



Institutional food procurement programmes in Africa: how they are changing and how they contribute to development

Since the early 2000s, institutional procurement programmes have been appearing more and more as mechanisms that can play a big role in meeting development goals such as ensuring food and nutritional security and reducing poverty. They are often used as tools to promote certain agricultural production systems, particularly family farming and agroecology. This brief will cover the rise of institutional procurement programmes in Africa, how they work, major changes they have undergone and the different players involved. It will reflect on lessons learned through different experiences in order to try to determine how institutional procurement programmes contribute to development.

1. What is an institutional food procurement programme?

Institutional contracts. Institutional procurement (or purchasing) programmes include any contracts where goods and services are acquired from a legal entity in order to satisfy specific needs. Sometimes called "structured-demand programmes", they generally offer stability and predictability.

Food security and catering services. Institutional food procurement programmes cover initiatives that aim either to make food available and accessible to communities, or to provide catering services. They are therefore used in programmes to promote food and nutritional security (building up emergency food reserves, providing food for school meals, etc.) and to

provide catering services (at hospitals, prisons and military barracks) [13].

Public or private programmes. When it comes to institutional procurement programmes, there are public programmes (contracts with public or semi-public bodies, international organisations, humanitarian agencies) and private programmes (e.g. transport companies offering on-board meals to passengers or food-service companies at the workplace) [4]. This brief focuses mainly on public institutional procurement programmes that promote food and nutritional security.

2. How have institutional food procurement programmes in Africa changed over time?

Food-security reserves. After suffering repeated food crises, African countries gradually began creating public food-security reserves. Those reserves are supplied through agencies or structures that are involved in institutional procurement programmes. That is the case in West Africa with Sonagess (national security reserve management company) in Burkina Faso, Nafco (national food buffer stock

company) in Ghana, Opam (office of agricultural products in Mali) and OPVN (Niger foodstuffs office).

Humanitarian organisations. Several humanitarian organisations also acquire food through institutional procurement programmes for their distribution and school-meal programmes. The biggest example is the World Food Programme (WFP).

Supporting local production. Before 2003, national and international organisations in charge of managing food reserves imported their food supplies [10]. Starting in 2003, in order to support agricultural development and help reduce poverty, African governments decided to include local foods produced by small-scale farmers and acquired through institutional procurement programmes in school-meal programmes (school-meal programmes linked to local production) [5].

The Brazilian model. Brazil's "Zero Hunger" strategy, which promotes food security and inclusive economic and social development [18], certainly inspired this change in institutional procurement programmes. Through PNAE (national school-meal programme) and PAA (food purchasing programme), small farmers were placed at the heart of institutional procurement programmes for food security in Brazil. Those programmes had two objectives: to reduce food and nutritional insecurity, and to support family farming.

WFP's P4P programme: supporting family farming through institutional procurement programmes

WFP is a humanitarian body that organises programmes to eliminate hunger. In 2008, it launched the pilot phase of its Purchase for Progress programme (P4P) in order to help reduce hunger and support small producers. The pilot phase ran from 2008 to 2013 in 20 countries (including 15 African countries), allocating over \$177 million to acquire roughly 450,000 tonnes of food, either directly from producer organisations and small and medium-sized retailers, or through commodity markets and warehouse-receipt systems. Small farmers (who number over one million in P4P countries) also sold over \$60 million of food to public and private buyers other than WFP: private flourmills, agrifood companies, school-meal programmes, national food reserves, hospitals [15]. One special feature of P4P is the provision of training programmes for producers and their organisations, as well as for merchants and warehouse managers. Those training programmes cover a range of topics, from food handling and storage, to warehouses operations, quality control and the WFP's purchasing procedures.

3. Who is involved in institutional food procurement programmes?

Buyers. Institutional food procurement programmes are initiated by players called buyers (or sponsors). These include structures with a national mandate to promote food and nutritional security among communities, as well as bodies that oversee school or university cafeterias, or that provide food services at hospitals, barracks and prisons. Local authorities are also key players in institutional procurement programmes, because they are able to encourage the development of local food systems and promote family farming [19]. Other players include NGOs and United Nations agencies.

Suppliers. The suppliers (or sellers) include producer organisations and co-ops, processing facilities and organisations comprising facilities that process agricultural products. Individual small producers rarely participate in institutional procurement programmes because of the conditions set by sponsors, which they are not always able to meet: quality standards, delivery deadlines, stability and volume of production, administrative documents, access to financial services and appropriate storage spaces, etc.

Producer organisations also face those same challenges, even though some of them are now starting to win procurement contracts. There is no data on the issue, but it appears that the main suppliers of institutional procurement programmes in Africa are retailers and private companies that sell food.

Beneficiaries. The beneficiaries vary depending on the targets and objectives of the players who initiate the procurement programmes. For programmes providing catering services, distinction must be made between the users of the centres in question (hospitals, prisons, barracks, universities, etc.). As for programmes promoting food and nutritional security, the beneficiaries are typically local communities and children attending school (through school cafeterias).

Support operators. Support operators provide support when it comes to carrying out various activities relating to the execution of institutional procurement programmes. They include warehouse workers, transporters who transport goods from pick-up locations to storage areas, managers of storage areas and technicians who ensure that the products meet quality standards.

and philanthropic organisations for the implementation of institutional procurement programmes. Specifically for public sponsors, financial support comes from governments that allocate a portion of the national budget to institutional purchasing. Technical support generally comes from international development bodies and NGOs that have expertise in the area and/or that provide the technical resources needed for the programme to function properly.

Support partners. In Africa, sponsors usually receive financial support from banks, development agencies

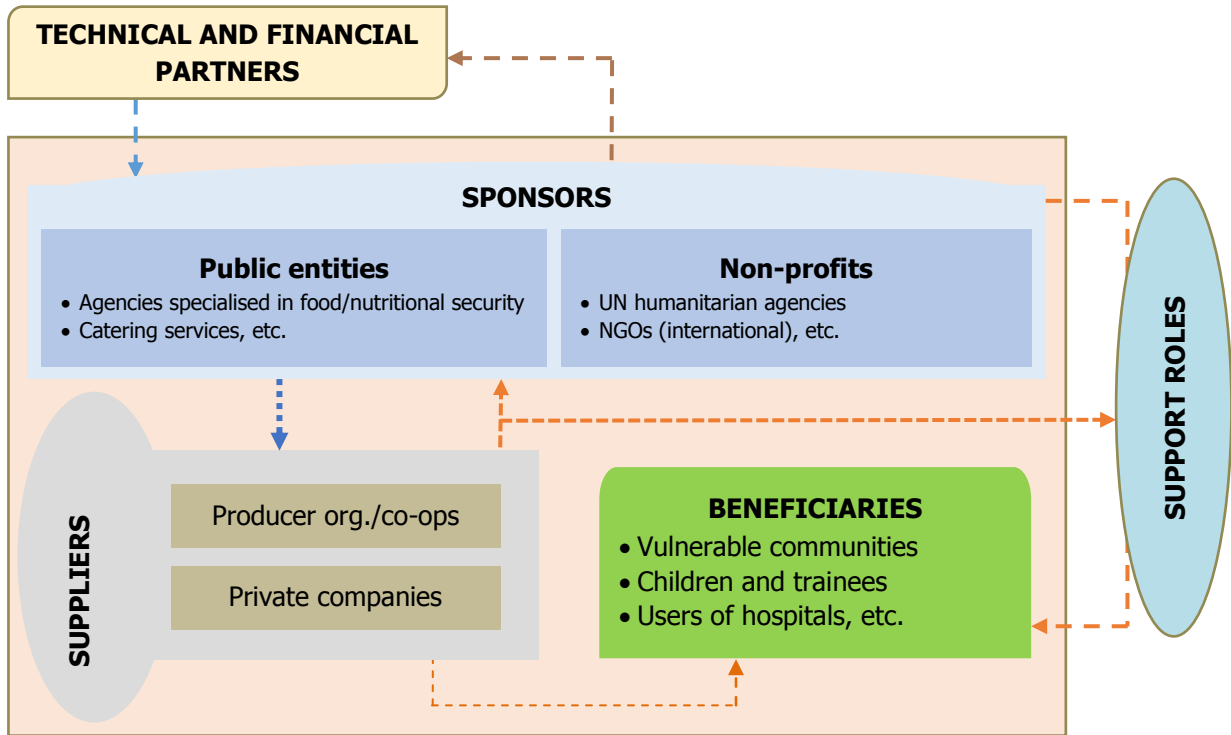


Figure 1: Diagram showing the different players involved in institutional procurement programmes

4. How do institutional procurement programmes work?

Regulation codes. Institutional procurement programmes are in most cases governed by a public-procurement code that is specific to each country, and/or by procurement regulations and procedures in the case of international organisations and humanitarian agencies. Although in most African countries those codes are not specific to food procurement programmes, there are more and more specific features that allow for better organisation of

institutional food purchasing. In general, there are three main principles when it comes to public-procurement codes: transparency of procedures, equal treatment of candidates and open competition. Those principles aim to encourage the sound management of public resources allocated to institutional procurement programmes [9].

Implementation in three steps. Institutional procurement programmes can be broken down into three main phases. First, the request is assessed (quantity and quality of the products, estimate of the number of beneficiaries to support, etc.), and the sponsor formulates its procurement needs (quantity and quality) in detail. Next, the sponsors choose an approach for entering into a procurement contract with suppliers: calls for tenders (or competitive bid calls), direct contracts or futures contracts (see boxed text

below) [14]. Lastly, in the execution phase, the suppliers with whom a contract has been signed must deliver the goods in compliance with the terms of the contract. After execution, the process is assessed to measure how well the objectives were fulfilled. The findings of the assessment are shared with the different stakeholders, particularly the technical and financial partners.

Institutional procurement programmes: different approaches for different objectives

There are three main approaches when it comes to establishing contracts for institutional procurement programmes:

- **Call for tenders:** Suppliers interested in the sponsor’s call for tenders submit a commercial proposal (technical and financial). The sponsor considers the submissions, chooses the applicant offering the best response to its needs and signs a contract with the chosen applicant.
- **Futures contract:** This is a commitment to buy or sell a predefined quantity of a certain product at a predetermined price and date.
- **Direct contract:** This is drawn up through direct negotiations (without a call for tenders) between the sponsor and the supplier concerning the provision of a product.

5. How do institutional procurement programmes contribute to development?

Eliminating hunger. Public food reserves are an important instrument when it comes to promoting food security. In practice, agencies mandated by public authorities stock up on food products (rice, corn, millet, sorghum, black-eyed peas) in areas that produce a surplus at harvest, in order to build up reserves which are then sold at moderate prices

during the periods between harvests [10]. Those reserves are mainly built up through institutional procurement programmes. In Mali, over 75% of sales through institutional procurement programmes go to food-security reserves, particularly Opam reserves and community grain banks (Figure 2).

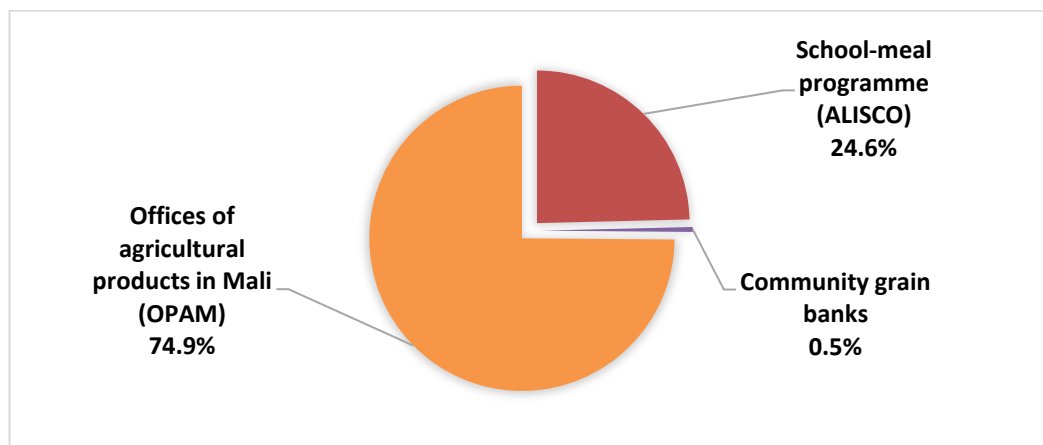


Figure 2: Breakdown of sales through institutional procurement programmes in Mali
 Source: SNV data from 2016 [13]

Reducing poverty. Promoting food and nutritional security through food reserves and reducing poverty are two objectives that are closely linked, particularly when it comes to small farmers. In concrete terms, the idea is to feed communities and help farmers rise from poverty. That is why more and more institutional procurement programmes are focusing on local

sourcing through small farmers [8]. Those procurement programmes not only offer opportunities for producers, but they also lead to large amounts of money being injected directly into farming systems (see boxed text on P4P). The other advantage of institutional procurement programmes is that they reduce the number of intermediaries between the

producer and the buyer [2], [6], which means that the producer gets a greater share of the profit. Producers also get better prices [2], as the prices offered by institutional buyers are often higher than market prices [10].

Promoting health and education for children. Providing food for schools is one of the main objectives of institutional procurement programmes. In Kenya, about 55% of the food sold by producer organisations through institutional procurement

programmes (over \$870,000 in 2012) goes to primary, secondary and post-secondary schools (see Figure 3). That's also the case in Ghana, where roughly 85% of the food sold by producer organisations through institutional procurement programmes goes to the country's school-meal programme [13]. Providing food for schools through institutional procurement programmes helps ensure that children are eating well, which contributes to their growth and promotes good health. It also helps promote access to education [5].

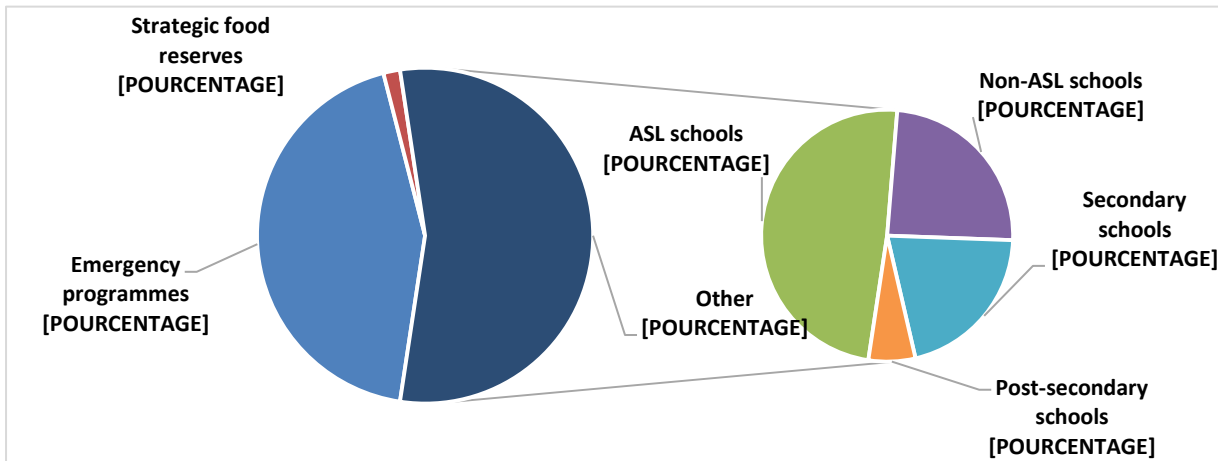


Figure 3: Breakdown of producer-organisation sales to institutional procurement programmes in Kenya
 ("ASL schools" are schools that receive locally produced food through school-meal programmes)

Source: SNV data from 2016 [13]

West Africa: a regional food reserve

The regional food-security reserve (RRSA) is a sub-regional public reserve in West Africa. RRSA is the third line of defence—after local reserves (at village and community level) and national food-security reserves—to prevent and manage food crises. Heads of state decided in February 2013 to create the reserve, and it became operational in 2016. It has two components: a financial reserve (two-thirds of the total) and a physical reserve (one-third of the total) of 176,000 tonnes of food for the first four years, which will rise to 411,000 tonnes by the eighth year. RRSA is intended for emergency operations in the event of a major economic crisis in one or more countries. It is an important instrument in the fight against food insecurity at sub-regional level. Its physical reserve is kept at the warehouses of national storage companies and is supplied through institutional procurement programmes (particularly contracts awarded through calls for tenders).

6. Promoting family farming through institutional procurement programmes: challenges encountered

Promoting family farming. More and more measures are being put in place to help producer organisations and small farmers gain access to institutional food procurement programmes. Invitations to tender issued in 2016 for supplying ECOWAS's regional food-security reserve stated that a 15% margin of preference would be granted to regional suppliers. In a more targeted manner, P4P signs contracts directly with producer organisations at local

level for the acquisition of products. In Brazil, there is a whole legislative corpus presenting specific provisions stating that public-procurement schemes must give preference to players in family farming. For example, the five priorities of the PAA food purchasing programme (*direct purchases, building up reserves, direct purchases for redistribution, encouraging production and consumption of milk, and institutional purchasing*) are exempt from calls for tenders. This

makes it possible to circumvent public-procurement laws, where it is almost impossible for small farmers to compete with larger producers and companies.

Supporting agroecology. In Brazil, regulations were introduced to promote the transition to agroecology through a provision establishing a 30% premium on the purchase price of organic-certified food and food produced in compliance with the principles of agroecology [18]. Following Brazil's lead, more and more towns, cities and countries are reforming their public-procurement programmes in order to supply public cafeterias with local, sustainable and/or healthy foods [20]. Burkina Faso, for example, adopted a decree in February 2017 on procedures for the awarding, performance and settlement of public-procurement contracts and public-service delegation contracts.

Favouritism? Some, however, have criticised the measures, which has led to some debate within the World Trade Organisation (WTO). The United States in particular has criticised India, whose national food-security law states that food is to be acquired from small farmers: those measures are seen by some countries as a violation of the non-discrimination principle and as a way of subsidising producers. The issue is open to debate. The WTO agreement on public procurement does not prevent signatories from creating food-procurement plans stipulating that foods must be produced in a way that does not cause excessive harm to the environment, nor does it

prevent them from enacting specific provisions to help prevent the exclusion of small producers from food supply chains owing to the cost of complying with standards in areas such as health, security and traceability. [21]. The prices offered through Brazil's food purchasing programme are not actually better than market prices. What the programme offers are provisions to reduce the administrative burden that limits small farmers' access to public-procurement contracts.

Low participation from small producers. In setting up institutional procurement programmes, there are a number of constraints linked to the process, the players and the environment outside the programmes. The diagram below breaks those constraints down into different categories. Analysis of those constraints reveals that participation of agricultural producers and producer organisations in institutional procurement programmes is low. Sometimes agricultural producers and producer organisations sell their goods on parallel markets with fewer constraints [17], which may be partly linked to the low remuneration of the efforts demanded of farmers to reach the levels of quality required by institutional procurement programmes. Assessments of certain experiences (P4P, for instance) have revealed that the transaction costs are high and that the level of financial gains and the sharing of those gains would be subject to strong political influence [16].



Overcoming those constraints. Three main solutions have been put forward to counteract those constraints, which reduce the effectiveness of institutional procurement programmes [13]. First, measures favouring small producers and training programmes for people in charge of purchasing within smallholder organisations can help small farmers gain access to institutional procurement programmes. It is essential that producers become more professional—so that they can respond more easily to institutional procurement programmes. Second, grouping small farmers together into commercial organisations helps generate economies of scale so that those farmers are better able to compete for institutional procurement programmes. Lastly, creating an environment that is favourable for investments by small farmers, small-farmer organisations and other rural companies, and improving farming and processing practices, would make institutional procurement programmes more effective.

CONCLUSION

Institutional procurement programmes have huge potential when it comes to supporting sustainable development in food and nutritional systems, transforming assistance into productive investments in local communities [7] and promoting food and nutritional security.

Analysis of the experiences of different players in the sector, however, reveals a series of challenges in terms of ensuring the longevity of institutional procurement programmes and making them more effective so that they can play a greater role in helping achieve development objectives. In order for agricultural producers in general, and small farmers in particular, to really take advantage of institutional procurement programmes, they need to be able to meet buyers' expectations in terms of quantity, quality and delivery deadlines.

That objective is linked to issues such as making farmers more professional and helping them structure

Power games. Food security is an area which, like many others, is marked by balances of power between players at different levels: subsidies for farming inputs, commercial and investment policies, rules for health and safety at the workplace, nutritional standards, land regulation, environmental regulation, etc. [22]. Institutional procurement programmes are also highly influenced by these political tactics, particularly when it comes to the rules governing such programmes and management mechanisms. Certain players (especially those with influential lobbies, such as: multinationals, promoters of industrial production and distribution models, etc.) use pressure to define and adopt rules that are favourable for their products, which are usually produced in highly intensive production systems (use of chemical inputs, additives and chemical preservatives added to the products, promotion of GMOs, etc.). Those pressures now face increased vigilance from civil society, which is closely monitoring the power balance between players and the harmful effects of certain production models.

their supply. For smallholder organisations, structuring demand is essential when it comes to structuring supply [9]. In other words, in order to bring about change for producers, it is important to ensure that there are opportunities for agricultural products through guaranteed and predictable demand.

It is important, however, to think about what type of farming those changes will result in. It is possible to promote mechanisms to improve the supply of small farmers while making sure not to encourage the development of a type of farming that is highly dependent on fossil energies, which is a particularly worrying prospect in today's context of climate change. It would also be a good idea to think about preventing the risk of excluding—from institutional procurement programmes—many players involved in local processing (both groups and processing companies) who nevertheless have close ties with producers and who produce quality goods.

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