

Public food procurement from smallholder farmers: literature review and best practices

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Despite the expansion of public food procurement initiatives, research into outstanding challenges and lessons learned remains limited. The literature review in Miranda (2018) aimed to address some of the research gaps by pinpointing best practices to promote smallholder participation in public food procurement and foster synergies with food security and nutrition outcomes. This One Pager presents the key best practices identified in the paper.

Creating specific public procurement frameworks

1. Preferential treatment schemes. Farmers must be given competitive advantages through preferential treatment schemes. Given the gender constraints in most countries, women should receive additional preferences. Preferential treatment is only effective if governments are able to monitor and enforce compliance with preferential treatment rules.

2. Eligibility criteria. Preferential treatment schemes must have clear eligibility criteria and certification processes. Eligibility rules lessen doubts and ambiguity regarding procurement decisions. Governments must also decide if they wish to target particular subgroups of farmers. Public food procurement initiatives should always aim to specifically target women.

3. Procurement caps. In non-competitive processes, food procurement should establish procurement caps as to prevent governments from becoming the only buyers, create incentives for farmers to find other markets and ensure that the benefits of market access are spread across the largest possible number of smallholders.

4. Price mechanisms. Public food procurement should use market prices as a benchmark, as this promotes fiscal responsibility and lessens the risks of market distortions. Governments must establish effective price mechanisms to identify market prices and make procurement prices readily available to suppliers.

5. Registration requirements. These represent a key transaction cost in public procurement, as they usually involve bureaucracy and extra fees. Ideally farmers/farmers' organisations should be required to provide one type of registration which is the least onerous to them.

6. Bid securities and performance guarantees. Although these financial guarantees are a good practice in public procurement, they can also pose significant hurdles to smallholders because of limited liquidity and access to financial services. Requirements should be waived or reduced. Bid securities can be substituted by a bid declaration.

7. Food safety and quality standards. Governments should always ensure food safety and quality in food procurement. Although these standards should not be lowered, procuring entities should look to waive requirements that have no impact on food quality and safety. These requirements should also be simplified to the greatest extent possible without compromising safety.

8. Food procurement specifications. It can be difficult for smallholders to comply with overly specific food requirements. Food specifications should be focused on food groups, nutrient content and basic nutritional requirements rather than specific crop varieties, sizes, colour and appearance.

Procuring entities should allow for variants that meet nutrition requirements and follow seasonality.

9. Timely payments. Payment delays in public procurement are common in all parts of the world. The recognised best practice is to pay suppliers within 30 calendar days. This timeframe could be too long for smallholders, especially more vulnerable producers. Ideally, farmers should receive payment within two weeks.

10. Access to information. Obtaining information on public procurement is also a key transaction cost. Public food procurement calls must be publicised through channels accessible to farmers and include all the necessary information for participation. Information should be provided well in advance so that interested producers can plan and make provisions for their participation in public procurement processes.

11. Forward contracts. Forward contracts offer many benefits to smallholders and procuring entities by reducing uncertainty. However, they also present a commercial risk. Contracts must establish effective price mechanisms and allow renegotiation before delivery.

12. Contract lotting. The size of food contracts can create obstacles to smallholders as they may have limited capacity to supply large quantities. More decentralised procurement models can potentially lead to smaller contracts. Governments should always seek to subdivide contracts into smaller lots in order to ensure that smallholders can meet the food demand.

Cross-sector coordination

13. Food baskets. These must be based on smallholder production. Governments should devise specific guidelines to incorporate smallholder crops, including food produced by women. The design of food baskets should also involve close collaboration between nutrition, agriculture and procurement stakeholders.

14. Capacity development. Governments and development partners should provide support to farmers to participate in public food procurement. Countries should capitalise on ongoing agricultural programmes as this simplifies implementation, reduces costs and fosters synergies with rural development efforts. Public food procurement initiatives must be integrated with agricultural development interventions through coordinated targeting mechanisms.

15. Multi-stakeholder arrangements. Public food procurement initiatives are multi-dimensional thus require concerted action among different sectors. Governments should establish a specific multisector arrangement with a clear mandate and decision-making powers. This should include all actors and sectors that have a stake in public food procurement, including communities and smallholders.

Reference:

Miranda, Ana. 2018. "Public food procurement from smallholder farmers: literature review and best practices". *IPC-IG Working Paper No. 176*. Brasília: Food and Agriculture Organization of the United Nations and International Policy Centre for Inclusive Growth.