Making Public Procurement Programs Work for Asian Family Farmers

ISSUE PAPER
ASK. ANALYZE. ADVOCATE. ACT!

Asian Farmers’ Association for Sustainable Rural Development

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1. What is public procurement?

Public procurement refers to the process through which governments or public agencies acquire goods and services to undertake its daily operations, and deliver basic services to its constituents. Governments buy, lease and/or secure goods and services through other means of exchange in order to implement their plans and programs. In its simplest form, public procurement programs enable governments to secure resources needed to help them fulfill their functions.

However, beyond this basic use of public procurement, there is an increasing awareness regarding its importance as a tool for (1) helping governments and countries achieve key development goals, such as environmental sustainability, food security and poverty reduction and (2) helping small scale men and women farmers to organize themselves, to build their capacities to engage their governments, to meet the demands of a sustainable market and to increase their members’ incomes and well-being.

2. Are programs for public procurements important for both governments and small-scale farmers?

a. In recent years, there’s been an emergence of procurement programs that involve small farmers and communities not only as recipients of goods and services, but also as suppliers. This enables governments to support livelihoods and boost local economies. For farmers, public procurements represent a ready market for our produce. We see it as one opportunity through which governments can provide sustainable markets for our sustainably-grown or processed crops and products. It is also a good opportunity for us to develop linkages and build our skills in organizing ourselves, in securing fair contract arrangements, in doing quality production and in meeting the demands of the market.

b. Public procurement programs enable the states to some point to influence the market and the economy towards achieving specific goals like food security, poverty reduction, social protection and sustainable development. For instance, in building food reserves, governments have the option to source it either from local farmers or through imports: Deciding to provision reserves with local farmers’ products enables governments to generate demand for local products and, in the process, support local agriculture and the domestic economy.

In the United Kingdom, government procures food and catering services amounting to 2.4 billion pounds per annum from the local food and farming sector, thereby encouraging local production. In Sri Lanka, government encouraged the development of small and medium enterprises in the information technology sector by sourcing their goods and services from them. Brazil’s zero hunger program, featured in Box 1, demonstrates how government’s decision to adopt a program that systematically procured at least 30% of food from local farmers instead of relying on importation helped increase farmers’ income, promote rural livelihoods, improve food security and reduce poverty. In Europe, the Green Public Procurement encourages governments to use their purchasing power to support the production of environmentally friendly goods and services.

c. Public Procurement can promote sustainable value chains. For the environment aspects, we can already see multiple examples of governments getting involved and using their purchasing power to support the production of environmentally friendly goods and services. For example, the Sustainable Public Procurement Program (SPP), which is supported by the United Nations Environmental Program (UNEP), aims to use public spending, equivalent to 15 to 25% of GDP, to achieve environmental objectives. Some of these examples include Bulgaria’s use of 100% recycled paper, Denmark’s procurement of 100% organic seasonal food, Estonia’s program to utilize low environmental impact personal
computers and monitors, France’s sustainable wood procurement program, and Germany’s renewable electricity program in Bremen, among many others. In Asia, Chinese government agencies at the local and national level prioritize the use of products that are part of its “green product inventory”. In Japan, the Green Purchasing Law promotes the purchase of environmentally-friendly products by government agencies, and encourages the sharing of information on ecologically sustainable goods and services. For farmers, we can advocate for governments’ procurement of sustainably grown and processed products of local farmers for their feeding programs as well as for various public institutions in their various official and social functions (such as during conferences).

3. How can public procurement promote food security through food reserves and at the same time benefit local farmers?

Many governments across Southeast Asia buy staple food crops to build food reserves in support of their food security objectives. These reserves function as a buffer stock and are meant to protect consumers from sudden shortfalls in food supply. In several cases too, governments procure food, not only to build up their buffer stock with the objective of stabilizing prices for the country’s consumers; but to also support small food producers through guaranteed prices, markets and incomes.

In the Philippines, the National Food Authority (NFA), as mandated by law, buys rice stocks equivalent to 15 days of national rice consumption to create a buffer stock in case rice supply in the market goes down. It is mandated to buy palay or rice paddy at a higher price than prevailing market rates. This enables the agency to enforce a floor price, and ensure that farmers get fair prices for their products. Unfortunately, NFA does not always have enough resources to buy sufficient volumes of rice to be a consistent and significant player in the market. It is also not always able to buy rice at a price higher than what is offered in the market, thereby limiting its effectiveness in influencing farmgate prices. This underscores the need for government procurement policies and programs to have the necessary budget support in order to meet key development objectives. In Indonesia, the Food Law of 2012 provides for the creation of rice reserves at the national, provincial, city and village level. As of January 2015, Bulog, Indonesia’s logistic agency responsible for procuring rice, has stocks of 1.7 to 1.8 million metric tons of rice. Bulog also procures rice as a way to stabilize paddy prices at the farm gate level, and help ensure that farmers have fair incomes. In November 2014, the agency sourced 2.4 million tons of rice from local producers.

In Malaysia, government does not directly procure food stocks, but has a contract with BERNAS, a private company, to procure, store and distribute rice. Bernas is contracted not only to procure rice for buffer stocking, but also to serve as a buyer of last resort for paddy farmers. It facilitates the purchase of about 800,000 tons of paddy per year from local farmers through purchasing centers across the country.

In Thailand, government’s decision to increase the settlement price for rice under its rice pledging program resulted in an increased food stockpile, in effect creating food reserves. The pledging program is not strictly a procurement program but essentially functions as such when farmers choose to settle their loans by selling their produce to government. In 2011, the decision of the Thai government to raise the settlement price for paddy to USD 500 per metric ton encouraged farmers to sell their products to the government.

At the regional level, the Association of Southeast Asian Nations (ASEAN) maintains the ASEAN Plus Three Emergency Rice Reserve (APTERR) with three of its dialogue partners, namely China, Japan and South Korea. The APTERR is a permanent reserve mechanism designed to help ensure that ASEAN countries have access to rice.
in case of emergencies. It has pledges equivalent to 787,000 metric tons of rice.13

The need for government to procure food to build these reserves and create food buffer stocks, either directly with farmers or through arrangements with private sector, can be expected to intensify, especially in light of the increasing uncertainty in food production as a result of climate change. The growing incidence of extreme weather events, as well as the effect of slow onset climate impacts such as sea level rise and increasing temperature among others, is expected to heighten food insecurity. It provides a rationale for governments and institutions to procure food from local producers in order to promote local and resilient production in order to maintain reserves as food security guarantees.

4. What are the current trends in public procurement?

The last decade saw the emergence of public procurement initiatives designed to help achieve multiple social objectives. An inspiring example is the Zero Hunger Program in Brazil, which shows how government spending can be a part of a comprehensive plan to attain food security, rural development and poverty eradication. Under the program, food security stocks or reserves were sourced primarily from local producers. Food imports are discouraged whenever domestic food supply is sufficient. The program also requires that the food served under its various feeding programs be partially sourced from local farmers and small family farms. Box 1 highlights key features Brazil’s public procurement initiative as part of its Zero Hunger Program.

Noting the success of the Zero Hunger Program, the Philippines embarked on a similar initiative to achieve food security, rural development and poverty eradication in a comprehensive and synergistic manner. It launched the Partnership Against Hunger Program (PAHP) in 2013, in collaboration with the Brazilian government, as well as the World Food Program (WFP) and the Food and Agriculture Organization (FAO) of the United Nations.18 One of the key components of the program is the procurement of food from agrarian reform beneficiaries to supply community food hubs, day care centers and the various feeding programs under the PAHP. This initiative is designed to encourage rural livelihoods addressing hunger, promote human development and reduce poverty.

Brazil’s Zero Hunger Program is a clear example of how a progressive public procurement program targeting family farms can be a key component of a country’s plan to reduce hunger and poverty. Launched in 2003 by President Luiz Inacio Lula da Silva, the Zero Hunger Program mobilized Brazil’s leading agencies led by the Ministry of Food Security in a comprehensive plan to eradicate hunger and extreme poverty in line with the country’s commitment to the Millennium Development Goals. A key success factor of the program was the great collaborative mechanism that were established, enabling farmers’ and civil society organizations to take part in the design and management of the program.

Under the Zero Hunger Program’s Food Acquisition Program (PAA), government procured food from small family farms. However, government went beyond merely sourcing food from farmers, it also invested heavily in ensuring that farmers have the capacity to increase production to meet the increasing demand for food. The Zero Hunger Program and its food acquisition initiative are underpinned by a host of structural and specific policies aimed at improving farmers’ productivity and incomes. These include land reform and redistribution, expansion of social protection measures for small farmers and providing credit for farm capital. Family farms were also given a wide range of incentives such as the extension of agricultural insurance, research and technology, assistance in the formation and strengthening of cooperatives, among other forms of support. Because of all of these interventions, farmers were able to effectively contribute to and participate in the government’s procurement program.

One of the features of the Family Food Acquisition Program is that farmers can take an advance on the products they intend to sell to government. The advance functions like credit, which gives small farmers the resources and capital necessary to undertake food production.
Several key factors contribute to the success of the Food Acquisition Program:

First, the program was designed in close consultation with a broad range of stakeholders, most especially farmers groups and civil society organizations. This explains why the program was crafted and implemented in a way that anticipates and addresses the challenges that can undermine farmers’ participation in such initiatives. The Program was in fact created based on the recommendations of farmers’ groups to the government of President Lula during the first few months of his administration. It was important to note that during Lula’s presidential campaign, the national farmers’ organizations in Brazil, noting that he was coming from the Workers’ Party, brought Lula to some villages and towns to meet the farmers and understand their situation, needs and proposals. The program was supported by three major farmers’ organizations, namely, the Agricultural Workers’ Confederation (Contag), the Federation of Workers in Agriculture (Fetraf) and the Landless Movement (MST). These FOs were active members of CONSEA (National Council on Food Security and Nutrition). The design of this program was developed and put into operation in close coordination with farmers’ and stakeholders’ groups through the CONSEA. Nowadays, constant dialogue and dispute still exist to make the program the most accurate for farmers and their organizations.

Second, the program has the political support of government’s top leadership. The fact that Brazil’s Zero Hunger Program is endorsed and supported by President Inacio Lula da Silva facilitated the delivery of policy as well as technical support from various government agencies. Also, the legal and policy framework underpinning its Family Farming Food Acquisition Program under the Zero Hunger Program is contained in Law No. 10,696/2003, which encouraged and enabled family farms to sell their produce to governments for local food reserves and for distribution to families considered at food risk. The government has also legally defined family farming, recognizing and identifying therefore who are the family farmers who should be significantly involved in the program.

Third, as indicated earlier, the Zero Hunger Program is comprehensive and multi-dimensional as it seeks to address every aspect of the food security and poverty problem, from ensuring that farmers are able to secure improved income while supplying enough food, to providing poor families with the means to buy food through its cash transfer programs, to working with various enterprises and other segments of economy in promoting food security programs.

Fourth, a large budget was allocated for this program. At the start of its Family Farming Food Acquisition Program under its Zero Hunger Project in 2003, the Brazilian government allocated a budget for the purchase of food items from small family farms. During the first year of its implementation, the program received RS 400 million for the procurement of food from small farmers. The Brazilian government directly allocated these funds from its coffers as well as from the donations it received from private entities that wanted to contribute to the country’s food security program.

Fifth, there is institutional collaboration. Brazil’s Zero Hunger Program was implemented and coordinated by the Extraordinary Ministry of Food Security and Hunger Combat, with the help of various government agencies from the national to the municipal level, and in consultation with major stakeholders groups. The Ministry of Agrarian Development and Ministry of Agriculture support the implementation of the Family Farm Food Acquisition Program. These types of institutional collaboration and support are essential in increasing the potential of public procurement policies to contribute to country goals on food and livelihood security.

Brazil is now reaping the rewards from its Zero Hunger Program. It was able to increase the income of family farms by 33% from 2003-2009. It was also able to meet the Millennium Development Goal of reducing extreme poverty by 50% in 2015.
The Partnership Against Hunger and Poverty (PAHP), launched in December 2013, is a joint initiative between the Philippine government, the Food and Agriculture Organization and the United Nations World Food Program (UN-WFP) and the Brazilian government. Inspired by Brazil’s Zero Hunger Program, the PAHP is a multi-pronged approach to promote food security in the Philippines. Similar to the Brazilian program, PAHP’s design is to procure food from small farmers to supply food for government programs. Under this scheme, agrarian reform beneficiaries’ organizations were tapped to supply food for the day care centers that are managed by the Department of Social Welfare and Development and local government units, and the feeding programs organized by the Department of Education.

The Philippine government also taps the Department of Agriculture and the Department of Agrarian Reform, to help ensure that farmers are supported in increasing the quantity and quality of their production. These Government agencies conducted trainings and other capability building activities on organic vegetable production. It also provided equipment and facilities, as well as organic farm inputs.

The PAHP is piloted in 9 provinces, and involves 67 local government units across three regions. It has so far benefitted 72,722 children from 1,867 day care centers, 126 organizations of agrarian reform beneficiaries and 5,040 farmers. The Philippine government allocated a total budget of Php 113.5 million for the pilot program, which translates to an average of allocation of 1.7 million for each local government unit. It is expected to provide every agrarian reform beneficiary with an average additional income of Php 22,500.

The Pambansang Kilusan ng mga Samahang Magsasaka (PAKISAMA), a national confederation of organizations of small scale farmers, fishers and indigenous peoples in the Philippines, and an AFA member, started to engage in the local government’s PAHP program, conducted in November a workshop cum field visits with local farmers organizations and local authorities in Camarines Sur and an international conference, both involving representatives from FAO, WFP, national and local stakeholders from government agencies, farmers organizations and civil society groups.

One of the cooperatives that participated in PAHP is the May-ogob Agrarian Reform Community (MOARC) in the Municipality of Ocampo, Camarines Sur. MOARC supplies organic vegetables for the day care center in the locality.

Some results: The women vegetable farmers in this community welcome the benefits of being part of this program. It enabled them to increase their capability to produce organically grown vegetables, which they can supply not only to the day care centers (DCC) but also to secondary markets within their locality. This increases their potential to earn more, especially since they do not have to incur transport expenses. Equally important, they reported a sense of well-being from knowing that the organically-grown vegetables which they produced will feed and nourish the children in the community.

However, the women farmers did not traditionally grow the vegetables prescribed in the feeding program’s menu (e.g., broccoli, cauliflower, etc). Hence, they entered into a new agreement with the PAHP implementers that the DCC menu would be adjusted to available vegetables in their farms. This new proposal from the vegetable farmers has been incorporated in the new Feeding Guidelines prepared by the PAHP national committee.

The farmers from CNOFA struck a deal with the Rural Health Unit (RHU) for a one-time supply of organic rice according to the farmers’ premium price. CNOFA was not able to deliver immediately as it had to get first the necessary registration and business permits. Then, just as when they were able to get these papers, a strong typhoon flooded their areas, including its warehouse, soaking their paddy rice. CNOFA was unable to deliver because of this. As of this writing, CNOFA is negotiating again with the RHU. This time, it will make a better costing of its price to convince RHU to buy its organic price.

Realizing the benefits of engaging in the PAHP program, the farmers from PADC-GPCC in the
towns of Pamplona, Pasacao and San Fernando in Camarines Sur province, with technical assistance from PAKISAMA, prepared a business plan and supply chain management using the “1000 square meter model” to secure a year round supply of organic produce to the feeding programs of the municipality, secured a business permit/license, printed its official receipts, and negotiated with local health, education and social welfare officials for the business deals. As of this writing, the deals are being subjected to final contracting arrangements.

PAKISAMA believes that public procurements bring an added dimension to enhancing farmers’ market power since farmers are not merely selling, but selling with a social purpose. This is not only very innovative, but it can revolutionize farmers’ approach to business, especially because government remains to be the single biggest and most reliable market. Farmers and their organizations can face hurdles in the government procurement process, but they must make themselves fully prepared, equipped with sufficient capacities and have the will to overcome these hurdles. PAKISAMA has the possibility to be a key actor in the development and scaling-up of PAHP because the confederation has presence in different provinces, and has a long experience in production improvement, in agri-entrepreneurship development, and in FOs’ capacity strengthening activities. Moreover, programs like PAHP are a good first step to understand other markets with specific criteria and demand.

Participants during the national and international workshops on PAHP conducted by PAKISAMA, CSA and AFA have unanimously endorsed the PAHP, and have put forward the following reflections and recommendations for it to become more effective:

1. Involve farmers groups and civil society in every phase of the program – from the conceptualization and planning, to the implementation, monitoring and evaluation. The current design of the pilot has not engaged the participation in policy-making and implementation of non-DAR-assisted Producers’ Organizations such as those assisted by PAKISAMA and other people’s organizations (POs). The farmers’ groups were engaged only at the local level as program beneficiaries. This is very unlike the Brazil experience from which it draws inspiration from.

2. The current purchases involving the feeding centers should offer volume purchases and premium prices to organic products and of products by farmers’ organizations. These issues must be addressed by PAHP Program Steering Committee, which should officially involve FOs/CSOs at national and local levels.

3. The capacities of local farmer groups and cooperatives to handle the business of producing and delivering in a regular and consistent manner - the volume of a variety of food required by the feeding centers’ menu - need to be further enhanced through training, mentoring on business planning, supply chain management, quality production and marketing. This can be the work of national farmers organizations, CSOs and government working together in synergy and complementation under the PAHP Program Steering Committee.

4. There is a need to institutionalize the PAHP so that it can continue benefitting children and men and women farmers beyond the current administration. A national food security bill authored by Congresswoman Leni Robredo has not been passed. A new set of national leaders and parliamentarians will be elected in May. Although the PAHP presently enjoys the political support of the government, there is no guarantee that the next administration will do the same.

5. Document lessons learned/best practices from the pilot testing of PAHP as part of capacity building and advocacy for the institutionalization of PAHP.
5. How can governments ensure that their public procurement programs are effective in meeting multiple development objectives?

Public procurement programs, whether stand-alone or a component of a broader development plan, can only be successful if they have budgetary, institutional and policy/legal support. These types of support are essential and closely related to each other – the absence of even one can undermine governments’ ability to effectively use public procurement policies.

Public procurement programs, especially those targeted to help influence the demand and supply of goods and services, need to be backed by sufficient budget. This is important if governments are to be considered major players in the market. As shown in the early parts of this paper, and in the case of Brazil, government can only achieve its goal of building up its food reserves while helping farmers gain better prices for their products if they have the necessary budget to buy enough agricultural produce from farmers. Governments can only enforce a floor price if it is able to purchase farmers’ produce at prices that are equal to or higher than what is offered by other buyers in the market, and at volumes significant enough to pull up domestic prices. In OECD countries, the budget for public procurement is equivalent to 12% of GDP, making government an important player in many markets.21

Apart from budgetary support for the program, the role and support of institutions are also essential in the successful implementation of public procurement programs. Public procurement programs linked to broader development plans require great institutional support, often involving several government agencies, with great coordination and complementation mechanisms. In the case of Brazil, farmers’ organizations and CSOs were involved in the design, implementation and policy making of its Zero Hunger Program. Farmers’ organizations esp at national levels can help government to work with small farmers as they know the reality and the language of the farmers, and have the abilities to mobilize and build their capacities.

Finally, public procurement programs and initiatives must be backed by a clear set of policies and laws. On one hand, rules and regulations aimed at increasing coherence, transparency and accountability are essential in ensuring that governments are able to help weed out challenges related to corruption in government spending. These policies also...
promote good governance, and are important in making sure that governments get the best value for their resources. On the other hand, procurement policies and legislation must safeguard the right and the power of governments to procure and make decisions in accordance with their development goals and strategies. The current pressure to promote perfect competition even in government procurement must not undermine governments’ flexibility to use this as a tool to support sustainable development goals.

6. How can governments and other organizations help farmers participate and contribute to the success of public procurement programs?

Public procurement processes must be transparent and accessible enough to allow farmers to participate. Farmers will be discouraged from joining public procurement programs if the process of participating is difficult and complicated. Farmers’ organizations and CSOs can play a key role in facilitating and institutionalizing exchanges between small farmers and government and in building the capacities of local groups.

Enabling farmers to participate effectively in government procurement also entails supporting them so that they are in a position to meet government requirements in terms of quality and quantity (e.g., Brazil’s case where farmers can get money advances). Without such support, farmers will not be able to plant, or will have little choice but to pledge their harvest to money lenders. At the same time, governments will not be able to source their food stocks locally from small farmers and will have to resort to agricultural imports. This limits the potential and effectiveness of public procurement initiatives to drive demand and generate domestic economic activity. It is clear that government procurement policies if intended to help spur agricultural production and improve small farmers’ livelihood, must also be coupled with other initiatives such as the provision of productivity-enhancing support.

In some countries, the procurement of rice and other food commodities from small farmers is hindered by the fact that the latter cannot bring their products to government buying centers. Some governments were able to address this problem by establishing many buying centers throughout the country. In some instances, governments send out trucks to remote rural areas in order to buy produce from farmers. All these indicate the need to design public procurement programs so that these anticipate potential challenges to farmers’ participation and provide targeted solutions to address these. There is also the need to build the capacities of farmers’ organizations in the design of public procurement programs and processes and laws.
7. What can farmers groups and civil society do to improve public procurement policies?

a. **Organize and Build Capacities!** Organized farmers, according to geographic locations and commodity clusters, whether in groups, associations or agricultural cooperatives, are in a better position to participate and take advantage of public procurement policies. They have the necessary leverage to engage effectively with government and secure the necessary support to help them meet government procurement standards. They are able to work together to achieve public procurement requirements, particularly in terms of volume and quality. For instance, farmers’ organizations can serve as consolidators of farmers’ produce, and can be in a better position to supply procurement programs compared to individual farmers.

b. **Engage governments and development institutions to advocate** for the development and adoption of public procurement policies and programs that support family farming agriculture. In undertaking this advocacy, it is important to emphasize that public procurement programs must be comprehensive in order to be successful and effective in meeting key development goals. As seen in Brazil’s Zero Hunger Program, government must not focus solely on public procurement, but must also invest in building the capacity of small-scale farmers to consistently produce sufficient volumes of food and other commodities.

c. **Work with national and international civil society organizations in modeling** successful procurement programs involving small-scale agricultural producers. The insights and lessons from these types of initiatives can help inform the advocacy for the adoption of effective procurement policies. It can also help mainstream procurement programs that promote sustainable rural livelihoods and food security.

d. **Encourage knowledge sharing among farmers’ groups,** civil society organizations, development institutions and governments. The fact that there are already numerous examples of effective public procurement programs provides a good starting point for scaling up and mainstreaming multiple bottom-line procurement programs.

**Endnotes**

1. Peter Bonfield, “A Plan for Public Procurement”, Department for Environment, Food and Rural Affairs, United Kingdom, July 2014
2. Promoting Local IT Sector Development Through Public Procurement, United Nations Conference on Trade and Development (UNCTAD), 2013
6. Ibid
10. Bulog to absorb 3.2 million tons of local rice next year, Jakarta Post, November 18, 2014
13. Ibid
18. Corral, Violeta. Initial compilation of research on Institutional Procurement/ Food Purchase Program for PAKISAMA, August 2014
19. Collectif Stratégies Alimentaires is a Belgian NGO, long time partner of AFA and PAKISAMA, www.csa-be.org
20. which is premised on the concept of farm diversification and integration,
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