



Supplier Development

for Inclusive School Feeding Procurement

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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.

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Pupils queue for lunch at Chumvi Primary School, Laikipia County, Kenya.

Contents

05

ACKNOWLEDGEMENTS

08

INTRODUCTION

12

CHAPTER 1
Sustainable and
Inclusive Procurement

16

CHAPTER 2
The Home Grown School
Feeding Supply Chain

17 | 2.1 HGSF direct supply chain actors and stakeholders
19 | 2.2 Supplier Community

24

CHAPTER 3
Supplier-Development
Approaches

25 | 3.1 Matchmaking and Market Intelligence
27 | 3.2 Business Training
29 | 2.3 Building Technical and Logistical Capacities
31 | 2.4 Facilitating Financial Services

34

CHAPTER 4
Lessons Learned

38

CHAPTER 5
Conclusions

40

REFERENCES

Abbreviations

HGSF	Home Grown School Feeding
ICT	Information and Communications Technology
PO	Producer Organisation
SHF	Smallholder Farmers
SMS	Short Message Service
SNV	SNV Netherlands Development Organisation

Figures

13	FG 1 Components of inclusive procurement
17	FG 2 HGSF direct supply chain actors and possible supporting HGSF stakeholders

Tables

16	Table 1 Country statistics and scope of state-funded HGSF programmes
24	Table 2 HGSF direct supply chain actors and possible supporting HGSF stakeholders

Introduction



School feeding is a potential market that smallholder farmers can tap into to increase incomes and gain access to formal economies; in practice, however, linking farmers to school feeding poses a variety of challenges (Commandeur, 2013 and Bundy, et al., 2009). SNV's Procurement Governance for Home Grown School Feeding project in Ghana, Kenya, and Mali identified procurement- and supplier-side barriers to involving smallholder farmers as suppliers in the Home Grown School Feeding (HGSF) supply chain and piloted programmes in collaboration with these governments to removing or mitigating these barriers.

To address the procurement-side challenges, SNV worked with governments to identify opportunities to adjust procurement procedures to level the playing field for the supply community, especially smallholder farmers and producer organisations. The resulting recommended adjustments included:

- Introducing tools to develop, advertise, and evaluate tenders;
- Adding a requirement for suppliers to provide proof of sourcing from smallholder farmers;
- Adjusting bid time, products, quality and quantities ordered to suit smallholder farmer capacity; and
- Documenting all processes clearly in procurement manuals accessible to both HGSF buyers and potential suppliers.
- SNV subsequently collaborated with each of these governments to run pilot programmes incorporating the relevant adjustments, supported substantial reviews of HGSF procurement manuals, and trained public procurement officials in the adjusted procurement processes.

To address the supplier-side challenges, SNV conducted HGSF supplier development activities around four key approaches:

- Matchmaking and market intelligence;
- Business training;
- Technical and logistical capacity; and
- Facilitating financial services

SUPPLIER DEVELOPMENT FOR INCLUSIVE SCHOOL FEEDING PROCUREMENT

The goal was to remove or mitigate the barriers to smallholder farmer involvement in the HGSF market as direct suppliers or in alliance with private supply chain actors: traders in all countries and caterers in Ghana only. Some activities were limited to one country, while others were applied in all three project countries.

The project's supply chain analysis revealed a lack of coordination between direct HGSF supply chain actors and the relevant institutional policy and support entities, or HGSF stakeholders, involved in supporting specific sectors or actors. The lack of coordination among HGSF stakeholders led to inefficiencies in the supply chain and minimised the potential of these entities to support the efforts of supply chain actors to realise their potential. With this in mind, SNV's approach to supplier development involved the full range of HGSF stakeholders in each country, starting with the bilateral relationships between buyers and suppliers but also involving related government ministries, civil society organisations, development partners, financial institutions, and the private sector.

By involving all HGSF stakeholders in supplier development, SNV constructed a sustainable enabling environment that fostered smallholder farmer inclusion in school feeding. SNV's achievements included:

1. Growing the network of stakeholders committed to the HGSF agricultural objective. The supplier development activities generated greater awareness of the practical measures that can be used to help governments realise the agricultural goals of HGSF programs. The variety of stakeholders engaged served to expand the number and commitment of ministries (Agriculture, Finance, Health, Decentralisation, Trade and Industry, and others) involved.

2. Establishing knowledge about producer organisation supply potential, as well as remaining capacity gaps in local agriculture. SNV's supplier development activities created a common understanding of the capacity for smallholder farmers, and their producer organisations, to sell to HGSF while informing stakeholders of any remaining challenges or capacity issues.

3. Creating inclusive business arrangements to support supplier development within the supply chain. SNV used inclusive business practices to create mutually beneficial relationships between the private sector supply chain actors (caterers and traders) and smallholder farmers and their organisations. By exchanging information about their demands and improving their ability to document purchases from smallholder farmers, caterers and traders built the capacity of smallholder farmers and producer organisations while supporting their access to HGSF markets.

SNV's approach to supplier development involved the full range of HGSF stakeholders in each country, starting with the bilateral relationships between buyers and suppliers but also involving related government ministries, civil society organisations, development partners, financial institutions, and the private sector.

4. Using supplier development activities to reinforce knowledge gained about inclusive procurement processes. SNV's procurement-side activities focused on working with government officials to build their understanding of the procurement process, present strategies for working within the established guidelines, and/or introduce adjustments to these guidelines – all with the goal of making HGSF procurement more accessible to smallholder farmers as suppliers. By involving the same government officials in supplier strengthening activities, SNV gave these stakeholders the opportunity to apply knowledge about inclusive procurement to aid suppliers exploring HGSF as a new market.

5. Putting supplier development on the agenda. Supplier development was not a priority for HGSF when SNV commenced work. By involving all public, private and community HGSF stakeholders in supplier development activities, SNV exposed these stakeholders to the need to make intentional interventions to connect smallholder farmers to HGSF markets in order to meet the agricultural goals of their program.

6. Developing the enabling environment as a foundation for sustainability. SNV identified stakeholders with a mandate to support the direct supply chain actors and in a position to sustain supplier development activities after the conclusion of SNV's project and brought them into these activities in substantive ways. SNV involved government ministries, niche private sector support entities whose services complement the overall goals of HGSF supplier development, and international and local NGOs with the funding and convening power to support the activities - with an overall goal of establishing an enabling environment to sustain elements of SNV's supplier development activities into the future.

The purpose of this document is to equip development practitioners and policymakers with ideas for using supplier development activities to improve the HGSF supply chain and facilitate the inclusion of smallholder farmers. We suggest that a cross-cutting approach—one involving all relevant government, private sector, and civil society stakeholders—creates a supportive enabling environment for ongoing supplier development.

The document starts with a discussion of the project's use of the term "inclusive procurement" to denote the specific emphasis on including smallholder farmers as food suppliers in procurement processes for the HGSF supply chain. In Chapter 2, we present the HGSF supply chain in Ghana, Kenya, and Mali and describe characteristics of HGSF stakeholders and the supplier community. In Chapter 3, we present the specific challenges facing the supplier community in linking them to school feeding markets, as well as the supplier development approaches introduced by SNV to address these challenges, the results these approaches for smallholder farmer inclusion in HGSF, and the extent to which other HGSF stakeholders were involved. Chapter 4 features lessons learned from involving the full range of HGSF stakeholders in supplier development activities. The document concludes in Chapter 5 with final observations on how the project's integration of HGSF stakeholders to link smallholder farmers to public food procurement strengthened the project's results.



 Sarah Nungari, a smallholder farmer in Nyandarua County, Kenya displays a kale she is preparing for the market.

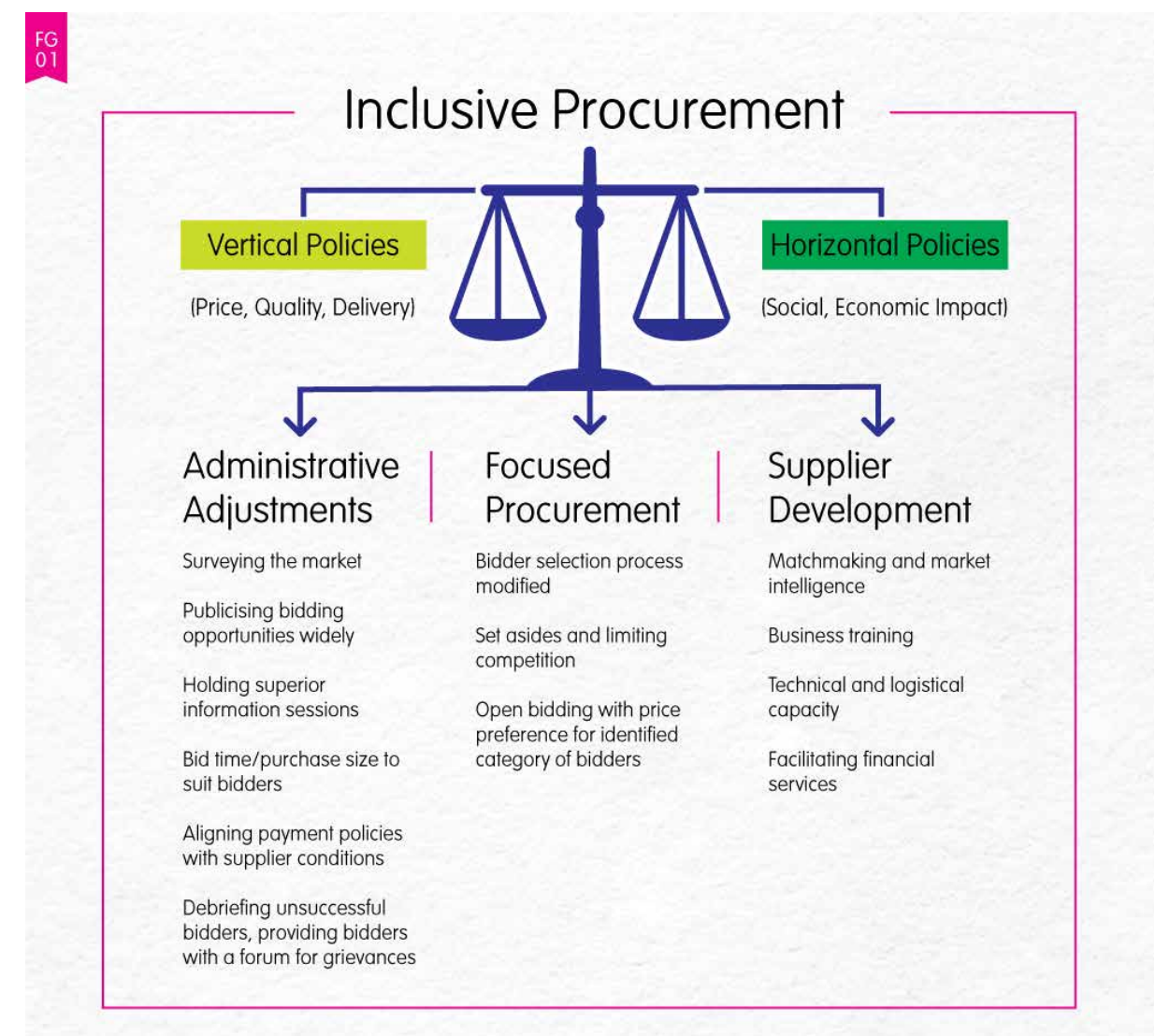
Sustainable and Inclusive Procurement

1

The prime objective of school feeding programmes is to provide a portion of the daily nutritional requirements to students, especially in poor or food insecure areas, to facilitate student learning and retention in the school system. In 2003, African governments began to require produce for school feeding programmes to be locally sourced as part of the Comprehensive Africa Agriculture Development Programme (NEPAD, 2003). These countries implement a HGSF model, in which a secondary objective of the school feeding programme is to procure the food from sources local to the schools, and the main ingredients of these meals are grown domestically. As such, public procurement can serve as a mechanism for improving the economic lives of local farmers, going 'beyond efficiency', in the words of Sue Arrowsmith, to promote justice and 'use procurement as a social policy tool' (Arrowsmith, 1995). To support this objective, many countries introduce the practices of 'sustainable procurement'.

Sustainable public procurement is characterised by a balance between economic, social, and environmental considerations when procuring goods or services with tax-payer money (European Commission, 2016). In terms of HGSF programmes, sustainable procurement is focused on achieving the effective balance of 'vertical' and 'horizontal' policies to procure food products with the best value for money from the desired school feeding supply community. The main vertical policy criteria are product price, delivery and, quality, while the horizontal policy criteria focus on socioeconomic aspects such as the inclusion of smallholder farmers as direct or indirect suppliers. Since the differentiator between regular school feeding programmes and HGSF programmes is the emphasis on sourcing from local smallholder farmers, we use the term 'inclusive procurement' to indicate the focus on including specific, disadvantaged suppliers in the HGSF supply chain (Brooks et al., 2014).

Inclusive public procurement comprises a number of interrelated interventions (see Figure 1). These include administrative adjustments (procurement side actions); focused procurement (premiums and preferences); and, the focus of this paper, initiatives for supplier development.



Administrative adjustments are changes to procurement procedures designed to level the playing field for the supplier community. In terms of procurement for HGSF, administrative adjustments may include:

- Surveying the market, identifying existing local products, and supply potential of smallholder farmers and producer organisations;
- Publicising bidding opportunities widely;
- Holding information sessions for farmers and their representatives of bidding opportunities and how to submit effective bids;
- Ensuring that bid time, products, quality and/or quantity requirements suit the supplier community;
- Aligning payment policies with supplier conditions, including issuing prompt payments after products are rendered;
- Holding debriefing sessions with unsuccessful bidders; and
- Establishing an open and easily accessible forum for bidders to air grievances against buyers for non-compliance with published purchasing policies.



Focused procurement relates to premiums and preferences put into place to assist a defined category of bidder (in the case of HGSP programmes, farmers and their organisations). One strategy for focused procurement is setting aside or reserving contracts for a defined supplier category, thus limiting competition for either specific types of purchases (e.g. vegetables or local basic grains) or any purchases amounting to a set value of the overall budget. Another strategy is offering preferential treatment for specific suppliers through the use of a point system during evaluation or a price concession for eligible bidders. Focused procurement requires a clear definition of the category to be assisted, which must be sufficiently big to guarantee competition among bidders.

Supplier development relates to efforts to build the capacity of the supply community to become competitive participants in bids and comply with all requirements of the contracts. The aim of supplier development for HGSP programmes is to include smallholder farmers and their organisations in the supply chain. In addition to involving farmers and their organisations as direct suppliers, supplier development also encourages and builds the capacity of existing school feeding suppliers (caterers and traders) to source from smallholder farmers in an evidenced way. As mentioned earlier, SNV's HGSP supplier development activities consist of matchmaking and market intelligence, business training, technical and logistical capacity, and facilitating financial services.



A producer organization member carries maize from a store to a truck in Baringo County, Kenya.

The Home Grown School Feeding Supply Chain

2

HGSF programmes in each country were launched between 2005 and 2011, and all include an agricultural development objective in addition to student nutrition and retention objectives. Key statistics for the three countries and related scopes of HGSF programmes are provided in Table 1.

Table 1: Country statistics and scope of state-funded HGSF programmes

Country (CIA, 2016)	Scope of HSGF (Commandeur, et al., 2016)
Ghana <ul style="list-style-type: none">Population 26 millionGDP/PPP USD 4,100/year	<ul style="list-style-type: none">4,887 schools1,740,000 studentsUSD 47.2 million/year food purchases
Kenya <ul style="list-style-type: none">Population 46 millionGDP/PPP USD 3,100/year	<ul style="list-style-type: none">2,100 schools800,000 studentsUSD 19.4 million/year food purchases
Mali <ul style="list-style-type: none">Population 17 millionGDP/PPP USD 1,200/year	<ul style="list-style-type: none">444 schools84,389 studentsUSD 12.4 million/year food purchases

Totals

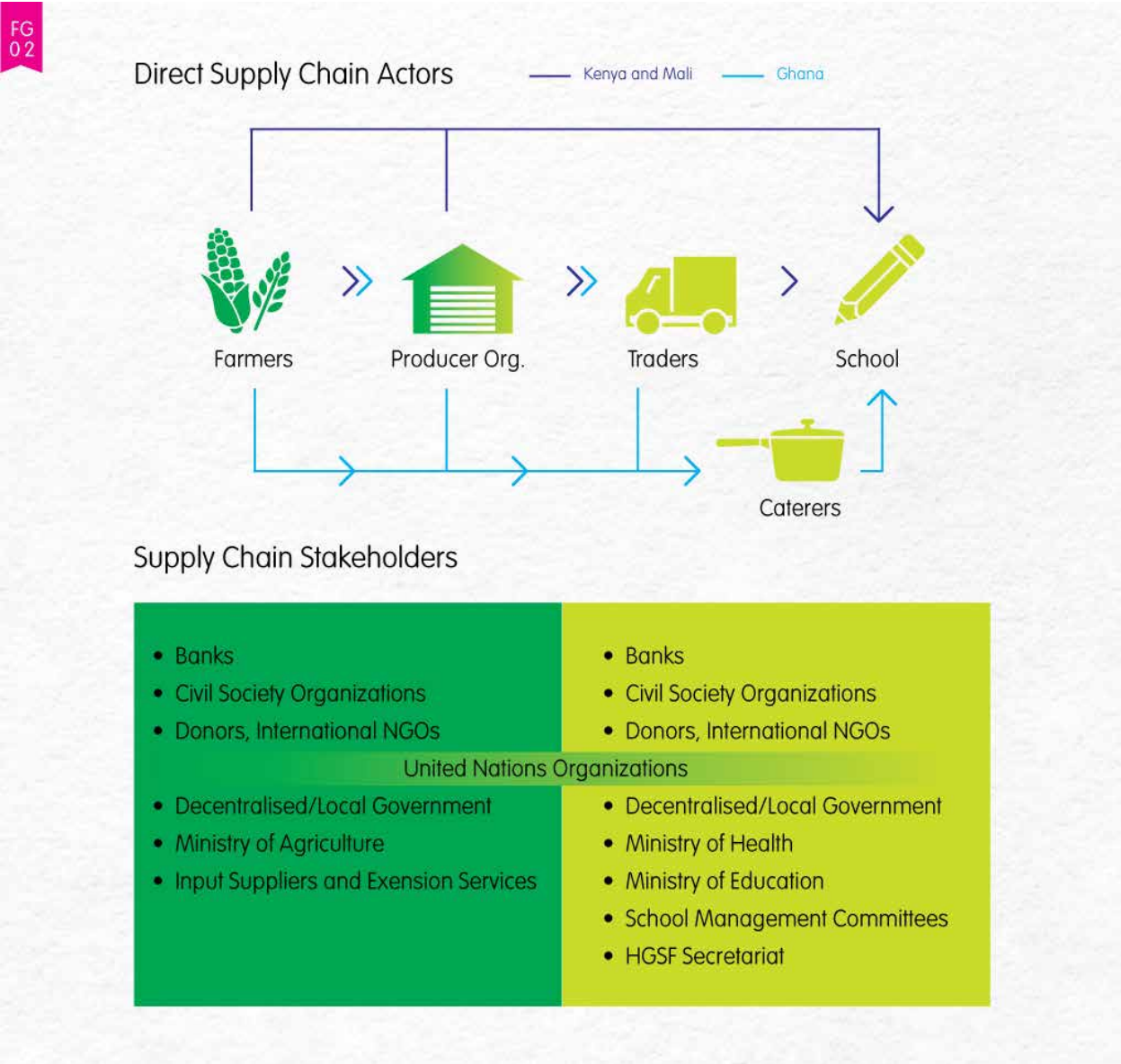
[7,431 schools — 2.6 million students
USD \$79 million/year food purchases]

2.1 HGSF direct supply chain actors and stakeholders

The HGSF programmes in Ghana, Kenya, and Mali follow two procurement models, influencing how the supply chain operates. In Ghana, the caterer model is used: the national HGSF programme contracts caterers through a tendering process to supply and serve school meals. In this model, the caterers are responsible for purchasing food as they see fit, whether from smallholder farmers and producer organisations or through traders. The HGSF programmes in Kenya and Mali use the school model, through which foodstuffs for school feeding

are procured through an open tendering process run by the school’s management committee and to which any potential supplier—smallholder farmers, producer organisations, or traders—may respond. The main difference between the two models is the public procurement of services (the caterers) in Ghana versus the public procurement of food in Kenya and Mali.

While the HGSF procurement models and supply chain actors differ by name in each country, the supply chain framework is similar. Primary producers or farmers are connected to schools,



officials as well as donors and international NGOs may focus on agriculture, education, or the private sector, but not the integration of these sectors. This lack of coordination and awareness between the stakeholder groups can lead to inefficiencies, higher transaction costs, and system-based constraints (ibid).

Alternatively, UN entities like the World Food Programme and the Food and Agriculture Organisation have a mandate and make a concerted effort to integrate all actors in the HGSF supply chain, represented by a gradient bar in Figure 2. As will be discussed in Chapter 4 of this document, a major contribution of SNV's supplier development activities was to foster greater awareness among stakeholders on both the supply and demand sides of the HGSF supply chain about the need to play an active role in working with direct actors across the supply chain to realise the programme's goals for smallholder farmer involvement.

2.2 Supplier Community

When the SNV project began, HGSF programmes in Ghana, Kenya, and Mali were sourcing minimal amounts of food from smallholder farmers (Commandeur, 2013). Primary food suppliers were traders and caterers, both of which purchased food from other sources and were not required to document the origin of the food. The project identified a large potential supplier community more in line with the specific Home Grown objective of HGSF consisting of independent smallholder farmers, their organisations, and traders and caterers with the potential to document their food sources.

Independent smallholder farmers are 'informal producers' with limited supply capacity and business skills. They are typically not registered as businesses with the government because the associated costs and effort required are not considered worth the potential gains (Brooks et al., 2014). SNV defines smallholder farmers/farms as the following:

- Men, women, and/or families who generate a considerable part of the family income by agriculture production;
- The labour used in the rural activities is predominantly family-based; and
- The farm is directly managed by the family members.

In practice, smallholder farmers are subsistence-level farmers, mainly women, who produce food primarily for their family's consumption with relatively little surplus available to sell to traders or producer organisations. Without access to inputs, infrastructure, transportation, formal registration, market intelligence, milling and processing facilities, and financing, smallholder farmers on their own are poorly equipped to produce the volume and quality of goods required by formal school feeding markets.

Producer Organisations (POs) are farmer co-operatives or associations that serve as intermediaries between their smallholder farmer members and markets. POs support their members in a variety of ways to address gaps between an individual farmer's capacity and formal market demand, especially through product aggregation to comply with quantity, quality, and continuity requirements.

With respect to HGSF programmes, POs can serve as the key supply chain partner to facilitate opportunities for smallholder farmers to access school feeding and other opportunities in the public procurement market (Maijers et al., 2016). The project characterised POs as composed of smallholder farmers and providing valuable resources



Caterer, Muniru Zeinabu, in Tolon, Ghana.

often via producer organisations, traders, or caterers. These latter entities are part of the supply community because they are primary sellers to school feeding buyers. Together, the producers and their organisations, traders, caterers (in Ghana only), and the schools comprise the direct supply chain actors. The supply chain functions in an environment with a broad range of policy and support stakeholders, designated collectively in this document as supply chain stakeholders. The stakeholders are more or less active in supporting direct supply chain actors depending on their relationship to specific actors and other factors.

The supply chain acts in two institutional environments: the supply side is supported by the agriculture sector, and the demand side by the education sector (Maijers and Redy Nalla, 2014). The key national supporting institution for the supply side is the Ministry of Agriculture, which has a mandate to support farmers and rural development. The Ministry is complemented by a range of other public, private, and civil society stakeholders that assist either individual or multiple supply chain actors. The supply side stakeholders and direct chain actors are represented in dark green in Figure 2. The demand side of the supply chain is under the mandate of the HGSF programme in each country, often housed in the Ministry of Education. However, since caterers, traders, and, to a limited extent, producer organisations are also part of the demand side, as they purchase goods from smallholder farmers, their supporting stakeholders include public, private, and civil society entities in either education or private sector development. The demand side actors and stakeholders are captured in light green in Figure 2.

The stakeholders that support specific HGSF supply chain actors often work independently, even while the actors they serve are part of a larger chain (see Figure 2). The Ministry of Agriculture supports the supply side, the Ministry of Education or HGSF secretariat supports the demand side, and each pays little attention to the other's side of focus. Civil society organisations may support one actor at a time, but do not play a role in supporting the entirety of the supply chain. Decentralised and local government

and benefits to their members to support their agricultural productivity and market access (Aboah et al., 2016). Such benefits can include aggregation mechanisms, support for quality control, organisational capacity to make products available when needed, access to financial capacity, and access to the PO's business registration and bank account.

POs like the ones SNV worked with in Ghana, Kenya, and Mali operate at a range of levels of professionalisation; some organisations are registered and actively providing valuable benefits to their members, while others are less formally organised, with limited business capacity and few support services in place for members. Additionally, POs face major challenges meeting the demands of formal markets, including school feeding markets. Challenges include insufficient access to capital and market information, lack of access to quality storage and handling facilities, unprepared operational personnel, minimal certification of their operations and/or products, and administrations that lack transparency.

Registered commercial traders are traditional private sector actors that sell to government purchasers. They are able to buy from smallholder farmers during the peak production season and supply to HGSF programmes when products are needed (Maijers and Redy Nalla, 2014). In the supply chain, they play an important role between smallholder farmers and markets, especially in areas without local POs and areas where agricultural production occurs far from markets. Large traders operating at the national level in each country bypass or supplement domestic purchases with imported products from neighbouring countries (ibid.), so not all of their products are guaranteed to meet the agricultural objective of HGSF programmes. Traders can partner with POs in inclusive business relationships to jointly participate in tenders that require evidence of local sourcing.

As of January 2016, in Ghana the procurement of foodstuffs is conducted by registered caterers under contract to the Ghana School Feeding Programme Secretariat. Caterers, buying on their own behalf to produce the meals themselves, are not limited to buying from registered entities and can buy food directly from all suppliers, including smallholder farmers. Caterers are required to pre-finance the purchase of food as well as any costs related to storage, cooking, and serving meals and are paid by the government after their services are rendered. As a result, even though caterers may purchase ingredients directly from smallholders, they often purchase from suppliers that provide their goods on credit, which typically limits caterers to purchasing from traders.

In all countries, SNV noted that all supply community members—POs, caterers, and traders—had low levels of business maturity in supply chains, especially in relation to procurement, marketing, accounting, distribution, storage, and documentation/record keeping (Commandeur, 2013). Few formal business relationships existed between traders, caterers, and POs or farmers due to a lack of knowledge of each other's capacities, a lack of trust between the parties, deficient record keeping, and lack of transparent management practices.

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 A trader at the Timau Market, Laikipia County, Kenya in May 2015.



BY INVOLVING ALL HGSF STAKEHOLDERS IN SUPPLIER DEVELOPMENT,

SNV CONSTRUCTED A SUSTAINABLE ENABLING ENVIRONMENT THAT

FOSTERED SMALLHOLDER FARMER INCLUSION IN SCHOOL FEEDING.

Supplier Development Approaches

3

SNV applied four approaches to strengthen HGSF suppliers: matchmaking and market intelligence, business training, technical and logistical capacity, and facilitating financial services. All activities intentionally involved all HGSF stakeholders whose participation would strengthen the delivery and/or sustainability of the activities, with the overall goal of removing or mitigating supplier development barriers to realizing smallholder farmer involvement in the HGSF market.

Table 2 presents an overview of the supply community’s challenges to selling to the HGSF market, as well as the approaches (in the four vertical columns on the right) applied by SNV to address them. The following sections present SNV’s four supplier development approaches, results that these approaches generated for smallholder farmer inclusion in HGSF, and details on how other HGSF stakeholders supported the approaches.

Table 2: Supplier challenges to selling to the HGSF market as well as project approaches to mitigate challenges

Challenges	Matchmaking + Market Intelligence	Business Training	Building Technical + Logistical Capabilities	Facilitating Financial Services
Unaware of HGSF food requirements	●			
Unfamiliar with HGSF tender and evaluation process		●		
Lack of business orientation, staff, and transparency		●	●	
No business registration or certifications			●	
Limited or deficient aggregation and storage capacity			●	
Lack of access to finance				●
Multi-stakeholder support not coordinated	●	●	●	●

Caterers and Traders

Challenges	Matchmaking + Market Intelligence	Business Training	Building Technical + Logistical Capabilities	Facilitating Financial Services
Unaware of the market capacity of POs	●			
Informal business management		●		
Insufficient recordkeeping to document smallholder sourcing (Caterers Only)		●		
Lack of access to finance (Caterers Only)				●
Multi-stakeholder support not coordinated	●	●	●	●
Unfamiliar with documenting smallholder farmer sourcing (Traders Only)		●		

3.1 Matchmaking and Market Intelligence

When SNV commenced work on the Procurement Governance for Home Grown School Feeding project, potential school feeding suppliers including farmers and POs were unaware of the HGSF food requirements. Buyers such as schools, mayors, and caterers were in turn unaware of the market capacities of POs and their member farmers. SNV implemented several activities to improve market intelligence among both buyers and suppliers and create awareness on both sides to support the agricultural development objective of HGSF programmes.

SNV organised a total of 102 matchmaking events in Ghana, Mali, and Kenya, yearly gatherings for local POs, traders, and caterers to learn about HGSF requirements and procedures directly from HGSF buyers. The events were open to any potential supplier to ensure transparency. Information shared at these events included an overview of HGSF tender and submission requirements, the bid evaluation process, and details on food quality and quantity needs. HGSF buyers also benefited by learning about the capacity of POs in their region to fulfil HGSF tenders. These events included ‘business to business’ roundtables to facilitate arrangements between direct supply chain actors (i.e. caterers, traders and POs) for local foodstuffs.

These matchmaking events attracted over 6,000 supply chain actors and resulted in USD 874,000 of income for participating farmers, the majority of whom were first-time

suppliers to school feeding programmes. In Ghana, where caterers contract food suppliers directly, a total of 430 memoranda of understanding were developed between caterers and smallholder farmers or their organisations at matchmaking events from 2013-2015, with more than 100 caterers and 90 farmers or POs signing multiple memoranda. That caterers and farmers signed memoranda on multiple occasions demonstrates that the matchmaking events, and the agreed-upon next steps, added value to the buyers and sellers present. The total sales attributed at least in part to matchmaking events account for 50% of all sales to school feeding recorded by SNV, indicating that the events not only achieved their goal of creating greater market awareness between buyers and sellers, but led to substantial purchases from smallholder farmers for the HGSF market.

In all countries, HGSF buyers and sellers accounted for 83-85% of matchmaking participants, with the remaining 15-17% representing civil society organisations, the Ministries of Education and Agriculture, local governments, and country-specific stakeholders. In Ghana, for example, financial institutions, grain banks, and the Ministry of Health participated in some events, while in Mali the Ministry of Finance and the Ministry of Territorial Administration, Decentralisation, and Regional Planning were represented. While the primary object of the events was to build awareness between buyers and sellers, the participation of other stakeholders increased their awareness of the capacity for smallholder farmers and POs to sell to school feeding buyers. It also enabled entities that support small businesses and agricultural producers to learn first-hand from their clients or constituents the challenges they face in market awareness and access.

In Ghana and Kenya, SNV applied existing market intelligence platforms (mFarm in Ghana and Cerealmart and Soko Pepe in Kenya) to register HGSF buyers, schools and caterers, and PO suppliers and to promote active use among stakeholders for realizing their transactions in a transparent way. The platforms enable HGSF buyers to publish their calls for quotations and demand for food products. They also enable POs to present their available products and costs both online and via SMS. In Ghana, mFarm introduced the possibility of transmitting information in local languages to spur greater communication between actors.

A total of 1,400 school feeding buyers, 6,800 farmers, and at least 90 POs registered on the market intelligence platforms to exchange information on food demand and offer. While the platforms generated minimal transactions during the activity's period, they produced useful lessons for raising awareness between buyers and sellers in the HGSF supply chain and among the broader network of stakeholders that support them. SNV reported in both countries that the platforms contributed to improved information flow about the availability of foodstuffs and potential supply sources, as well as the quantities and qualities of goods required, and had the potential to improve market efficiency. In Kenya, participating farmers reported greater confidence using the tool to pursue markets outside of their county after receiving tenders through the platform. Kenyan schools that published their demand on the platform reported an 'overwhelming response' in the number of bids from SHF and POs. In Ghana, the SMS feature was more effective than the voice feature to inform the farmers.

While the success of the market intelligence tools hinged on the use of technology to connect buyers and sellers, this technology was also subject to vulnerabilities that made it challenging to use. Weak internet access in project areas, restricted network coverage of mobile networks, and the need to access to compatible phones all posed challenges. The

technological literacy of stakeholders was also an issue, as some users were less familiar with texting (especially special characters) and following text commands. However, these are all challenges that will be resolved as ICT facilities continue to expand throughout Africa. SNV Kenya specifically noted that the successful adoption of the technology would be more likely if it was included as part of the procurement process for the Ministry of Education, Science and Technology (which oversees the HGSF programme in Kenya) and if education officers played a supervisory role in training participants and enforcing usage. Both Kenya and Ghana reported the need for continuous capacity building on the use of the system for all stakeholders, which would be an opportunity for private sector telecommunication companies, representatives from the internet platforms, government partners or NGO partners to play an active role in boosting the uptake of new technology.

3.2 Business Training

Suppliers to HGSF programmes in low-income areas are typically small- to medium-sized caterer and trader enterprises managed in an informal way. They have basic bookkeeping, if any, and their inbound and outbound marketing is based on spot markets and collection

from the farm gate. Likewise, the POs that SNV worked with were at different levels of formalization, with some operating as businesses and others as non-commercial associations.

For caterers to meet the HGSF requirements of food safety and documented sourcing from smallholder farmers, they needed to improve product handling to guarantee food quality and their recordkeeping and their arrangements with POs needed to be formalised. SNV organised trainings for caterers on topics including:

- Recordkeeping to create evidence of smallholder farmer sourcing;
- Identifying, negotiating and contracting with POs or traders; responding to tenders;
- Building entrepreneurial skills;
- Bookkeeping and basic financial literacy;
- Hygiene and food handling; and
- Forming caterer associations.

Simple administrative tools along with recordkeeping books were distributed among the participants to use and replicate. All trainings were designed to equip participants with standard business skills relevant to their participation and any formal market, but also included a special emphasis on understanding the HGSF market and how to comply with the market's smallholder sourcing requirement. In Ghana, 552 caterers received at least one form of business training, with 122 caters taking part in two

“We are poised to deal more professionally with our suppliers, including the local farmers. Using the [record keeping] books, we can also now turn in accurate records to the District Assembly for speedy documentation of our reports for payment.”

Faustina Amevor
Chairperson, Ga East
Caterers Association, Ghana

or more business training events. A total of 58 caterers participated in training events on completing tenders for school feeding contracts.

Similarly to caterers, POs needed support to improve their operations and become competitive suppliers to the HGSP market. SNV organised trainings for POs on the following topics:

- Responding to tenders;
- Identifying, negotiating and contracting with smallholder farmers or traders;
- Building entrepreneurial skills and basic financial literacy;
- Improving storage management; and
- Forming producer associations.

While the focus of these trainings was on developing competitive PO suppliers, traders were not excluded, given their ability to improve smallholder farmer inclusion in the supply chain as intermediaries between POs and HGSP markets, or between smallholder farmers and caterers. Project wide, 2,100 representatives of POs (farmers and staff) participated in business trainings, with an additional 150 farmers receiving training in responding to public procurement tenders. A total of 110 traders participated in either business or procurement training sessions.

In most instances, business trainings were conducted with officers from the respective Ministry of Agriculture, whose mandate includes supporting skills development for domestic agricultural producers. Generally, the trainings were co-conducted by local consultants with experience building market-oriented skills with SNV in other agricultural development programmes. In others, representatives from district level offices played an active role. In Ghana, for example, the training of caterers was also linked with access to credit and done in coordination with district level public Business Advisory Centres of the National Board of Small Scale Industry (Ministry of Trade and Industry) to guarantee a long-term follow up after project closure. The trainings more oriented to supporting suppliers to be competitive during the public procurement trainings garnered strong participation from the Ministry of Education, school management committees, and district level officials with a role in overseeing fair and transparent procurement processes. Since SNV conducted complimentary trainings for many of these stakeholders on managing the procurement cycle from the demand-side, their participation in the delivery of the supplier-side trainings reinforced their knowledge and ensured that suppliers had a point of contact within the government for directing questions or grievances.

Project wide, 2,100 representatives of POs (farmers and staff) participated in business trainings, with an additional 150 farmers receiving training in responding to public procurement tenders. A total of 110 traders participated in either business or procurement training sessions.

3.3 Building Technical and Logistical Capacities

Individual smallholder farmers have little surplus products for sale, and many live in remote areas with poor road infrastructure. These



 Flora Kibet, Zonal Officer in Elegeyo-Marakwet, Kenya explains the national Home Grown School Meals Programme procurement guidelines at Rimoi Primary School.

conditions create high transaction costs to access markets and for little gain. On top of this, a lack of product diversity and inadequate post-harvest handling and storage practices make it difficult for individual farmers to pass the quality controls of HGSF procuring entities.

To improve the competitiveness of smallholder farmers, SNV strengthened their organisations (i.e. existing POs), most of which had little previous commercial experience. The project developed 18 business plans, supporting a total of 167 primary-level POs, outlining new commercial activities to penetrate formal markets. These plans, developed in collaboration with local NGOs and consultants, included targets for school feeding markets as well as other public funded markets, such as secondary schools, universities, hospitals, that require POs to use a similar skill set for tendering, as well as private traders and markets. To complete the business planning, SNV supported POs to convert their organisations into commercial businesses (cooperatives or other) by registering with the appropriate government agencies. Registration is an indispensable step for POs to formalise their organisations, represent their smallholder farmer members, and become competent market players for HGSF and other formal markets.

SNV also focused on developing the aggregation and storage capacities of the organisations through the following:

Improved Storage

Number of Primary Level POs reporting increases in warehouse capacity available to members from 2012-2015 :

Kenya	—	38
Mali	—	41
Ghana	—	18

- Expert storage management training;
- Infrastructure inspection and design;
- Donation of basic warehouse equipment;
- Facilitating linkage with investment funding
- Developing by-laws for collecting produce from member farmers.

Such enhanced capacities enable POs to mobilise goods quickly, improve food handling and storage, and guarantee the quantity and quality of goods for public procurement tenders and private sector orders. The POs used the business plans to access funding for investments in warehouses and for working capital. In Kenya, this led to some POs achieving Warehouse Receipt System certification from the East Africa Grain Council, which also participated in the technical and logistical trainings. This certification guarantees good stock management and serves at the same time as a collateral for farmer access to credit. In Mali, a business arrangement between a big processing firm and a PO led to plans of the firm to invest in storage capacity of the PO to ensure its supply.

In total, the staff, members, and leaders of 1,500 POs received a combination of technical and logistical training and coaching. The POs benefited with small project incentives to support the acquisition of basic storage and administrative equipment. Over 1,700

SUPPLIER DEVELOPMENT FOR INCLUSIVE SCHOOL FEEDING PROCUREMENT

farmers received direct training in technical and logistical skills, although some of the topics covered in these trainings were also included as part of the agenda at matchmaking events as well. The 18 business plans generated a total of USD 1.2 million in sales for participating members.

The technical and logistical trainings were organised in collaboration with civil society organisations and government offices with a mandate to support local agriculture and small businesses. In Kenya, civil society organisations were active participants in the technical and logistical trainings. In Mali, commune authorities were present for nearly all business training while in Ghana, District Assemblies and the Ministry of Agriculture were evenly represented at the events. By participating in SNV’s supplier development activities for HGSF programmes, these government authorities gained knowledge of the capacity gaps in their jurisdictions as well as the business skills and logistical resources needed for agricultural producers to emerge as competitive suppliers to formal markets.

3.4 Facilitating Financial Services

In order for POs and caterers to purchase goods from smallholder farmers, who require upfront payment when goods are sold, both supply chain actors need working capital to pay farmers upon the delivery of foodstuffs. POs also need capital to aggregate, handle, and process goods from their smallholder farmer members to be competitive suppliers to school feeding and other large institutional markets. A lack of capital among both POs and caterers can significantly affect the ability for these small businesses to source food from smallholder farmers and grow their businesses through investments in storage infrastructure. In Ghana, for example, caterers are contractually obligated to pre-finance school feeding; a lack of working capital can force them to seek suppliers that sell food on credit, which is impossible for smallholder farmers and the majority of POs as well. In Kenya and Mali, plans to aggregate food in bulk and fulfil HGSF tenders that demonstrate sourcing from smallholder farmers can be thwarted if POs do not have the cash flow to pay their smallholder members when food is supplied or the facilities to store the purchased products according to safety standards.

To mitigate the impact of cash flow issues on purchases from smallholder farmers in Ghana, SNV negotiated loan terms for caterers with local banks. The loans offered lower than market interest rates because their HGSF contracts, signed by government officials at the district level served as collateral, guaranteeing ensured payments from government. The loans included a condition that required caterers to buy a considerable proportion of food from smallholder farmers and POs. The caterers were required to document their purchases and provide this documentation to the financial institution upon request.


Another strategy: empowering community grain banks in Ghana to provide food to caterers on credit. Grain banks have historically been used as social safety net, buying produce from local farmers in the harvest season and selling it to local consumers in the lean season. Through the project, SNV provided five grain banks with additional working capital, equipment, administrative tools, and training to sell products from local farmers on credit to caterers, guaranteed by the HGSF contract of the caterer and direct repayment arrangement to the grain bank. The activity resulted in a new profitable commercial activity for the grain banks and a new market channel for the farmers in their communities to sell indirectly to HGSF. Between the three commercial banks and the five grain banks offering food on credit, SNV linked 49 caterers in Ghana to credit, generating



banks attended SNV’s matchmaking events and business trainings and were also invited to annual results sharing events in Accra, using meetings organised by SNV to build their business relationships with caterers, a new client base of the banks. For both activities, SNV staff noted the crucial role of facilitators, be they a local NGO or an international organisation like SNV, a private sector partner such as a trader, or, ideally, the District Assembly. Both traders and the District Assembly are in the best position to ensure the long term sustainability of agreements between caterers and financial service providers.

The business plans described in 4.3 supported PO investment in their own operations by equipping them with documentation that could be used as proof of reliability with which to pursue loans and other financial services. The plans outlined the current

USD 113,500 in documented purchases from 1,500 farmers. Representatives from the rural status of the production of the farmer members; the POs’ business operations, if any; existing client base; market opportunities starting with school feeding and other formal markets; strategies to sell to these markets and the resources needed for it – all sustained with financial analyses. This content provided banks with the information they needed to make informed decisions regarding the financial maturity of an organisation, their credit trustworthiness, and their ability to repay loans. By establishing relationships with financial service providers, many of the POs SNV worked with were able to leverage funding for improved storage facilities and other operational improvements for their businesses.

 A caterer preparing to serve lunch in Accra, Ghana.

Lessons Learned

4

SNV's Procurement Governance for Home Grown School Feeding project initiated supplier development activities to equip farmers with the knowledge and skills needed to be competitive suppliers to HGSF programmes. The supplier development activities generated substantive participation of HGSF supply chain stakeholders: procurement entities and those overseeing them at the national, district, and local level as well as other government ministries, civil society organisations, development partners, private sector institutions, and financial service providers such as banks.

The project's results demonstrate that the supplier development initiatives were effective in bringing more smallholder farmers into the HGSF market. We suggest that this was accomplished in part by extending the range of stakeholders beyond the bilateral relationship between buyers and suppliers, creating a foundation for sustainability. The involvement of HGSF stakeholders generated the following outcomes:

1. Grew the network of stakeholders committed to the HGSF agricultural objective. When in competition for attention with HGSF objectives such as childhood nutrition or school enrolment and retention, the agricultural objective of HGSF programmes (i.e. inclusive procurement) can be overlooked. SNV's supplier development activities placed a spotlight on this objective in each country and the need for stakeholders on both the supply and demand sides of the HGSF supply chain to play an active role in order to achieve inclusive procurement. In involving all HGSF stakeholders in the supplier development activities, SNV demonstrated practical activities that can support compliance with the goals for smallholder farmer involvement and, in doing so, also generated greater interest and commitment to the objective. The project was particularly successful at bringing representatives from the Ministry of Agriculture to the table as key stakeholders in trainings and national conversations on procurement.

2. Established knowledge about PO supply potential, as well as remaining capacity gaps in local agriculture When SNV's project commenced, an insignificant level of sourcing from smallholder farmers was taking place. While suppliers lacked awareness of how to participate in the HGSF market, other school feeding stakeholders also lacked awareness of smallholder farmers as potential suppliers. Caterers in Ghana and school management committees in Kenya were not convinced that farmers could sell the quantity of goods they required at the level of quality and the times needed, nor were they aware of the POs in their vicinity and their market capacity. None of the HGSF programmes had mechanisms in place to measure compliance with the programme's agricultural objective, which can be

interpreted as hesitancy to measure an unsure outcome or, more severely, a disbelief that farmers could comply if targets were set.

SNV's supplier development activities generated a critical level of awareness of both the existing capacity of POs to supply to HGSF markets and the gaps in local capacity that prevent them from pursuing even larger formal markets. With procuring entities participating in supplier development activities, the buyers learned the capacity of POs to supply goods directly from their members. Likewise, the ministries that oversee HGSF programmes as well as the Ministry of Agriculture learned directly from the POs any remaining capacity gaps, for example, in logistical arrangements or business skills, allowing representatives from these ministries to mobilise their expertise to address gaps in technical or governmental support for school feeding suppliers.

3. Created inclusive business arrangements to support supplier development within the supply chain. SNV supported private sector actors to engage with POs. This included private entities that are direct supply chain actors, like caterers and traders, who in turn benefited by partnering with the POs to increase their chances in procurement tenders by being able to show SHF sourcing. For example, in Ghana, caterers play a crucial role in educating farmers and POs about their demands during matchmaking events, ensuring that both caterers and farmers reap the benefits of working for the Ghana HGSF programme. Likewise, traders can partner with POs in inclusive business relationships to jointly participate in tenders. SNV intentionally involved traders in matchmaking events and in business and logistical trainings to enable POs to form relationships with them and thereby access new or larger markets. Traders were able to share their sourcing needs and requirements and form partnerships with POs to collaborate on sales to the HGSF market that requires evidence of local sourcing. By connecting to caterers and traders, smallholder farmers and POs are indirectly connected to the various stakeholders and support structures that aid microbusiness and trade enterprises, further integrating the HGSF supply chain stakeholder network.

4. Used supplier development activities to reinforce knowledge gained about inclusive procurement processes. The project's supplier development activities were intentionally conducted in parallel with a series of procurement-side activities for public procurers at the local level and for the district and national government entities that oversee. The procurement-side activities were designed to build understanding of the procurement process and how to work within the established

guidelines, or introduce adjustments to these guidelines, to make HGSF procurement accessible to smallholder farmers within the supplier community while maintaining the key procurement principles of transparency and value for money (see Aboah et al., 2016). SNV led procurement trainings for the national HGSF secretariats, related ministry officials, representatives from district level governments, and school management committees (who manage the procurement process in Kenya and Mali).

The success of the supplier development activities cannot be separated from the procurement-side activities that took place alongside them. At the same time smallholder farmer suppliers became aware that the HGSF market had a mandate to source from them, so, too, did procuring entities receive guidance on how to disseminate tender notices in locations accessible to POs as well as their traditional suppliers. It is likely that the synergy created by this integrated approach to inclusive public procurement contributed to the high number of farmers selling to HGSF programmes during the project.

By participating in the project's procurement- and supply-side activities, stakeholders from the Ministry of Education and district-level governments had opportunities to apply knowledge learned about the HGSF procurement process to support the development of the supplier community. The government officials were given a forum for listening to supplier questions about the procurement process first hand, and bring any concerns to the attention of their national-level counterparts. The supplier development activities provided an occasion to reinforce new knowledge shared with procuring entities and their managing ministries about how public procurement processes could be accessible to smallholder farmers while upholding the principles of transparency and value for money.

5. Putting supplier development on the agenda. Developing the capacity of potential suppliers was not part of the HGSF programmes in Ghana, Kenya, or Mali when SNV's project commenced. SNV's Procurement Governance for Home Grown School feeding project, through its supplier development activities, drew the attention of HGSF stakeholders to the need to intentionally develop the capacity of the disadvantaged suppliers their programmes sought to engage. This need was reinforced during national learning events organised by the project on a yearly basis to share best practices and lessons learned.

6. Developed the enabling environment as a foundation for sustainability. Involving related government ministries (Agriculture, Finance, Health, Decentralisation, Trade and Industry, and others), whose mandate covers one or more direct supply chain actors, expanded the network of government support for the activities introduced during the project. For example, the Business Advisory Centres of the National Board of Small Scale Industry in Ghana regularly organise workshops for micro-enterprises in their jurisdiction. After being involved in the project's business trainings for caterers, the staff of these Centres committed to inviting caterer associations to their workshop series and to include caterers as eligible for the Centre's services, which resulted in the caterers receiving coaching from the district advisors. The project's work with the East Africa Grain Council in Kenya, organised to facilitate Warehouse Receipt System certification, equipped participating POs with a connection to an established professional membership organisation designed to support the domestic grain industry in Kenya. Matchmaking activities in each country could be absorbed into existing market linkage initiatives and agricultural events

organised by the Ministry of Agriculture.

The project involved niche private sectors entities such as market intelligence platforms, radio stations, business associations and technical consultants to provide tailored services that complemented the overall goals of HGSF supplier development. The project's incorporation of financial service providers—both directly, as in the case of the loans for caterers, and indirectly, by encouraging POs to use formal business plans to seek financing—was a creative way to address cash flow issues that prevent suppliers from sourcing their goods from smallholder farmers. SNV's use of existing private sector support entities plugged the project's activities into an existing structure that can continue engaging the direct supply chain actors in market linkage activities in the future.

Likewise, the role of SNV and other NGOs, both international and local, were a critical success factor in mobilizing the seed funding to trial the activities and to bring together stakeholders that may not have been involved if the same initiatives were organised by the national HGSF secretariats independently. SNV's emphasis on using highly local NGOs, consultants and civil society organisations to deliver technical assistance also added value to the work, enabling trainings to be conducted in local languages, by facilitators knowledgeable about local markets and organisational realities.

Conclusions

5

The Procurement Governance for Home Grown School Feeding project generated evidence that supplier development initiatives can transform a supply chain with minimal smallholder farmer sourcing into one that sources from a large number of POs and their member farmers and, both directly and indirectly through caterers and traders. In project areas, SNV documented sales from over 26,000 farmers to school feeding and large public or institutional markets worth a total of USD 3.3 million. If scaled nation-wide with similar results, these interventions could provide more than 2.4 million smallholder farmers in Ghana, Kenya, and Mali with an additional USD 135 of income per year by selling to public and institutional markets.

The project demonstrated the strength in involving partners who are both formally or informally associated with school feeding buyers and suppliers, as well as those at the periphery of these activities, who can support supplier development in meaningful and mutually beneficial ways. The involvement of these stakeholders not only supported the competitiveness of smallholder farmers as suppliers to HGSF programmes, but also formed the basis of an enabling environment for supplier development to support the sustainability of inclusive procurement in the future.



Pupils at Thitha Primary School in Mwingi, Kenya line up for their school meal of maize and beans.

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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

Practicing Inclusive Food Procurement from Smallholder Farmers

Producer Organisations: Going into Business with Formal Markets

Social Audits: Speaking up for Home Grown School Feeding

Structured Demand Markets and Smallholder Farmers: Relevance and Access

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Grain Banks in Ghana: Credit for Caterers Brings Farmers into the Market

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Procurement Governance for Home Grown School Feeding
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