

SNV

Improving Procurement Tools for
Smallholder Farmer Inclusion in Kenya

**2016
CASE**



Improving Procurement Tools for Smallholder Farmer Inclusion in Kenya

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.

This report is based on research funded by the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.

 **(Cover)** Sarah Wanjiku,
*a smallholder farmer in
Ihidu, Kenya holds kale at
her farm.*

Eliana Vera
SNV USA

Eliud Nkunja
SNV Kenya

Joseph Omollo
Consultant

March 2016



The Kenya Home Grown School Meals Programme (HGSMMP) ensures some 800,000 school children a nutritious meal each school day, while supporting growth of local economies by purchasing food valued at \$17 million USD per year from smallholder farmers (SHFs). At the same time, the programme is charged with safeguarding public funds through open and transparent procurement processes. However, SNV established that existing procurement regulations, processes and tools do not fully support the inclusion of smallholder farmers, promote transparency, or ensure schools get value for the funds spent. Having the right tools in hand and building procurement skills can go a long way toward ensuring that the process is transparent, fair, consistent, and produces the desired results. From September 2014 to February 2015, SNV piloted specific tools to procure foodstuffs to explore how they could remove obstacles to smallholder participation.

This case study describes the experiences and lessons learned in piloting modifications to existing procurement tools and processes, and in proposing new tools and training stakeholders in their use to buy food for the school meals programme at four schools in Narok County in southeast Kenya.

 *A primary school pupil with his plateful of githeri.*

The Challenge and the Opportunity

From baseline studies conducted in Kenya by SNV under the Procurement Governance for Home Grown School Feeding (PG-HGSF) project, funded by the Bill & Melinda Gates Foundation, the SNV team found that Kenyan SHFs were not selling to schools participating in the national HGSMF as envisioned. Only 11% of the total foodstuffs purchased in the pilot areas were recorded as coming from smallholder farmers (SHF), mostly through traders. Additionally, traders supplying the schools were not required to provide evidence that they were purchasing at least part of their produce from SHFs, although this is a specific objective of the HGSMF. The SNV team concluded that, in part, the reason was that the procurement process—particularly the procurement tools in use and Kenyan staff conducting the procurement—did not facilitate SHF inclusion as direct suppliers either through SHF producer organisations or indirectly through traders under Inclusive Business arrangements.

A review of the procurement process identified several areas in which tools and staff training for procurement could be added or modified to make the process more responsive to the original intent of HGSMF. For example, explicit references to SHFs as preferred suppliers in the tender specification tools were omitted. Similarly, the same tools did not sufficiently address evaluation criteria that could lead to higher scores for SHFs or for traders providing evidence that they sourced from smallholders.

THE IDEAL AND THE REALITY OF HOW PROCUREMENT IS DONE IN HGSMF

The HGSMF in Kenya reaches over 761,000 school children in more than 2,100 primary schools, primarily in the semi-arid and food-insecure regions of the country, and spends approximately \$17 million USD per year on food. The produce needed by each school to prepare meals is mainly maize and beans. Considered a growing “structured demand market”, school feeding has the potential to boost local economies through the inclusion of smallholders as suppliers of these products, typically through producer organisations that need to be strengthened for effective participation in this competitive market.

The Ministry of Education, Science and Technology (MoEST), in consultation with other stakeholders, and within the framework of the Kenyan general public procurement regulations, establishes the guidelines for procurement of food for the HGSMF, and is responsible for the direct disbursement of funds to each school, based on school enrollment. Schools elect the School Meals Programme Committees (SMPCs) which, under the leadership of the school’s head teacher and including the participation of parents (who in the rural areas are predominantly farmers), are the responsible bodies for purchasing the food and overseeing the delivery of safe and nutritious meals. The head teacher is responsible for overall management and accountable for the funds received; prepares procurement plans in consultation with the SMPC; and ensures proper record-keeping and reporting to the sub-county education officer on a monthly basis. MoEST stakeholders, including the County Director of Education and the Sub-County Education Officer, are responsible for programme coordination, training, and capacity building in their respective jurisdictions.

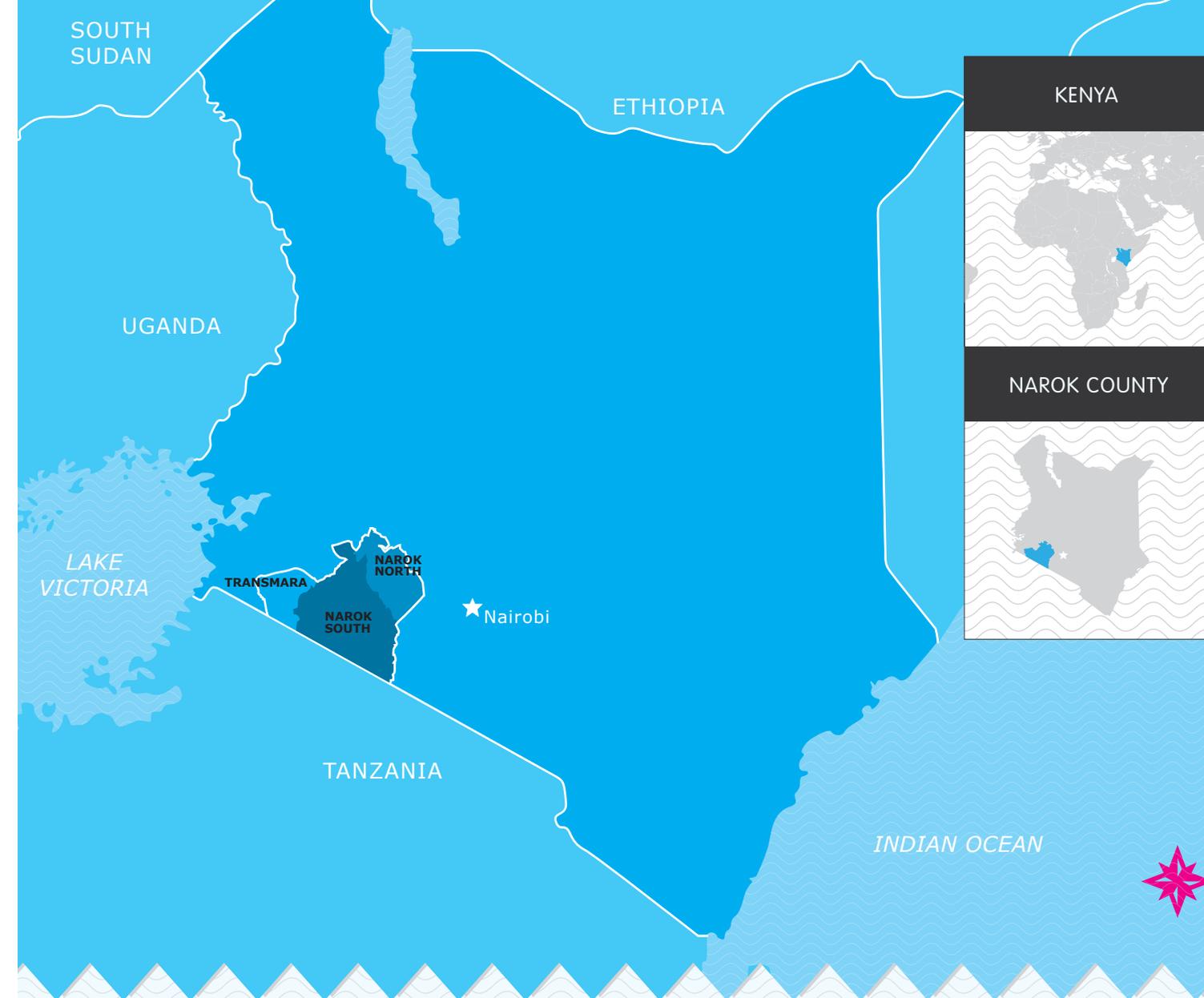


The HGSMF in Kenya reaches over 761,000 school children in more than 2,100 primary schools... and spends approximately \$17 million USD per year on food.

The SMPCs procure food three times per year, at the start of each school term. They are under strict instructions not to issue tenders for bids until the receipt of funds in their account for each term. At that time, they are responsible for advertising the opportunity to bid, knowing the market price for each commodity, reviewing the bids, assessing quality, making the selection, and contracting the supplier.

When reviewed by the SNV team against the HGSMPO objective of ensuring SHF participation, these tools were found to be deficient. The regulation restricting procurement to the time that funds are deposited in the schools' accounts prevents schools from following a procurement plan when funds are delayed. This makes it difficult to follow a process and frustrates suppliers who are willing to participate. In addition, as SMPC members, school head teachers and other teachers are tasked with assessing market prices, conducting the tendering process, and often doing the actual shopping for food—activities that divert attention from education-related duties and for which, in most cases, they are not trained. Little is offered to facilitate these activities. The existing forms are at times complicated and do not reflect the intent of the HGSMPO: they do not facilitate outreach, engagement with, or inclusion of SHFs as suppliers. Thus, a decision-making system that is not sufficiently clear, coupled with inadequate record keeping, exposes the SMPC members to accusations of deception and lack of transparency. The procurement challenges for both the target seller group (SHF producer organisations) and the schools result in high levels of frustration, less than transparent processes, and uncertainty in achieving “best value” for the purchases and SHF involvement.

For the Kenya PG-HGSF SNV team, this became the opportunity.



Narok County has 102 schools with an enrollment of around 45,000 pupils. The County, home of the Masai Mara National Reserve, has both pastoral and agricultural communities living in the Lower and the Upper zones respectively. Narok North and South, where HGSMPO schools are located, are food deficit areas and rely on a food rich section of the county called Transmara and other counties for food.



NAROK COUNTY Kenya

The Project's Response

The SNV team proposed an intervention to pilot new and adjusted procurement instruments that could lead to greater inclusion of SHFs as suppliers to school feeding and facilitate the process at the school level. Four pilot schools were selected in Narok County: Nkinye, Ntumenteni, Oloika and Ntulele.

The pilot had four objectives:

- ✓ **ONE**
School feeding officials become supportive of the introduction of new tools to make food procurement more inclusive of SHFs as suppliers;
- ✓ **TWO**
Procurement is improved by the introduction of a new monitoring and evaluation tool that enables HGSMP auditors to clearly track transparent procurement implementation;
- ✓ **THREE**
Increased SHF participation is fully measurable against baselines established at the beginning of the pilot; and
- ✓ **FOUR**
Results and ultimate successes of the pilot are easily replicated in other areas within Kenya.

The Pilot: Methodology and in Practice

Initial discussions with the HGSMP stakeholders led to the selection of Narok County and the four schools. These discussions also resulted in an agreement to modify or introduce specific tools to facilitate greater inclusion of SHFs in school feeding, based on recommendations from the SNV procurement expert, who had conducted the document review. The selection of four schools was considered representative, since all schools in Kenya use a similar procurement process and all schools selected operated in similar geographical conditions.

📷 *School Meals Procurement Committee members review new procurement tools in Narok.*



FIVE TOOLS:

WHAT WAS NEEDED; WHAT WAS DONE

KEY: ★ New tool ✓ Used by SMPC ✓ Used by PO/bidder ↻ Revision ⚙️ Combination

The five tools¹ under discussion included the following:



Market Price Comparison Tool

While SMPCs are required to conduct a market survey and offer proof that they had done so, there was no instrument available to help SMPCs conduct this study reliably. SNV designed and tested a simple form for the SMPCs to accurately record information on price, availability, and quality levels, to use it in the Procurement Plan and to check market effectiveness at the bid evaluation stage.



Procurement Plan

The existing HGSMP manual provided a tool to calculate the price of food, but did not provide guidance on how to develop a procurement plan. Sound planning moves procurement from reactive to strategic, and gives procuring entities (in this case SMPCs) a strong tool to assess the local situation and the targets of inclusion that already exist or should be defined.² SNV developed a planning instrument as a road map for the procurement process, including methods and evaluation criteria to ensure value for money and improve efficiency.



Invitation to Quote

An existing Public Announcement for Quotation instrument was in use by SMPCs to inform potential suppliers; however, it did not mention SHFs or SHF producer organisations as preferred suppliers. SNV tested a modified tool that provided new details, including the appropriate use of a tender box, and the requirement to have bidders provide evidence of engagement with SHFs as well as samples of food products.



Tender Documents

The tender documents consist of several sections that include the invitation to tender; instructions for the bidders; tender evaluation criteria and process; and the tender submission form. As part of the revisions, interested bidders are provided all of this information in one packet, and are asked to complete the submission form when bidding. The tender documents were modified to provide a minor price incentive for bidders to include SHF supply, and stress the overall objective of HGSMP to ensure SHF involvement. Combining these documents is expected to make it easier to respond to bids and increase the transparency of the evaluation process.



Local Purchase Order; also referred to as supplier agreement form

The SNV team introduced modifications to detail the terms and conditions applicable to the LPO/supplier agreement. The purchaser (in this case the SPMC) completes the LPO and sends it to the bidder to formalise the purchase.



¹ There was a sixth tool introduced, to facilitate the monitoring of adherence to the procurement implementation guidelines and enhance good governance. While it was decided not to pilot the new tool at the time, this instrument was in the end deemed to be important, and has since been incorporated into the newly revised Procurement Implementation Guidelines arising out of the pilot.

² Brooks, Commandeur, Vera. Inclusive Procurement and Transparency: Connecting Smallholder Farmers to School Feeding. PG-HGSF Learning Series #3. October 2014.

Pilot activities began in September 2014 with an introductory training of SMPC members in the use of the modified version of the tools. Subsequently, the tools were further adjusted based on that experience, and the core of the pilot activities were conducted between November 2014 and February 2015. The pilot consisted of the following:

BASELINE SURVEY AND DOCUMENT REVIEW

The baseline study gave the SNV team a better understanding of the current situation of the schools: their infrastructure and facilities, enrollment, and an assessment of conduct, application, and performance of core procurement process/methods. This included use of tools and utility for procurement initiation, public advertisement, notice to bidders, bid solicitation, evaluation process, contract award and procurement records. The baseline indicated the improvements in the procurement process that could be made and how these could be monitored by the relevant authorities in MoEST.

TRAINING OF SMPCS

SNV trained the four schools' SMPCs in the application of the modified procurement tools in a two-day workshop. Using participatory adult learning approaches and focus group discussions in the local language, the training was designed to help SMPC members gain a more thorough understanding of, and appreciation for, the importance of each step of the process and of each tool, as a mechanism to further the overarching aims of the HGSM. In addition to the SMPCs, the SNV team trained SHF producer organisations and traders on the content, rationale, and use of the tools that applied to them.

TRYING OUT THE TOOLS

At the beginning of the school term in early 2015, a severe delay in the release of funds from the MoEST postponed the start of procurement. Because the funds were not received until mid-February, the Pilot suffered a setback, as the schools were forced to compress the time for announcing the tender³ and for evaluating the bids. In the ensuing confusion caused by the delay in disbursement, one SMPC did not adhere to the entire process, as it gave potential bidders five rather than fourteen days to respond, and only sent its invitation to quote to selected suppliers. Although the new and revised tools were introduced and used, the timeline for applying them was not as planned. The delay caused the pilot to experience fewer bids in the selected schools, and unfortunately none of the SHF producer organisations working on the pilot were able to submit bids on time.

Following the testing of the procurement tools, the SNV team conducted a Validation Workshop in each of the schools to receive feedback and discuss the way forward. The pilot exercise sought to demonstrate the use and applicability—and harmony—in the tools, and invite SMPCs to assess their preparedness and acceptance of the tools. It was agreed that they represented a significant improvement and the potential was there to ensure SHF participation.

FORMAL PRESENTATION TO THE HGSMPT TECHNICAL COMMITTEE

SNV made a formal presentation to the HGSMPT Technical Committee composed of officials from the MoEST, World Food Programme (WFP), Partnership

³ SMPCs are prohibited from issuing a tender announcement before the receipt of funds is confirmed by the school.



 *Serving githeri, a mixture of maize and beans.*



for Child Development, Ministry of Health, Ministry of Agriculture and the consultants following the Validation Workshop, after which SNV was assigned a key role together with WFP and MoEST in revising the existing HGSM Implementation Guidelines in collaboration with the Technical Committee.

Lessons Learned

The pilot results were measured by the number of bids submitted by producer organisations, as well as the number of contracts awarded to them. For the four schools, a total of nine bids were presented by traders and three bids came from one SHF producer organisation. In addition, the SNV team assessed the number of tools that were used by the SMPCs, the level of understanding and management of them, and recommendations for further improvement. As a result, the SMPCs recommended improvements to the tender evaluation document.

The SMPCs appreciated the introduction of tools, and they valued the tools' practical transparency measures. For example, the tools included objective tender evaluation criteria that SMPCs could use to defend decisions, if questioned. Another was the insistence on using tender boxes to receive and store the quotes under confidential conditions until they are opened. Still, further work is recommended to continue to enhance fair competition; for example, in some instances, identical pricing was received from different bidders. This could be due to a limited number of qualified bidders in the area as well as the close — in some cases familial — relationships in the buyer and



The tools included objective tender evaluation criteria the SMPCs could use to defend decisions, if questioned.

 *Josephat Musyimi, head teacher, stamps school feeding documents.*

seller communities that are involved in HGSMF.⁴ These factors can result in information on price and quality being widely distributed both innocently and with unethical intent. During the pilot, a quote submitted by a SHF producer organisation was “lost” in delivery to a school, raising further concerns of market manipulation by bidders. As a result of these experiences, the SNV team suggested the inclusion of language addressing penalties for unethical practices to the LPO and expanding the geographic placement of Invitations to Quote to attract a greater number of bidders.

For the Kenya national HGSMF, the overall results of the pilot were also generally positive with produce purchased that met the required delivery timeframe, acceptable quality, at prices in line with market conditions, and with an increased interest by SHF to become involved, compared to the past. The SMPCs were generally satisfied with the tools provided. Some school staff and bidders recommended simplifying some of the tools, which they viewed as too complex. For example, the SNV team was also asked to reduce the volume of certifications and evaluation criteria required, which they perceived to be intimidatingly high. However, the stakeholders also agreed that repeated experience would lessen the complexity on future purchases.

The pilot confirmed the need to explicitly mention SHFs as a category of potential suppliers to be given preference. The tools were designed to address this need while ensuring an open procurement process, and this was affirmed despite the limitations inflicted by the delay of HGSMF funding received by the schools.

⁴ Similarly, SHFs can also be traders and members of SHF producer organisations, thus becoming party to a range of information that would not normally be available to competitors.

However, the delay of funding affected the pilot in three ways:

- 🔗 Procurement planning—the most significant contribution of the pilot—was left undone by the SMPCs, due to time constraints. Current procurement guidelines stipulate that no procurement action can take place prior to confirmation of receipt of HGSMF funds by the school. A noteworthy result was the recognition that procurement planning can and should be done ahead of time, so that the process is in place once funds are in the bank.
- 🔗 The compressed timeframe limited the application of all of the tools introduced in the pilot. Schools were forced to skip some of these (or limit their use) in order to complete the procurement process and ensure children were receiving their mid-day meal. However, there was overall consensus about the utility of the tools and their potential to affect inclusion and transparency, given the right amount of time to apply them.
- 🔗 There was limited competition between suppliers during the pilot, with schools receiving fewer than the three required quotes. The SNV team anticipated the participation of SHF producer organisations supported by the project, but they were not notified with sufficient time to respond.

In addition to the new and modified tools, the pilot resulted in a request from the MoEST to have the SNV team lead the process of reviewing and modifying the entire HGSMF Procurement Implementation Guidelines, along with the National Steering Committee.⁵ The new

⁵ The National Steering Committee is chaired by MoEST with representatives from the Ministries of Agriculture and Health as well as CSO partners, including SNV, WFP, and PCD.



📷 *Phyllis Mutie, a parent, participates in a School Meals Programme Committee meeting.*

version of the Procurement Implementation Guidelines will include the adjusted tools as well as two additional tools: a modified Community Accounting Form, using elements of SNV's social audit tool (developed as a result of the project); and a new Monitoring Tool⁶ to periodically monitor the programme at the school level. The scaling up of the work of the pilot is planned through a national roll-out of the revised Procurement Implementation Guidelines and a training programme on the effective use of the new tools by both SMPCs and suppliers, which SNV will organise in coordination with MoEST.



 Pupils queue for their midday meal.

⁶ Originally envisioned as part of the pilot, but removed.

Conclusion and the way forward

There is room for continuous improvement at all levels of HGSMF to achieve transparency. The introduction of a new Monitoring Tool will mitigate against mismanagement, unintended or otherwise. At the national level, recurring delays of funding transfers to the schools have a negative impact on transparent procurement processes. When funds are delayed, schools do not necessarily stop feeding the children; meals are provided through donations from parents and others, as was the case in one of the schools, or foodstuff is supplied by traders on credit. However, this locks SMPCs into sole-sourcing when funds are released. At other times, the funds received are inexplicably less than originally budgeted. These funding issues make procurement a reactive rather than a proactive activity, and weaken the argument for serious and effective planning and enforcing accountability.

At the school level, there are ways to alleviate the effects of these funding issues, including:

- ✓ Conducting procurement planning independent of, and prior to, the receipt of funds;
- ✓ Enabling schools to conduct a pre-qualification of potential suppliers so that all are ready to move upon receipt of the funds; and
- ✓ In response to recommendations from the schools, scheduling funding transfers earlier, such as during school holidays, to provide for additional days to conduct a proper procurement process.



Training those engaged in or overseeing procurement must be a permanent process, especially considering regular personnel turnover.

In addition, training those engaged in or overseeing procurement must be a permanent process, especially considering regular personnel turnover. This includes improved record-keeping practices for SMPCs to make procurement transactions more complete and traceable. At the SHF producer organisation level, business-skills training and awareness-building is essential for them to become competitive and fully vested in the process. Similarly, traders should be trained, as required. Continuing education to increase the knowledge of SMPCs and to monitor performance and provide ongoing training should also be a commitment of HGSMP.

The piloting of new and adjusted forms for ensuring smallholder participation and transparency in school feeding procurement reveals a need for a continuing process of procurement reform; it is not a one-off issue. The forms help buyers and suppliers comply with the HGSMP Implementation Guidelines, and the need to periodically revise the Guidelines to reflect new practices is clearly evident.

Going forward, specific language defining SHFs and SHF producer organisations within the structure of school feeding procurement should be introduced. Government procurement authorities will make a significant contribution in defining these characteristics so SHFs are recognised as a special category. It will be critical to conduct an evaluation of the application of the new Procurement Implementation Guidelines and tools, especially to assess the impact of their use on evidenced SHF sourcing, cost savings, achieving value and quality for money, and transparency. The pilot was an exciting step in a multi-step effort to reach these outcomes.

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

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

CASES

Turning Challenges into Change: How Social Audits are Improving School Feeding in Sissala East

The market for our food is right here with us: A Case Study from Kenya on Social Audits for School Feeding

Mobilising communities around school feeding: A public restitution in Dogoni, Mali

Linking school feeding caterers to finance: Loan opportunities enabling caterer purchases from smallholder farmers

Ghana matchmaking events: Building links between farmers and school feeding caterers

Knowing the source of the food: Matching smallholder farmers to the school meals market in Kenya

Matchmaking Events Connect Farmers with the School Feeding Market in Mali

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

Procurement Governance for Home Grown School Feeding
www.snvworld.org/procurement-for-hgsf
www.snvusa.org

Contact

Eliana Vera, Project Manager
SNV USA
7500 Old Georgetown Road, Suite 901
Bethesda, MD 20814
evera@snvworld.org
301.913.2860

