Institutional demand: linking social protection with the power of procurement

Ryan Nehring, Cornell University, Ana Carla Miranda and Andrew Howe, Consultants

Calls to increase smallholder productivity throughout the world fail to address the barriers and risks associated with poor markets present in the developing world. Institutional demand is defined as any intervention that aims to coordinate smallholder participation in markets through the procurement of food for regional distribution. Within the last two decades, there has been a surge in institutional demand policies reflected in domestic programmes and a significant growth in international donor support to procure food aid locally and/or regionally (de Schutter 2014).

There are four key components through which institutional demand can offer social protection for vulnerable populations (both producers and consumers):

- price stability through the direct procurement of a surplus production or agreed crops in conjunction with the establishment of a regional price benchmark to facilitate access to information for negotiation;

- income effects by remunerative prices present a favourable economic environment for producers to sell their produce and engage with markets, as well as making investments in production capacity based on market knowledge;

- food security is enhanced both directly through the procurement of food for local disbursement to vulnerable populations and increased demand for agricultural goods that incentivise appropriately scaled production for local and regional markets; and

- farmers' organisations play a critical role in facilitating procurement and providing a space for coordinated learning about production, marketing, sale and delivery.

These benefits are based on a large-scale review of food procurement and assistance programmes worldwide by Nehring et al. (2017). That review demonstrates that the intended impacts of institutional demand are highly dependent on the procurement model. Targeting and registering producers (and their organisations) helps to ensure that funds are being used effectively to benefit those most in need and those who are willing and able to sell through institutional markets. Additionally, distribution needs to be coordinated so that the procured food is delivered efficiently to populations facing food insecurity or stored as food stocks, in the case of shocks.

Brazil's Food Acquisition Programme (PAA) and National School Feeding Programmes are two of the most highlighted cases of well-designed and implemented institutional demand (see Soares et al. 2013). The Brazilian model has even been exported to Africa under a South–South cooperation project, PAA Africa. Lastly, Home-Grown School Feeding (HGSF) programmes are helping to boost demand for local smallholder production that can offer fresh and healthy school meals.

Institutional demand cannot be regarded as a silver bullet or panacea for social protection and rural development. It is merely one inter-sectoral policy approach to bridge the concerns of marginal populations. But design matters when considering the extent to which institutional demand can be most effective. There are key elements of the procurement system that must be considered when designing policies for institutional demand:

- Objectives: Institutional demand aims to advance social protections goals and rural development. It is important to identify synergies and trade-offs.

- Scale: The scale of the demand will have different effects in the market and influence agricultural value chains from the local to the global sphere.

- Rules and regulations: Tendering rules that establish bureaucratic systems may restrict the ability of smallholders to participate in procurement processes.

- Food quality management: Food safety and quality standards are crucial; however, they can pose very strict regulations and burdensome registration systems with which smallholders are unable to comply.

Following the 2007–2008 and 2011 food crises, governments are in need of new strategies to boost domestic agricultural production that complement social development goals. Supporting domestic, smallholder agriculture is a crucial way to accomplish that. Poverty is largely a rural phenomenon, with over 70 per cent of the world's poor people located in rural areas, where a majority of the population relies on agricultural production for their livelihood (IFAD 2011). Agrarian reform, technical assistance and agricultural credit are all crucial policy objectives to support rural livelihoods. However, there must also be a focus on the barriers facing the entry of smallholders into the market, such that private intermediaries are not monopolising or excluding some populations in underdeveloped rural markets. Local and regional procurement policies are fundamental to extending favourable market conditions (i.e. access, fairness etc.) to smallholders and helping establish a more resilient social protection network for rural development through state intervention.

References:

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