement manual.[7] This manual also recommends the foodstuffs to be purchased, the ratio to be consumed as cooked grain (mixed maize and beans), vegetable oil and salt, and cost per child. The tendering procedure for the HGSM is implemented by individual primary schools upon receipt of funds from the government. The procurement manual stipulates that tenders should be invited from qualified local suppliers with a registered business name, licensed to trade, permanent storage capacity, bank account, and over three years of experience.

The current suppliers to the primary schools are mainly traders, although some POs are starting to secure contracts—supported by the PG-HGSF project activities—for matchmaking, pro-smallholder procurement mechanisms, and preparation of the POs. As the HGSM programme prioritises food deficit areas, local production of maize and beans is not always adequate to meet the demands for the HGSM programme. The maize and beans are then supplied from other counties or imported from Uganda or Tanzania.

"The secondary schools account for almost half of Structure Demand market purchases at 49%, followed by the primary schools included in the Home Grown School Meals programme, at 40%. The post-secondary institutions, prisons and hospitals, in this order, offer a far less important market, but the values in Table 3 show that they are still relevant for individual producer organisations."

A challenge for the attractiveness of the HGSM market has been the funding, as there are frequent delays in remission of funds from the Government of Kenya, which undermines the programme's reliability. In certain instances, funds are not received at all, and as a result, schools do not make purchases of the grains. Schools who receive funds and contract a supplier are able to pay them on a short-term basis.

3.2 Secondary Schools

The secondary schools offer a market demand of little over US$1,000,000 per year per county. Procurement of grains in secondary schools is guided by guidelines provided in the Public Procurement and Disposal Act 2005.[8] This Act recognises preferential treatment for disadvantaged groups, such as youth, women and disabled people, for micro and small enterprises and community-based organisations. However, it does not specifically recognize preferential treatment for smallholder farmers or producer organisations, which do not automatically fall under one of these privileged categories.

Under the Act, each procuring entity, which includes all public institutions such as secondary schools, should establish a tendering committee that is required to make all procurement decisions on behalf of the public entity. Tendering in most secondary schools is done either through open or restricted tendering, which is allowable under the Act. Under open tendering, schools invite interested bidders to apply for tenders through advertisements. After evaluation, the Tender Committee selects three suppliers who are invited to provide the selected items during a period of one year. In restricted tendering, pre-selected suppliers are invited to place bids to provide certain items to the schools. Most schools prefer to use open tendering where the amounts to be procured exceed Kshs 500,000 (around US$6,000). Restricted tendering is the preferred procurement mode in other cases, and this seems to provide the schools an easier opportunity to procure items locally.

Most suppliers to the secondary schools are local traders based in the main urban centres within the counties. This market is attractive to farmers, because it is substantial and prices offered are fairly better than what brokers and traders offer.[9] However, farmers have to contend with delays in payment, since most schools rely on school fees to pay bills. Since fees are paid on a term basis, payment could be delayed for up-to two terms, or six to nine months.

3.3 Post-secondary Institutions

Post-secondary institutions in the six studied counties offer on average a market of US$105,000 per county per year. The also fall under the Procurement and Disposal Act 2005 and apply the same mechanisms as secondary schools. Current suppliers are mainly pre-qualified local traders from the main town centres. This market is an attractive opportunity for farmers, since prices offered by these institutions are better than those offered by the brokers. These institutions pay on a timely basis every one to two months, contributing to their appeal for farmers.

3.4 Public Hospitals

The public hospitals in the studied counties have an average demand of US$35,686 per county on an annual basis. Under the Fourth Schedule of the Kenyan Constitution 2010, decentralisation of functions and roles is established, including county governments, which are responsible for all social services. Education, foreign affairs, and security and defence are under the purview of the national government. Accordingly, all public hospitals, with the exception of the national referral hospitals, fall under the county governments. Procurement in the hospitals is therefore handled at the county government level.

County governments establish tender committees that spearhead the procurement process as per the Procurement and Disposal Act 2005. The tender committees advertise in national media inviting pre-qualification of suppliers for various goods and services, including grains and pulses. This is done either annually or biannually, and normally in the months of March-June. From among the interested bidders, the tender committees pre-qualify suppliers who are then issued letters of pre-qualification. It is from this list of pre-qualified suppliers that the hospitals obtain supplies through issue of quotations.

Current suppliers are local traders who have been pre-qualified by the county governments. Procurement of supplies for the hospitals is mostly done directly by the hospitals themselves. Many traders were experiencing delays in payment, and this may be a hindrance to local farmers to sell to the hospitals, although this is not always the case. Payment from the hospitals could take an average of three to six months, and because of the higher prices offered, this market is a good opportunity for farmers.

3.5 Prisons and National Youth Service

The average demand for maize and beans for prisons is around US$80,000 per year per county. As indicated in the previous section, the Fourth Schedule of the Kenyan Constitution 2010 establishes that all functions under security and defence forces belong to the national government. As a consequence, all prisons and National Youth Service procurement is within the purview of the national government, and is handled by the county commissioner, who represents the national government in each county.

The county commissioner establishes a tender committee, which consists of members from all government departments represented in the county. This committee spearheads the procurement process as per the Procurement and Disposal Act 2005. The tender committee advertises in national media inviting pre-qualification of suppliers for various goods and services, including grains and pulses. This is done either annually or biannually, and normally in the months of March-June. From among the interested bidders, the tender committees pre-qualify suppliers who are then issued letters of pre-qualification. It is from this list of pre-qualified suppliers that the prisons and National Youth Service in each county obtain supplies through issue of quotations.

The current suppliers are traders based in the town centres. The prisons market is an ideal SD market for suppliers who have resources and are able to

BECAUSE STRUCTURED DEMAND MARKETS PROCURE FOODSTUFFS

WITH PUBLIC OR NONPROFIT FUNDS, THEY CAN SELECT SUPPLIERS

BEYOND BEST VALUE FOR MONEY TO SERVE DEVELOPMENT OBJECTIVES,

SUCH AS LOCAL AGRICULTURE SUPPORT, FOOD SECURITY AND RURAL

ECONOMIC GROWTH.

IMAGE CAPTION

Smallholder farmer Salif Coulibaly works in his field outside of Diena, Mali.

wait for payment for periods up to to one year. The prices for maize and beans in the prisons are fairly high to compensate suppliers for the long periods they have to wait for payment.

3.6 Reflections on SD Markets in Kenya

Local SD markets are an attractive market, which, for the six counties in Kenya, represents a total of US$2 million per year per county. However, funding delays and late payments are major hindrances to farmers interested in supplying to SD markets. For HGSM, funding delays means that no purchases take place until remissions are made, so the market may not always be predictable. For secondary and post-secondary schools, hospitals, prisons and the National Youth Service, whose demands are highly predictable, late payments after delivery may lead to financial capacity challenges for SHF and POs.

SD markets in Kenya are guided by the Procurement and Disposal Act 2005; although the HGSM has its own guidelines, this is still within the framework of this Act. The Act recognises preferential categories, such as small-to-medium enterprises (SMEs) and women, but criteria to fall within these categories do not always apply to smallholder farmers and POs. Smallholder farmers typically don't have a business registration; this is relatively expensive to obtain for an individual farmer. POs can obtain the registration to access the market, but they easily fall outside the criteria designed for SMEs if their turnover is higher than the limit. For this reason, further adjustment of the Act is needed to consider specific SHF and PO criteria.

IMAGE CAPTION
A crop of maize nearing maturity in Baringo County, Kenya.

Strategic Food Reserves

4

This chapter is based on "Opportunities for smallholder linkages to strategic food reserves," prepared for SNV by Oxu Solutions, 2015.

Strategic food reserves (SFRs) have historically been used to carry out three main functions:

1. Buffer stocks for short-term domestic price stability;

2. Emergency stocks to respond to food emergencies; and

3. Stocks to provide as food assistance to vulnerable populations (e.g., via some form of social safety net provision).

Using SFR procurement to source from and provide market opportunities to SHFs has also become a focus of some national-level SFRs, especially in recent years. Moreover, countries like Brazil use their national SFR to stabilise local prices of staple crops, such as maize, in order to support smallholder agriculture and family farms.[10] Currently in Sub-Saharan Africa, nearly 20 countries either have or are considering national-level SFRs.

The following sections present an overview of SFRs in Ghana, Kenya and Mali.[11]

4.1. Ghana

Ghana National Food Buffer Stock Company (NAFCO)

In Ghana, the national-level SFR is the National Food Buffer Stock Company (NAFCO), which was established in 2009, and began operating in 2010, with eight objectives:[12]

- To guarantee farmers an assured income by providing a minimum guaranteed price and ready market;
- To absorb excess produce from all farmers to reduce postharvest losses resulting from spoilage due to poor storage, thereby protecting farm incomes;
- To purchase, sell, preserve, and distribute foodstuffs;
- To employ a buffer stock mechanism to ensure stability in demand and supply;
- To expand the demand for food grown in Ghana by selling to state institutions including the military, schools, hospitals, and prisons;
- To manage the government's emergency food security;
- To facilitate the export of excess stock; and
- To carry out other activities that are incidental to the attainment of the above objects, or other duties as may from time to time be assigned by the Minister of Food and Agriculture.

Administratively, NAFCO is incorporated as a company with a Chief Executive Officer and a board of directors. It is a profit-seeking state-owned enterprise and housed under the Ministry of Food and Agriculture (MOFA). The establishment of NAFCO was "expected not only to help give farmers greater access to markets, but to serve as a driver to motivate farmers to produce more, which in turn is expected to influence the demand for inputs and thereby have greater impact along the value chain... The program also seeks to control prices of food, which is an important element in the food security agenda."[13] NAFCO was therefore set up as a buffer stock scheme in which it is expected "to buy cereal from farmers during the bumper harvest when prices are at their lowest levels and store it for sale in the lean season when prices are at their highest levels."[14]

NAFCO purchases maize, rice, and soybeans, and since 2011, purchases have been made through approximately 75 licensed buying companies, which aggregate purchases and sell to NAFCO in 100 metric ton (MT) lots. At the start of a purchasing season, NAFCO invites those interested to submit applications that detail the source, quality, and capacity to supply given quantities of grains. NAFCO conducts a review of the proposals and qualifies successful applicants as licensed buying companies to supply within a particular timeframe specified volumes of rice, maize, and/or soybeans that meet quality requirements in terms of moisture content and purity specifications. Licensed buying companies are often traders and other private enterprises. Since 2014, POs are also eligible to become registered as licensed buying companies.

Licensed buying companies purchase commodities from farmers and POs that are able to meet quality standards at a minimum purchasing price (i.e., the floor price). The floor price is determined by a committee that is part of MOFA, and the price that is used is the same throughout the country, which means that prices do not reflect any regional differences in input/production costs, yields and regional supply, local market conditions, etc. The price is set at the total cost of production plus a profit margin for farmers (15 percent of total costs for maize, for example).[15] One challenge that has been cited is that SHFs do not necessarily know that the licensed buying companies are buying on behalf of NAFCO, thus, they often lack information about the NAFCO minimum prices. Without such information, farmers have "lacked knowledge of NAFCO minimum prices to use in negotiation."[16]

A lack of storage availability has been cited as a challenge in the past in terms of NAFCO not being able to take agreed-upon quantities from licensed buying companies. Also, information on the amount of money that NAFCO uses for its purchases is not available. However, based on the price floors for 2011[17] and using the 2012 NAFCO procurement targets, 30,000 MT of maize would be worth 14.4 million GHS (US$8.7 million) whereas 15,000 MT of rice would be estimated to be 10.5 million GHS (US$6.3 million).

In terms of smallholder sales to NAFCO, it is not possible to know the exact numbers of SHFs who are selling to NAFCO or the quantities that SHFs are selling, as NAFCO does not have any mechanisms in place to track farmer sourcing. The licensed buying companies often go to the village level for purchases from farmers at the farm gate or nearby, which is helpful for smallholders who are often constrained by lack of transport for their production.

While NAFCO does provide a market opportunity for smallholders that produce rice, maize, and soybeans, it is currently experiencing severe cash flow issues; the result is that it appears to be a less-predictable market buyer.

Grain Banks

At the local level in Ghana, there are grain banks in a limited number of food insecure and vulnerable villages/communities in the country. Grain banks were initially piloted in Ghana by Action Aid, and since the mid-1990s, Action Aid has established approximately 30 grain banks in the Northern, Upper West and Upper East regions. These grain banks were set up to store excess harvest for community use during the hungry season, and the banks were managed by community-level committees.[18] Grain was stored in the banks and farmers could buy it back later at an affordable price – the price being just a bit higher than the prices farmers were originally paid for the grains, to help keep the grain banks running and ensure benefits for farmers. At present, according to the Ghanaian MOFA, most of the grain banks are no longer operational, due to challenges including inability to manage the seed capital and meeting quality standards. The grain banks established in Sissala East district in the Upper West region, however, are still operational. The main crops in these five grain banks include maize, groundnuts and beans.

"The establishment of NAFCO was 'expected not only to help give farmers greater access to markets, but to serve as a driver to motivate farmers to produce more.'"

The operational grain banks purchase during harvest time, and the purchase price is determined typically at a community meeting where prevailing market prices are announced and discussed, and then a collective decision is taken. Therefore, before purchases begin, farmers are made aaware of the prices for each commodity and time period for purchases.

The community management committees are responsible for managing the banks, including assuring quality control of purchases and stocks. As a standard practice, the MOFA has provided training to some grain banks on stock and storage management, as well as environmental protection and safety. Many grain banks have a number of challenges, however, including record keeping, inadequate funds, mismanagement of funds, and proper storage. In addition, transport for farmer production to the banks can be a challenge, especially for SHFs.

Grain banks are mainly seen as community-supported initiatives supported and funded by NGOs. There is no general government policy related to grain banks.

4.2 Kenya

Strategic Grain Reserve

In Kenya, the national level strategic reserve is the Strategic Grain Reserve, and there are no local SFRs. The strategic grain reserve was established in 2002 and is operated by Kenya's National Cereals and Produce Board (NCPB). In addition to managing the strategic grain reserve, the NCPB "provides logistics support for famine relief operations, distributes fertilisers and certified seeds to farmers, and is a regular supplier of maize to WFP."[19] The NCPB, a state corporation, therefore engages in commercial activity like a private sector actor. The NCPB sits in the Office of the President and is run by a board of directors, whose chairman is appointed by the president. The aim of the strategic grain reserve is to cushion farmers from the effects of over-supply in periods of good weather and to provide a first line of defence for coping with food deficits.

The NCPB has a dual mandate of maintaining the strategic grain reserve and stabilising prices. The reserve holds maize only and is "mandated to maintain a physical stock of four million bags (of 90 kgs) and a cash equivalent of similar volume – thus around eight million bags in total. According to the government: the mix of grain and cash ensures that on the one hand, the government is able to save lives in the case of an emergency by mobilising food to areas not well served by grain markets. On the other hand, cash reserves allow the government to purchase commodities in areas with well-functioning markets when an emergency occurs."[20] The strategic grain reserve is considering additional commodities in the future, which could include powdered milk, canned beef and possibly pulses, dried fish and rice. The government has actually maintained between two to three million bags each year over the last few years (a total of 225,000 MT – 270,000 MT per year out of the mandated 360,000 MT). The total reserve storage capacity is 20 million bags (1.8 million MT).

IMAGE CAPTION
Sacks of potatoes ready for transportation to the market in Timau, Kenya.

NCPB purchases maize through competitive open tenders that include quantity and quality requirements. Prices are dictated through the NCPB and announced after the maize harvest by the Ministry of Agriculture, and the NCPB has been criticised for the prices being driven by funds availability and procurement targets, rather than the market. NCPB also requires production to be transported to their depots or silos, which are located throughout the country. Payment for sales is provided at least one month after the product is supplied to the depot and payment can be delayed up to six months. The maize must meet quality standards, or else it is not accepted. SHFs have

IMAGE CAPTION

David Thuita, teacher at Chumvi Primary School in Kenya, inspects the school cereals store to establish stock levels in June 2015.

difficulty with the constraints of transporting the maize to the depot with a risk of the maize being rejected (and thus requiring transport back to the farm) and waiting lengthy periods of time for payment. SHFs therefore typically "prefer to sell to collectors at lower prices for immediate payment in full."[21]

A study released in 2013 estimated that a mere two percent of SHFs in Kenya sell to the NCPB and noted that "smallholders have little to do with NCPB," [22] meaning that NCPB supply is dominated by medium and large-scale maize producers. The overall maize market is also dominated by large producers: two percent of maize farmers sell over 50 percent of total marketed maize production in Kenya.[23]

In summary, there are currently very limited opportunities for SHFs to access NCPB purchases, and in general, the government has repeatedly failed to deliver on promises related to the strategic grain reserve. NCPB decision-making is seen as unpredictable, politicised, and slow. Ways in which SHFs might be able to increase sales to the strategic grain reserve would include if procurement mechanisms are adapted so that they can more easily participate and/or if high-capacity POs are willing and able to take on some of the risks involved in helping SHFs sell to the Strategic Grain Reserve.

4.3 Mali

Office des Produits Agricoles (OPAM)

The national food reserve mechanism in Mali is run by OPAM and includes a national security stock (SNS) as well as a state intervention stock (SIE). The SNS includes millet and sorghum and the total desired stocking levels as of 2010 were reported to be 35,000 MT. The SIE was established at the end of 2005 in the aftermath of a food crisis and also has an intended capacity of 35,000 MT and includes millet, sorghum, rice, and maize. The Commissariat à la Sécurité

Alimentaire, or Food Security Commission, which was created in 2004, is the parent organisation of OPAM. The Commission is responsible for coordinating the national food security strategy and is attached to the Office of the President.

For the SNS, 2014 target volumes were 27,500 MT for millet and 7,500 MT for sorghum, though actual total volumes as of 2014 were 811 MT.[24] In 2012, the government distributed 43,000 tons to food- insecure communes that had been identified as needing assistance by the country's early warning system. In 2013, due to economic difficulties, the stocks were not replenished. Current total stocks as of mid-2015 are 32,315 MT. For the SIE, the stock levels are currently at 12,076 MT, which is down from a level of 40,489 in 2010. As of 2010, rice volumes in the SIE made up nearly all of the SIE stocks as rice totalled 37,209 MT.[25] OPAM has a total storage capacity of 135,000 MT, which is more than sufficient for the current volumes. Approximately one-third of the stock is supposed to be rotated every year.

"OPAM has started to adopt SHF-friendly procurement mechanisms: in 2014 for the first time, OPAM used closed tenders for the purchase of up to 30 percent of projected tonnage needs from farmer organisations that include smallholder farmers among their members."

The OPAM SFR has traditionally sourced all procurement through traders via open tenders. Encouragingly, OPAM has started to adopt SHF-friendly procurement mechanisms: in 2014 for the first time, OPAM used closed tenders for the purchase of up to 30 percent of projected tonnage needs from farmer organisations that include SHFs among their members.[26] The November 2014 call for bids for the SNS stock divided lots for 35,000 total MT of millet and sorghum by region of the country (Kayes, Ségou, Koutiala, Mopti, Tombouctou, and Gao). Within each region, lot sizes were 500 MT for traders and 100 MT for the farmer organisation allocations, and each region was allocated a certain number of 100 MT and 500 MT lots for sorghum and/or millet.[27] Contracts were awarded based on price and meeting quality specifications. OPAM also included a caveat in the 2014 process stating that if it was unable to meet the 30 percent from farmer groups, then it would transfer the unfulfilled gap to traders. This seems like a positive mechanism for promoting SHF participation by setting aside a separate process, but having a fall-back option if quantities from the pro-SHF mechanism are not adequate. However, according to a WFP Purchase for Progress (P4P) report, OPAM did not fill the 30 percent quota and P4P-supported farmer organisations had issues in terms of transparency of the process; that "farmers complained about receiving payment in an amount less than the recorded weight of the deposit times the official price."[28]

While there are a number of buyer-and-supplier issues still to be improved upon, the allotment of purchases through farmer organisations seems like a very positive mechanism for promoting SHF participation.

Cereal banks

Mali also has local SFRs in the form of cereal banks, in all 703 communes[29] in Mali.[30] The cereal banks were initiated through the government's Food Security Commission. The Commission still has responsibility for oversight of the cereal banks through signed agreements with local authorities. The cereal banks provide food availability during the hungry season, especially to more vulnerable households, and they are widely regarded as essential safety nets in Mali.

The cereal banks purchase maize, sorghum, and millet primarily, with some cowpeas and rice also being procured in a limited number of cereal banks. The cereal banks are managed by the communes (by farmer organisations or local authorities), financed by the government, and were provided an initial stock. Revenue generated from the first supply was intended to serve as capital for future operations.

A 2007 report produced by the government found that from 201 cereal banks surveyed, there was a total stock of 4,136 MT (average of 20.5 MT per cereal bank). The total funds available for the 201 cereal banks were approximately US$260,000 (an average of US$1,300 per cereal bank).[31] The cereal banks purchase from local producers or traders at the village level around harvest time, and traders source locally or from other areas if local production is insufficient. Some cereal banks also purchase from other, more productive areas. Stocks are then later sold to food-insecure community members at subsidised prices during the hungry season or are sold to other buyers at market prices. Data from a survey with 100 cereal banks showed that approximately 60 percent of the stock was sold to other buyers and an estimated 40 percent was sold to vulnerable community members.[32]

The general perception of cereal banks in Mali is positive, in that they play an important role in building food security and resilience. However, there are challenges to promoting cereal bank purchases as a market opportunity for SHFs and POs, given the goal of cereal banks to buy when prices are low, and SHFs and unions to sell at higher prices (especially if they can store production for any length of time). Even though cereal banks are buying at lower prices, one study found low or negative net margins (calculated by subtracting total costs (grain purchase transportation, packaging, storage, handling, and payment of the cereal bank manager in some cases) of one kg of grain from its selling price) for 34 percent of surveyed cereal banks in Mali, raising questions about the sustainability of the cereal banks.[33] In addition, many stocks in cereal banks in a number of geographic areas were severely depleted during the recent conflict in Mali – especially in the Mopti and Segou regions. Moreover, the 2007 study conducted by the government highlighted a number of instances of mismanagement of funds/stocks by local authorities or POs at cereal banks, as well as poor storage facilities.[34] The limited operating capital the cereal banks have at their disposal also limits the volumes they can purchase.

4.4. Reflections on the potential of strategic food reserves as markets for smallholder farmers

The SFR in terms of volume demanded and market size can be promising for smallholder farmers. There already exist several interesting experiences with the linkage between strategic food reserves and smallholder farmers, although mostly in an incipient stage. The grain banks in Ghana and OPAM in Mali show the best conditions at this moment to give access for smallholder suppliers. Most SFR have a specific reference to (smallholder) farmers in their objectives, which is evidence of their commitment. Weak management and limited financial and logistic capacities seem to be the main constraints on the side of the SFR for increasing benefits for smallholder farmers, to which should be added the challenges for the smallholder farmers and POs to become reliable suppliers.

NAFCO in Ghana is also promising, but lacks specific mechanisms to privilege SHF buying. There is also no control over the way the intermediary licenced buying companies acquire the products and from whom. The cereal banks in Mali and the strategic grain reserve in Kenya seem to be the least favourable and interesting a market for SHF, because of low volumes in the first case and low prices and complicated delivery mechanisms in the second.

A general challenge for all cases is the monitoring of the sourcing of the products, especially if they are supplied directly or indirectly by SHF.

Project Experiences and Recommendations

5

The PG-HGSF project successfully connected smallholder farmers with the procuring entities of government-led school feeding programmes in Ghana, Kenya and Mali, which resulted in a trigger for the organisation of farmers. The experience demonstrated that farmers also need other market options to make their organisations feasible and sustainable. Already in the early stage, the project team identified other SD markets as fitting options, because of the similarity in procurement mechanisms, as well as their formality and/or strategic preference for buying from smallholder farmers. The project developed the following activities to help smallholder farmers access other SD markets:

NAFCO, Ghana

With the National Food Buffer Company (NAFCO), which buys rice to deliver to the national school feeding programme, as well as other products, the project is working on an ICT platform to provide NAFCO and other large institutional purchasers with information about the producers they are buying from. At the same time, this platform—linked with the broader agricultural market intelligence platform mFarms—help producer organisations and caterers obtain information on sharing bids and offers related to NAFCO, school feeding and other markets. To date more than 2,000 caterers and farmer organisations have been profiled on the platform.

Community grain bank, Ghana

The project is supporting five local grain banks in Sissala East District in Ghana, through small grants that have enabled committees to recapitalise the grain banks for re-stocking produce from local smallholder farmers in 22 communities. The grain banks supply the products to SF caterers on loan to be repaid once the GSFP releases funds to the district assembly (DA) in charge of paying to the caterers. The DA directly deposits the caterer's debt in the account of the grain bank, which is the main collateral for the loans. SNV provides training programmes to strengthen the capacities of grain bank committee members and participating caterers in entrepreneurial/business skills, record keeping and basic financial skills to enable them keep relevant data for purposes of traceability, contracting, and negotiations. To date, more than 350 farmers have sold to the grain banks and 12 caterers have accessed loans.

IMAGE CAPTION
Mosses Kissasam, a smallholder farmer from Uasin Gishu County, Kenya, inspects maize with his son.

Cereal banks, Mali

The project organised matchmaking between farmer unions and local cereal bank representatives to build the linkages between the parties and help them to discuss and establish contracting models and price negotiations, among other issues. To date, ten to twelve communes have worked directly with two farmer unions and in ten other communes, there have been discussions between unions and the cereal banks, but no firm commitments or contracts are yet in place.

OPAM, Mali

The national food reserve OPAM established preferential treatment for farmer organisations and the project provided technical support to two farmer unions to respond to the November 2014 request for bids for supply of millet and sorghum.

Based on these PG-HGSF experiences paired with the information on other SD markets discussed in the previous chapters, we return to the three conditions that are essential to converting the SD markets into effective boosters of rural development and poverty reduction, as outlined in the introduction. We offer the following recommendations for how governments and development partners can make these SD markers more inclusive to smallholder farmers:

Condition 1: The procurement process for these markets must facilitate at least equal opportunities for SHF to participate direct or indirectly, alongside or in alliance with traditional suppliers, and the procuring officers must be prepared to implement the process in a transparent way.

1. Review existing objectives and strategies and assess if explicitly targeting SHF as suppliers is desirable or under what conditions, taking into account production potential, organisation degree, financial capacity of SFR, and use of the SFR.

2. Review all procurement steps for SHF inclusiveness: announcements, tender specifications, requirements for suppliers, selection criteria, contract clauses, and contract management.

3. Develop strategies that take into account the specific characteristics of supply from SHF, such as lot size, preferential treatment, fall-back mechanisms when SHF can't comply (as in the case of OPAM in Mali).

4. Develop strategies for collecting products in potential SHF production areas, use existing trade infrastructure and agents. Strengthen intermediate collection agents on SHF inclusion practice and record keeping and monitor their performance.

5. Assess optimal buying season, taking into account market price fluctuation, possibility of storage by SHF/PO, differentiation of production season(s) of SHF.
6. Review payment period, compensation for delays, pre-finance strategies (including warehouse receipt system).

7. Record data around the production potential, demand size, participation in tenders, contract awarding and compliance to know what is really happening and where the procurement and supply processes need to be improved.

8. Build the management capacity of the procuring entity, especially for implementing pro-smallholder procedures, managing information about SHF sourcing, and managing storage and general logistics.

9. Organise informational meetings for SHF. In case of direct contracting, matchmaking events can be used to share information as well as introduce prospective suppliers to procuring entities.

10. Provide financial support to local, community-owned SFR to increase purchasing capacity and, in doing so, support their access to higher operational levels and sustainability.

Condition 2: Smallholder farmers need to organise themselves in business-like organisations to create effective economies of scale and be competitive in SD markets among other experienced suppliers; mostly traders.

1. Support POs and SHF with extension and input supply to encourage a phased move to more productive varieties and higher quality, which will boost a productivity increase at the household level. Facilitate SHF/PO linkage with agricultural production programmes from ministry of agriculture, local government, and development organisations using the SD opportunities as target markets and through sales guarantees.

2. Assess processing opportunities to add value to the product, at household or PO level. Financial and technical support to specific collection, storage, handling and logistic activities, guided by requirements of SD markets. Brokering with investment funds, especially for improved aggregation and storage capacity.

3. Build PO and SHF capacity for increasing their business performance, taking into account the specific conditions of smallholder farmer membership organisations.[35] Train members for participation in public bidding processes, proposal writing, negotiation and contract compliance.

4. Facilitate inclusion of POs as SFR collection agents (such as Licenced Buying Company in Ghana).

Condition 3: An enabling environment must be created and maintained to empower smallholder farmers, their organisations and other rural enterprises for investing in and implementing change in agriculture and processing activities. This enabling environment would include coordinated agriculture, industry, and finance policies and support from the ministries responsible for the public procurement, local government, financial institutions and non-financial service providers.

1. Promote inter-ministerial coordination to harmonise public procurement, food security/ social safety nets, agricultural development, trade and financial policies around the linkage of SD markets with (local) agricultural and market development.

2. Promote coordination among public, community and farmer organisations, at national and local levels.

3. Promote information exchange on demand, supply and technical assistance opportunities among procuring entities and farmer organisations.

4. Train actors (traders, caterers, banks) relevant for the linkage between SHF and SD markets in inclusiveness, social responsibility, shared value, etc.

Conclusions

6

Important characteristics of SD markets that define their accessibility for SHF are:

- Relevant policies and procedures and the degree to which they are enforced
- Capacity of the procuring entity
- Commodity selection
- Procurement/pricing/payment procedures and mechanisms
- Level of purchasing/selling
- Buying season

The previous chapters have shown that there are viable opportunities for smallholder farmers to sell their products to different SD markets, at both the local and national levels.

A positive point is that many of these markets have intentions related with supporting local agricultural production and/or smallholder farmers. However, this doesn't automatically mean that the procurement mechanisms and conditions are easily accessible for them. The issue of late payment, the management of procuring entities, especially in the case of SFRs, are repeatedly cited as problems.

The PG-HGSF project, in its work with government-led school feeding programmes, has also emphasised making the public procurement process more inclusive for smallholder farmers and tackling different topics:

- Pro-smallholder procurement tools and procedures: for all steps of the procurement procedure—from planning, call for quotations, selection of bids, contracts to contract compliance monitoring—adjusted templates are developed that take into account the specific situation of the SHF and define legally supported preferences, without compromising competition, quality and efficiency.
- Capacity building of the procuring entity: school feeding officers, school management committees and teachers are trained in the use of new templates and procedures, promoting support to local smallholder farmer suppliers, transparency and value for money.
- Matchmaking between procuring entity and POs, including other intermediate actors: events where offer and demand is presented and letters of intention are signed for invitation to public tenders or, in the case of caterers in Ghana, for sales transactions. School feeding procurers and POs are also connected with existing market intelligence platforms to use them as sustainable matchmaking mechanisms.
- Financing services for direct suppliers (caterers for school feeding in Ghana) and POs: loans for caterers with the condition to buy from SHF, using the catering contract as collateral; developing business plans for POs and connecting them with financial institutions.
- Business training for direct suppliers (caterers for school feeding in Ghana) and POs, to prepare them to compete in biddings and comply with supply contracts.
- Strengthening of the financial capacity of community grain banks: the grain banks are supported through small grants and training to buy local smallholder farmer produce and supply that on credit to school feeding caterers, in addition to their normal mechanism of stocking local produce for periods of price increase.

All of these interventions facilitate the market access of smallholder farmers to the school feeding programmes. At the same time, these interventions have demonstrated their effectiveness in increasing smallholder farmer access to the other markets discussed in this document as well. The recommendations outlined in the previous chapter present how governments and development practitioners can take steps toward using SD markets as part of their rural development and poverty reduction strategies. Whether applied as through PG-HGSF or adapted to local country contexts, these measures can enable public expenditures on food to have a double impact: providing for the country's food needs while generating a livelihood for smallholder farmers.

Endnotes

E

1. In Learning Document #3, the PG-HGSF project explored the opportunities that public procurement policy generally offer for inclusion of smallholder farmers as suppliers. Some main conclusions are that these opportunities exist by administrative adjustments or preferential treatment, and that inclusion is not contradictory with transparency and can even lead to increased competition. See Inclusive Procurement and Transparency: Connection Smallholder Farmers to School Feeding. SNV USA, 2014.
2. This section acknowledges ideas from Alesha Black, former Program Officer of the Market Development department of the Bill & Melinda Gates Foundation.
3. See PG-HGSF learning series document: Producer Organisations: Going into Business with Formal Markets, SNV USA, 2016.
4. Ferreira, Leite, and Ravallion. "Poverty Reduction Without Economic Growth? Explaining Brazil's Poverty Dynamics, 1985–2004." Journal of Development Economics, Volume 93: Issue 1. September 2010.
5. Sumberg and Sabates-Wheeler (2010), Linking Agricultural Development to School Feeding
6. Challenges and opportunities: Smallholders and school feeding. Initial baseline report PG-HGSF. SNV, 2012.
7. Home Grown School Meals Programme. Implementation guidelines. This manual is currently under revision, using the experience of the PG-HGSF project to improve access for farmer organisations to supply to the HGSM.
8. This Act is currently under revision, and the PG-HGSF project provided suggestions to make explicit the preferential position of smallholder farmers.
9. This is confirmed by another source, referenced in Analysis of Supply Chain Studies for Home Grown School Feeding. Maijers and Reddy Nalla, SNV, 2015. The data in this learning document of the PG-HGSF for two counties in Kenya suggest a net margin increase of more than 250% for the farmer, although additional costs for selling and delivery will reduce this amount.
10. ActionAid International. No More Food Crises: The Indispensable Role of Food Reserves. June 2011, http://www.actionaid.org/sites/files/actionaid/polcy_briefing_-_the_role_of_food_reserves.pdf
11. Not included in this document, but part of the source document, is Burkina Faso's newly-created Stock National de Sécurité Alimentaire (National Food Security Stock, SNS), which stands out in access for smallholder farmers. In 2012, SONAGESS committed to procure at least 30 percent of the commodities from smallholders and POs, with an emphasis on women farmers. This is being accomplished by the choice of commodities that the SFR purchases, as well as through setting quotas for smallholder sourcing.
12. Benin, S. et al. 2013. Revisiting Agricultural Input and Farm Support Subsidies in Africa: The case of Ghana's Mechanization, Fertilizer, Block Farms, and Marketing Programs. Washington, DC: International Food Policy Research Institute. http://www.ifpri.org/sites/default/files/publications/ifpridp01300.pdf
13. Ibid. p. 79.
14. Ibid. p. 76.
15. Ibid. p. 80.
16. Ibid. p. 92.
17. Ibid. p. 81.
18. See: http://www.actionaidusa.org/ghana/about-us; http://www.actionaid.org.uk/sites/default/files/content_document/ghana_642004_114328.pdf; http://www.ghanaweb.com/GhanaHomePage/regional/artikel.php?ID=196563
19. Management Systems International. Supporting Public Procurement from Smallholder Farmers. Prepared for the World Food Programme. p.11.
20. Ibid. p.31.
21. Ibid. p.15.
22. World Bank. 2013. Achieving Shared Prosperity in Kenya. p. 88.
23. Ibid.
24. http://maliactu.info/societe/stock-national-de-securite-alimentaire-ou-en-est-avec-sa-reconstitution
25. Afrique Verte. 2010. Strengthening the capabilities of agricultural organization networks through analysis of the evolution of local grain prices in Burkina, Mali, and Niger, during the period 2001-2010… and its repercussions for warrantage in Niger.

26. Management Systems International. Supporting Public Procurement from Smallholder Farmers. Prepared for the World Food Programme. p. 11.

27. OPAM avis d'appel d'offres ouverts, 13 novembre 2014, AAO No: 001/OPAM/2014.

28. Management Systems International. Supporting Public Procurement from Smallholder Farmers. Prepared for the World Food Programme. p. 11.

29. Commune in Mali is the third level administrative unit – Mali has 8 regions, 49 cercles, and 703 communes.

30. FEWSNET, FAO, WFP, MOFA (Ghana), SONAGESS (Burkina Faso), OPAM (Mali). 2010. Evaluation de la situation alimentaire, des marchés, et des flux transfrontaliers et leur impact sur la sécurité alimentaire des ménages bassins centres et ouest de l'Afrique de l'ouest.

31. Government of Mali. 2007. Rapport de synthèse des missions de suivi-évaluation des banques de céréales installées en 2005 par le commissariat à la sécurité alimentaire.

32. Afrique Verte. 2010. Strengthening the capabilities of agricultural organization networks through analysis of the evolution of local grain prices in Burkina, Mali, and Niger, during the period 2001-2010… and its repercussions for warrantage in Niger.

33. Mariko, D, S Malik, and O Mohamoud. 2012. Building Resilience in the Sahel through cereal Banks. USAID Food for Peace West Africa. p. 17.

34. Government of Mali. 2007. Rapport de synthèse des missions de suivi-évaluation des banques de céréales installées en 2005 par le commissariat a la sécurité alimentaire.

35. See PG-HGSF learning series document: Producer Organisations: Going into Business with Formal Markets, SNV 2016

Procurement Governance for Home Grown School Feeding Project Learning Series

DOCUMENTS

Challenges and Opportunities: Smallholders and School Feeding Initial Baseline report

Analysis of Supply Chain Studies for Home Grown School Feeding

Inclusive Procurement and Transparency: Connecting Smallholder Farmers to School Feeding

Producer Organisations: Going into Business with Formal Markets

Social Audits: Speaking up for Home-Grown School Feeding

CASES

Turning Challenges into Change: How Social Audits are Improving School Feeding in Sissala East

The market for our food is right here with us: A Case Study from Kenya on Social Audits for School Feeding

Mobilising communities around school feeding: A public restitution in Dogoni, Mali

Linking school feeding caterers to finance: Loan opportunities enabling caterer purchases from smallholder farmers

Ghana matchmaking events: Building links between farmers and school feeding caterers

Knowing the source of the food: Matching smallholder farmers to the school meals market in Kenya

Matchmaking Events Connect Farmers with the School Feeding Market in Mali

Procurement Governance for Home Grown School Feeding
www.snvworld.org/procurement-for-hgsf
www.snvusa.org

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