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INSTITUTIONAL PROCUREMENT OF FOOD FROM SMALLHOLDER FARMERS

The Case of Brazil

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CONTENTS

Acknowledgements	iii
Executive Summary	iv
Acronyms	vii
1. Introduction	1
1.1 Objective of the Study	1
1.2 Methodology.....	2
2. Background	3
2.1 Country Context	3
2.2 Framework of Public Policies	4
3. Objectives and Overview of the Development of Brazilian IPPs	9
3.1 PAA.....	9
3.2 PNAE.....	11
4. The Legal Enabling Environment of Brazilian IPPs	14
4.1 Regulation of Public Procurement and Development of IPPS for the Purchase of Food from Smallholders.....	15
4.2 Legal Definition for Family Farm Producers	20
5. Institutions and Structure	24
5.1 Funding.....	25
5.2 Management.....	25
5.3 Implementation	27
5.4 Social Participation and Accountability	29
6. Operational Modalities	32
6.1 PAA.....	32
6.2 PNAE.....	40
7. Main Operational Issues	42
7.1 Purchased Products	42
7.2 Price	44
7.3 PRONAF Eligibility Declaration (DAP).....	46
7.4 Procurement Limit	47
8. Access to Brazilian IPPs	50
8.1 General Rules and Priority Access	50
8.2 Access Through Collective Action in the Brazilian IPPS: the Main Challenges from a Legal Perspective	52
8.3 Other Challenges.....	56
8.4 Overcoming Challenges	62
9. Results and Impacts	64
9.1 Main Results.....	64
9.2 Assessed Impacts	69
10. Concluding Remarks and Recommendations	74
Bibliography	76
Annexes	83
Annex 1: Legal documents consulted	83
Annex 2: Key informants interviewed	84

LIST OF TABLES, FIGURES AND BOXES

Tables

Table 1. Chronological evolution of PAA main regulations	19
Table 2. Chronological evolution of PNAE main regulations	23
Table 3. Actors involved in PAA financing and implementation.....	28
Table 4. Main products commercialized through PAA in the CD, FE and CDS modalities, in weight (2009–2011).....	42
Table 5. Main products commercialized through PAA in the CD, FE and CDS modalities, in expenditure (2009–2011)	43

Figures

Figure 1. Percentage of family farming establishments in Brazil (2006)	3
Figure 2. Percentage of area occupied by family farming in Brazil (2006)	3
Figure 3. Percentage of workforce occupied by family farming in Brazil (2006).....	4
Figure 4. Percentage of production of family farming in Brazil (2006).....	4
Figure 5. Zero Hunger strategy	8
Figure 6. PAA production, purchase and consumption scheme.....	11
Figure 7. PNAE production, purchase and consumption scheme.....	13
Figure 8. Main legal framework of PAA	17
Figure 9. Main legal framework of PNAE	17
Figure 10. PAA organizational structure	24
Figure 11. PNAE organizational structure	24
Figure 12. Level of participation of implementing agencies in PAA expenditure.....	27
Figure 13. Implementation of PNAE	28
Figure 14. Percentage of PAA expenditure by modality (2012)	32
Figure 15. Percentage of PAA food producer beneficiaries by modality (2012)	32
Figure 16. Main categories of family farm products purchased through PNAE (2010).....	44
Figure 17. PAA and PNAE procurement limits	49
Figure 18. Distribution of PAA financial resources (2003–2012).....	64
Figure 19. Number of family farm producers participating in PAA (2003–2012).....	64
Figure 20. Number of PAA food consumer beneficiaries (2003–2012)	65
Figure 21. Percentage of PAA resources by categories of product destination (2003–2010).....	66
Figure 22. Quantity of products acquired through PAA (2003–2012).....	66
Figure 23. Distribution of PNAE financial resources (2007–2012).....	67
Figure 24. Number of students assisted by PNAE (2007–2012)	67
Figure 25. Percentage of implementing agencies complying with a minimum 30 percent purchase from family farm producers (2010–2012)	68
Figure 26. Percentage of implementing agencies purchasing from family farm producers for PNAE (2010–2012).....	68
Figure 27. Average percentage of PNAE resources spent on purchases from family farm producers (2010–2012).....	68
Figure 28. Percentage of municipalities in each state that purchased from family farm producers for PNAE (2010)	69

Boxes

Box 1. Institutional competences in the Brazilian legal system.....	14
Box 2. Evolution of PAA regulation	18
Box 3. Evolution of PNAE legislation	22
Box 4. Evaluation of PAA: the SESAN/MDS project and FAO report	29
Box 5. Advance Purchase (CA)	39
Box 6. Linking organizations: the experience of the Guardians of Nature Institute (ING)	61

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EXECUTIVE SUMMARY

This study provides an overview analysis of the Brazilian case and learning process with regard to Institutional Procurement Programmes (IPPs), by examining both Brazilian IPPs from a comparative perspective: *Programa de Aquisição de Alimentos* / Food Procurement Programme [PAA] and *Programa Nacional de Alimentação Escolar* / National School Feeding Programme [PNAE].

Brazil was the first country to develop an institutional food procurement programme through a direct connection between the development of structured demand for smallholder farmers and a food security strategy. PAA and the more recent procurement modality of PNAE are considered to be the most important and innovative examples of their kind.

The successful interchange between family farming and food security policies; their significant achievements, both in numbers of beneficiaries and resources invested; and strategies adopted to overcome some of the constraints faced over more than ten years; constitutes valuable elements for a comparative analysis and for learning lessons that may be relevant for the implementation and improvement of similar initiatives in other countries.

Two specific strategies distinguish the study from those previously written on the topic. First, it adopts a comparative perspective, analysing the experiences of both PAA and PNAE concomitantly in order to comprehend and confront the similarities and diversities of the programmes and maximize the learning experience. Second, the analysis also views the IPPs from a legal perspective.

In fact, the legal enabling environment plays a fundamental role in both the creation and the effectiveness of IPPs. A procurement programme that aims at integrating family farming producers in institutional markets cannot be implemented without a proper legal framework adapted to support its development as well as its implementation.

The Brazilian case is of interest as regards analysis of the role of the legal framework in developing IPPs. Although there are challenges still to be overcome, Brazil counts on and has developed a particular legal framework to support its IPPs and overcome the main legal difficulties in purchasing food directly from family farmers.

Key features of the Brazilian IPPs

The first Brazilian IPP, i.e. PAA, was created in 2003 with three main objectives: (i) support family farmers and family rural entrepreneurs' production and access to market; (ii) distribute food for people with food and nutritional insecurity; and (iii) build up strategic stocks. It was created as a key element in the Brazilian national strategy on food and nutritional security, *Fome Zero* (Zero Hunger), a multidimensional programme that combines the goal of promoting food security with the broader concerns of inclusive economic and social development.

PAA inaugurates the participation of the Brazilian Government in the direct procurement of food from family farming producers. It creates an exception to the traditional mechanism of public procurement (bidding process), by substituting it with a direct and smallholder friendly procurement mechanism. Currently, PAA counts on five different operational modalities: *Purchase with Simultaneous Donation*, *Direct Purchase*, *Incentive for Milk Production and Consumption*, *Support for Stock* and *Institutional Purchase*.

As regards PNAE, although it has existed since the 1950s, it was only in 2009 that the Brazilian Government linked the school feeding programme with family farming policies. In the programme, states, municipalities and federal schools must purchase at least 30 percent of food for school meals directly from family farmers and family rural entrepreneurs, following a procedure similar to the one adopted by PAA, and as such, avoiding a public bidding procedure.

The success of both programmes can be seen by their significant and increasing numbers. PAA resources reached more than BRL970 million in 2012, and benefited around 190 thousand food producers. As regards PNAE resources used for the procurement of food from smallholder farmers reached around BRL958 million in the same year.

Nevertheless a gap still exists for national evaluation and studies with significant quantitative methodologies able to analyse at country level the impacts of both programmes on the local economy and life of family farm producers.

Process of evolution

One of the main contributions of the Brazilian experience is provided by its process of evolution and improvement. Both IPPs, and PAA in particular, have seen constant evolution and have adopted various strategies and actions to overcome some of the main challenges faced during their implementation. Those challenges include (i) different types of operational constraints (including delays in payment), (ii) issues related to collective action and the appropriate legal framework; (ii) lack of technical assistance and its proper coordination with IPPs.

From a legal perspective other challenges addressed by the Brazilian IPPs are (i) regulation of public procurement; (ii) development of a legal definition for family farming at national level.

The actions and strategies adopted within the process of evolution and improvement of both Brazilian IPPs included: the creation of new operational modalities, and modification, improvement and adaptation of the initial ones; the development of a new Technical Assistance and Rural Extension (ATER) programme targeting IPP beneficiaries; various modifications and improvements at operational instruments, including those related to transfer of resources from the federal government to implementing agencies, reimbursement of expenses borne by implementing agencies, payment method, methodology adopted to establish reference prices; and a new online managerial system for PAA. It included also the upgrading of both programmes legislation and regulation. .

Main findings and recommendations

- *Development of a procurement procedure that takes the idiosyncrasies of family farming into consideration and overcomes the limitations imposed by the general rules on public procurement and the traditional bidding process.* The Brazilian case demonstrates that the formalities of the procurement procedure for public purchases (imposed by legislation in most countries) were an important obstacle to be overcome in order to implement the programmes and procure food directly from smallholders. The recognition of a new procurement procedure was, therefore, of fundamental importance. This procedure may take different forms but it must be adapted to the necessities and capabilities of family farm producers and, in this sense, be a “smallholder friendly” procedure.
- *Development of a unified legal definition of family farming at national level.* A law that establishes unified parameters for defining family farm producers is of great importance. It contributes to the strength of the institutionalization of family farming, enabling and strengthening coordination between it and other policies. It also plays a key role in guaranteeing that these policies reach the right recipients, and in analysing their results and impacts. It is therefore advisable to adopt a legal definition of family farming and family farm producers for other countries interested in the implementation of similar programmes. The parameters used may vary and be adjusted to the national context and its specificities.
- *Development of a proper legal form for the organizational structure of formalized collective action.* The Brazilian case indicates that collective actions can be a good instrument to allow smallholder producers to access IPPs. It has been shown that formalized collective action is key for producers to upgrade, access other markets and achieve high outcomes. However, an inadequate legal form of formalized collective action may be an obstacle in these aims. It is advisable, therefore, the development of a proper legal model to regulate the organizational structure of family farming groups. This can be done by improving and updating the legislation of traditional legal forms (such as cooperatives), but also by developing new models, based on

organizational or also contractual arrangements, which are less bureaucratic and more adapted to the requirements of family farm producers.

- *Adapt tax and sanitary legislation to the programmes and to family farm producers.* The Brazilian case demonstrates that, even if indirectly, an inadequate taxation and sanitary legislation and/or its inappropriate application may hinder access of producers to the programmes. Therefore, IPPs need to be considered in a wider legislative context and regulations adapted properly for IPPs effective implementation.
- *Development of a technical assistance and rural extension programme linked to IPPs, including not only production, but also managerial and marketing aspects.* The Brazilian case and the literature show that the lack of proper ATER services can constitute an important bottleneck for the access of smallholder producers to market and as well as to IPPs. Often the poorest and most vulnerable producers lack the necessary production, managerial and marketing skills to comply with the quality, quantity and other requirements of the supply. For IPPs to be effective, it is recommended that an ATER programme be created that is directly linked to and coordinated with IPPs and tailored to the specificities of IPP and family farm producers. It may include not only aspects related to the production process but also those of management and market.
- *Establishment of a system for monitoring and evaluating IPPs.* Continuous monitoring and evaluation (M&E) of IPPs is vital and highly recommended. It is fundamental for allowing national stakeholders, programme coordinators and managers (as well as the international community) to have a precise idea about the programme's extent, impacts and results. M&E is key also to identifying challenges and enabling timely implementation of the necessary measures to overcome these constraints and improve programmes.

ACRONYMS

AGRAER	Agency of Agrarian Development and Rural Extension
ANVISA	National Health Surveillance Agency
ATER	Technical Assistance and Rural Extension
BRL	Brazilian real (pl. reais)
CA	Advance Purchase
CAE	School Feeding Council
CD	Direct Purchase
CDS	Purchase with Simultaneous Donation
COBAL	Brazilian Public Supply Company
CONAB	National Supply Company
CONSEA	National Council of Food and Nutrition Security
CNAS	National Council of Social Assistance
CPR	Farm Product Bond
DAP	PRONAF Eligibility Declaration
EAN	Food and Nutrition Education
ESALQ	Luiz de Queiroz School of Agronomy
FAE	Student Assistance Foundation
FC	Federal Constitution
FE	Support for Stock Formation
FNDE	National Fund for the Development of Education
GDP	Gross domestic product
IBGE	Brazilian Institute of Geography and Statistics
ING	Guardians of Nature Institute
IPC	International Policy Centre for Inclusive Growth
IPCL	Incentive for Milk Production and Consumption
IPP	Institutional Procurement Programme
MAPA	Ministry of Agriculture, Livestock and Food Supply
MCC	Milk Cooling Centre
MDA	Ministry of Agrarian Development
MDS	Ministry of Social Development and Fight against Hunger
MEC	Ministry of Education
MF	Ministry of Finance
MPOG	Ministry of Planning, Budget and Management
NGO	Non-governmental Organization
PAA	Food Purchase Programme
PAAMG	Food Purchase Programme Management Group
PNAE	National School Feeding Programme
PNATER	National Policy for Technical Assistance and Rural Extension for Family Farming and Agrarian Reform
PNSAN	National Food and Nutritional Security Policy
PRONAF	National Programme for Strengthening Family Agriculture
PRONATER	National Programme for Technical Assistance and Rural Extension for Family Farming and Agrarian Reform
SAGI	Secretariat for Evaluation and Information Management
SEAF	Family Farming Insurance
SESAN	Secretariat for Food and Nutritional Security
SISAN	National System for Food and Nutritional Security
UnB	Federal University of Brasília
WFP	World Food Programme
WTO	World Trade Organization

1. INTRODUCTION

1.1 Objective of the Study

Over the last few years, institutional procurement programmes (IPPs) have been receiving increasing attention from governments, policy-makers and international organizations and are recognized as having considerable potential to create, stimulate and support transformative development of food supply systems.

The main idea behind IPPs is that connecting large, predictable sources of demand for agricultural products (structured demand) with smallholder producers can reduce risk and encourage better quality, leading to improved systems, increased income and reduced poverty. (Mitchell, 2011). The predictable source of demand can be provided by the public sector and its institutions (such as schools, food reserve authorities, food aid and relief development agencies, prisons and hospitals), but also by other actors such as Non-governmental Organizations (NGOs).

In 2008, following on from this premise, the World Food Programme (WFP) launched its Purchase for Progress (P4P) pilot programme, aiming to “pilot and learn from innovative programme and food procurement activities that have the best potential to stimulate agricultural and market development in a way that maximizes benefits to low-income smallholder farmers”. P4P represents an important modification to WFP’s traditional import strategy by procuring food not only locally but also directly from low-income smallholder farmers.

Just a few years later, within the same context, the Food Purchase Programme (PAA), from Africans for Africans, was created with the support of the Food and Agriculture Organization of the United Nations (FAO); WFP; the Brazilian Government; and the United Kingdom’s Department for International Development (DFID). PAA was established to support innovative local initiatives of food purchases from smallholders for humanitarian food assistance and the fight against hunger. Moreover, several developing-country governments have recently been interested in or have already implemented similar initiatives.

Among the well-documented experiences of institutional food procurement programmes, the Brazilian case, with its two IPPs (*Programa de Aquisição de Alimentos*/Food Procurement Programme [PAA] and *Programa Nacional de Alimentação Escolar*/National School Feeding Programme [PNAE]), occupies a key position.

Brazil was the first country to develop, back in 2003, an institutional food procurement programme through a direct connection between the development of structured demand for smallholder farmers and a food security strategy. PAA and the more recent procurement modality of PNAE are considered to be the most important and innovative examples of their kind. However, the importance of the Brazilian IPPs goes beyond their pioneering experience. In a country with approximately 200 million inhabitants and 4.1 million family farm producers, the ten-year PAA experience (in 2012, it benefited more than 190 000 family producers), together with PNAE (one of the largest school feeding schemes in the world), constitutes an inestimable resource for the analysis and better understanding of IPPs. This includes IPPs’ role in promoting the access of smallholder farmers to markets, and their potential to create, stimulate and support transformative development of the food supply system. The programmes may also provide important comparative elements and lessons learned for the implementation of similar initiatives in other countries.

Nevertheless, although much has been written about Brazilian IPPs in the past ten years, an updated analysis, which is also comprehensive for other countries, is still needed.

This study therefore aims to provide an overview analysis of the Brazilian case and learning process with regard to IPPs, by examining both Brazilian IPPs from a comparative perspective. First, the study presents an overview of the programmes' objective, how they were structured and developed within the Brazilian context, and their main operational issues. In particular, it analyses the legal enabling environment considered to be of fundamental importance for enabling both the creation and effectiveness of these IPPs, as well as others. This initial examination provides the basis for a deeper analysis of the main challenges faced during the implementation of the Brazilian IPPs and, especially, of the access of smallholders – or “family farm producers”, as defined by Brazilian legislation – to both programmes and to institutional markets. This analysis, conducted also from a legal perspective, will be followed by an investigation of the strategies and actions developed to overcome some of the constraints characterizing the important process of evolution and improvement in the Brazilian experience. Finally, the latest results and assessed impacts of both programmes on the local economy and life of family farm producers will be presented.

1.2 Methodology

The methodology used for the preparation of this case study is based on both primary and secondary sources.

Primary sources include mainly the laws, decrees and resolutions that constitute the legal framework of the Brazilian IPPs. They also include interviews conducted between September 2013 and February 2014. The legal documents consulted and the informants interviewed are given in Annex 1 and 2, respectively.

A significant number of secondary sources were also analysed, including the most important literature and case studies on Brazilian IPPs. These can be found in the Bibliography.

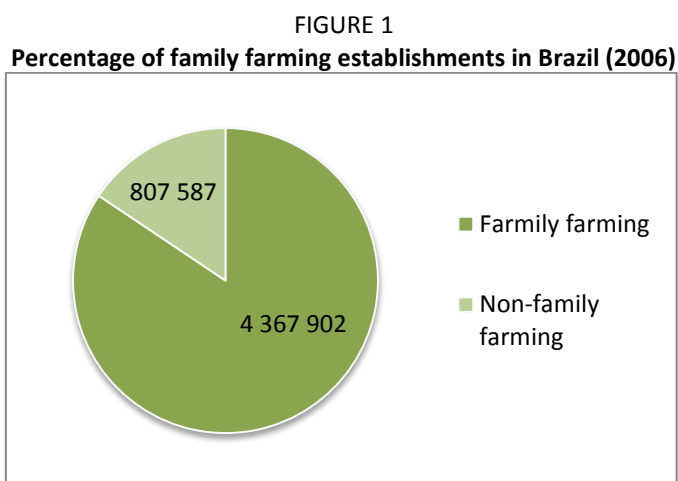
2. BACKGROUND

2.1 Country Context

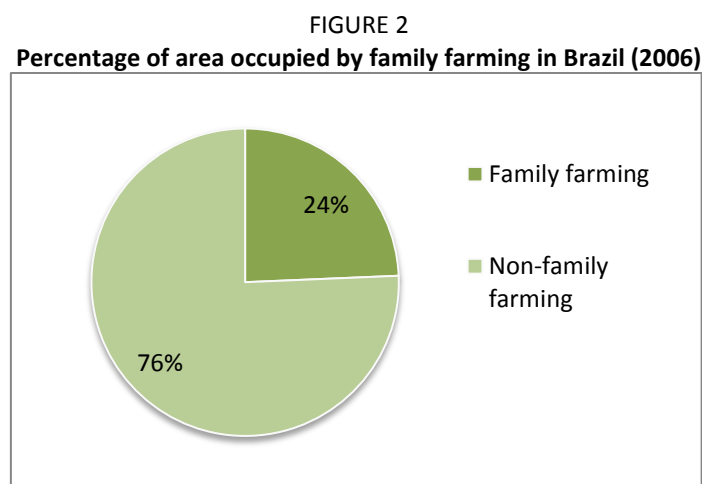
Brazil is historically one of the largest producers and exporters of agricultural products in the world. The sector employs about 15.7 percent of the working population and, in 2012, was responsible for 5.3 percent of gross domestic product (GDP), which represents a significant value of around US\$119.2 billion (World Bank Web site).

The main agricultural products currently produced and exported by Brazil are coffee, oranges, sugar cane, tobacco, soybeans, maize and *mate*. As regards the livestock sector, Brazil is one of the main producers and exporters of beef, poultry and pork.

According to the last agricultural census of the Brazilian Institute of Geography and Statistics (IBGE) published in 2009, Brazil had 5 175 489 rural establishments, occupying a total area of 329 9 million ha in 2006. Of these, 4.1 million rural establishments were classified as belonging to family farming, based on the definition provided by Law No. 11.326/2006. Nevertheless, although they represent the majority of rural establishments and have the highest workforce percentage, family farms occupy a much smaller percentage of the total area (IBGE, 2009; see Figures 1, 2, 3 and 4).

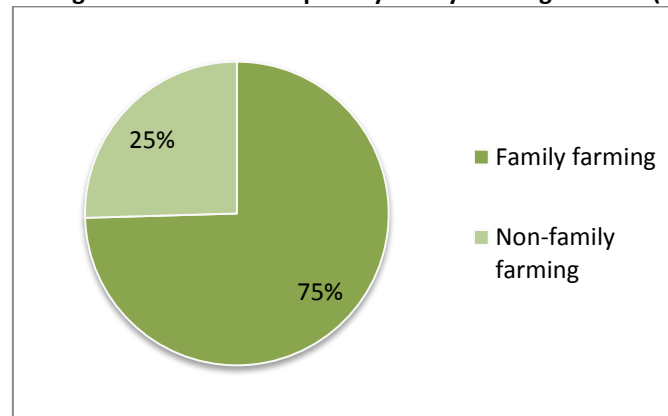


Source: author's elaboration, based on data from IBGE, 2009.



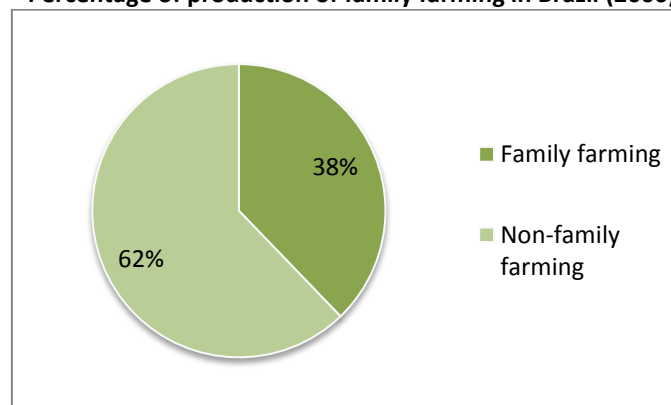
Source: author's elaboration, based on data from IBGE, 2009

FIGURE 3
Percentage of workforce occupied by family farming in Brazil (2006)



Source: author's elaboration, based on data from IBGE, 2009.

FIGURE 4
Percentage of production of family farming in Brazil (2006)



Source: author's elaboration, based on data from IBGE, 2009

Family farming plays an important role in the Brazilian domestic food supply. According to the IBGE agricultural census, family farming produces 70 percent of food consumed in Brazil. It is responsible for 87 percent of cassava production, 70 percent of soybeans, 46 percent of maize, 38 percent of coffee, 34 percent of rice and 21 percent of wheat. It is also responsible for 60 percent of milk, 59 percent of pork, 50 percent of poultry and 30 percent of beef production (IBGE, 2009).

Despite the importance of family farming in the domestic food supply, it is only recently that specific public policies and focused strategies have been developed, together with a more inclusive agricultural system.

2.2 Framework of Public Policies

Until the 1990s, public policies on the agricultural sector in Brazil were directed mainly at medium and large export-oriented farmers, especially through subsidized credit, credit for working capital and guaranteed minimum prices. Requiring an initial level of capital, borrowing capacity and higher levels of collective organization, these credit instruments were in practice inaccessible and inadequate for the demands of smallholders (Bavareasco and Mauro, 2012; IPC and WFP, 2013).

The situation began to change, however, after the democratization of the country in the 1980s, with a fundamental role played by social movements. In fact, particularly in the 1990s, family farmers and related categories emerged as a considerable political force in Brazil, especially through labour organizations such as the National Federation of Family Farming Workers and social movements

such as the Landless Workers Movement. They were a key driver for change in the public policies of the sector (Chmielewska and Souza, 2011; Bavaresco and Mauro, 2012; Müller, Silva and Schneider, 2012).

Within this decade, a significant change in Brazilian agricultural policies can be seen. Policies are designed with more of a focus on family farming and more sustainable and inclusive agricultural growth. Three main strategies in current Brazilian public policies on family farming are financial support, technical assistance and access to markets.

Such interventions are in line with the literature, which identifies four main constraints facing small- and medium-sized producers. These are considered the drivers and key pillars for interventions, and are lack of: (i) access to finance; (ii) access to training (technical and entrepreneurial); (iii) access to markets and; (iv) collaborative networks (Fernandez-Stark, Bamber and Gereffi, 2012).

Three of these key pillars were specifically developed in Brazil through appropriate public policies. The fourth – collaborative networks – will be analysed in Chapter 7.

It is important to mention, however, that despite the growing importance of family farming in Brazil, public support for export-oriented agriculture is still much more relevant. In the 2011/2012 crop plan, for example, while BRL¹107 billion were designated for the first category, the family farming sector received only BRL16 billion (Chmielewska and Souza, 2011).

Access to finance: National Programme for Strengthening Family Agriculture (PRONAF)

Lack of access to finance is considered one of the main constraints faced by smallholders in both low- and high-value agriculture (Fernandez-Stark, Bamber and Gereffi, 2012). Many reasons have been identified that prevent smallholders from accessing finance, such as high risks, asymmetrical information, lack of guarantees and dispersion in rural areas, as well as unfavourable public policies (World Bank, 2008).

PRONAF was the first and one of the most important government programmes developed within the Brazilian new political context. It was created in 1995 (and later legally instituted by Decree No. 1.946 in 1996) with the main aim of providing financial support for family farming.

PRONAF provides loans with low interest rates to cover yearly costs or long-term investment in family farming as well as in agro-industry or other related rural activities specified by the programme. Currently, it is under the responsibility of the Ministry of Social Development and Fight against Hunger (MDS) and offers different credit lines for individual or collective projects with different limits and interest rates according to clients' income levels and activities (Chmielewska and Souza, 2011).

Since PRONAF's establishment, there has been a continuous increase in both the resources available and the number of beneficiaries. For the 2012/2013 crop season, resources reached BRL19.2 billion delivered through 2.2 million contracts, representing an increase of 35 percent in resources and 44 percent in the number of contracts signed regarding the 2011/2012 crop season (MDA, no date). Nevertheless, the programme still reaches around only half of the number of family farmers in Brazil and has a budget that is still significantly lower than that available for large farmers (Roux, 2013).

Two insurance instruments specifically for family farming were created within PRONAF and can be accessed in concomitance with the loan. These are, first, Family Farming Insurance (SEAF), which was established in 2004 to offer protection against climate hazards, ensuring not only 100 percent of

¹ Exchange rate on 18 September 2014: one Brazilian real (BRL) = US\$0.4 239

the loan, but also 65 percent of the expected net income from the harvest. The second instrument is the Price Guarantee Programme for Family Farming (PGPAF), created in 2006 to protect family farmers and related categories against price fluctuations, providing a discount on the credit payment based on the difference between the market and the reference price defined by the National Supply Company (CONAB), (Chmielewska and Souza, 2011).

Through PRONAF, the PRONAF Eligibility Declaration (DAP) was established, which is a document certifying that the producer or its formal organization complies with all requirements (currently established by Law No. 11326/2006) to be classified as a “family farmer” or “family rural entrepreneur”, and therefore eligible as a beneficiary of the programme. DAP, which is issued for a family unit or a formal organization (DAP-legal person), became an essential document and the “entry door” not only to PRONAF but to all Brazilian public programmes related to family farming, including IPPs.

Access to training: National Policy for Technical Assistance and Rural Extension for Family Farming and Agrarian Reform (PNATER)

An extension programme focused on smallholders’ needs, which encompasses several elements regarding not only the production process but also the improvement of entrepreneurial and social skills, may be considered a key instrument in providing smallholder producers with skills and capabilities to cultivate and commercialize products meeting the demands of their target markets (Fernandez-Stark, Bamber and Gereffi, 2012).

Two decades after the dissolution of EMBRATER (the national company for technical assistance and rural extension), within the context of market liberalization, Law No. 12.188/2010 formally established in 2010 a new national policy (PNATER) and a related national programme (PRONATER) for technical assistance and rural extension (ATER), with a focus on family farming needs and sustainable agriculture development.

PNATER and PRONATER were instituted after a seven-year development process to offer permanent and cost-free ATER services nationwide, aiming to “contribute to the increasing of income and life quality of rural families through the improvement of production systems and of the mechanism to access resources, services and incomes in a sustainable way” (MDA, no date). The new PNATER created a decentralized system, which comprises the participation of both state and non-state actors.

PNATER and PRONATER are under the responsibility of the Ministry of Agrarian Development (MDA) and provisions for the 2012/2013 crop season were to benefit 480 000 family farming producers, with BRL542 million of resources available.

Provision of these services, however, still faces significant challenges in terms of resources, scope and regularity. As can be observed from the 2012/2013 data, the number of beneficiaries represents only a small percentage of the family farming establishments in Brazil and available resources per farmer are still extremely limited. (see Peixoto, 2014; Alves and Silva 2014) As will be seen in Chapter 7, the lack of technical assistance is, in fact, still one of the main challenges in the implementation of Brazilian IPPs.

To participate in PRONATER, farmers or rural entrepreneurs must, as already mentioned, obtain a DAP.

Improved management in ATER (Mais Gestão)

An innovative programme recently created within PNATER is ATER’s *Mais Gestão*. This is a special programme of technical assistance and rural extension that aims to improve the management and

marketing capacities of family farmer associations (especially cooperatives with DAP) in order to facilitate their access to markets and, in particular, to institutional markets covered by government IPPs.

The technical assistance provided by the programme aims to cover, therefore, not only aspects related to the production process but also management and market techniques, strengthening family farming cooperatives and making them more competitive. According to MDA, it should act as an important bridge between family farming and institutional markets.

The programme started in 2013 and currently provides training for 447 cooperatives, with an investment of BRL56 million from MDA. Although it represents an important step forward, with regard to both the inclusion of aspects that go beyond production and its more direct link with Brazilian IPPs, it still has a limited range. In some states, such as Mato Grosso do Sul, only one cooperative benefits from the programme, while most states in the north region do not benefit at all.

Access to markets: IPPs

One of the most significant factors in Brazilian public policies concerning support for family farming is the development of IPPs. These were elaborated through an awareness of the need to support family farming production, while also linking production to markets.

Access to markets is considered one of the main constraints for smallholder production. State intervention to increase demand for smallholder production through public procurement could therefore become important in the promotion of marketing opportunities for producers and have considerable potential to create, stimulate and support transformative development of food supply systems (FAO,2014).

The first and main public programme developed in this context is the *Programa de Aquisição de Alimentos* (Food Purchase Programme [PAA]) established in 2003.

PAA inaugurates the participation of the Brazilian Government in the direct procurement of food from family farming producers. It creates an exception to the traditional mechanism of public procurement (bidding process), by substituting it with a direct and smallholder friendly procurement mechanism.

Another programme that represents an important step towards creating a structured market for family farming products is the *Programa Nacional de Alimentação Escolar* (National School Feeding Programme [PNAE]). Although it has existed since the 1950s, it was only in 2009 that the Brazilian Government linked the school feeding programme with family farming policies. In the programme, states, municipalities and federal schools must purchase at least 30 percent of food for school meals directly from family farmers and family rural entrepreneurs.

Currently, PAA and PNAE are considered to be innovative policies in creating a direct link between the development of structured demand for family farming producers and a food security strategy (IPC and WFP, 2013; Campos and Bianchini, 2014). In fact, the first Brazilian IPP, i.e. PAA, was created as a key element in the Brazilian national strategy on food and nutritional security, *Fome Zero* (Zero Hunger), a multidimensional programme that combines the goal of promoting food security with the broader concerns of inclusive economic and social development.

Established in 2003, Zero Hunger combines more than 20 previously existing and new initiatives articulated in four core interventions: (i) access to food; (ii) strengthening family farmers; (iii) income generation; and (iv) social mobilization and social accountability (Silva, Grossi and Franca, 2010;

Chmielewska and Souza, 2011). PAA and PRONAF relate to the second intervention above that aims to develop specific actions for family farming (see Figure 5).

In 2010, in addition to the implementation of Zero Hunger, Brazil established a National Food and Nutritional Security Policy (PNSAN) with strengthening family farming as one of its main goals. In the same year, the right to food was included in the Brazilian Federal Constitution (FC) as a social right.

FIGURE 5
Zero Hunger strategy



Source: IPC and WFP, 2013.

3. OBJECTIVES AND OVERVIEW OF THE DEVELOPMENT OF BRAZILIAN IPPS

Both Brazilian IPPs have the common objective of supporting family farming production and access to markets. They have other specific goals – one of the IPPs' most important and innovative characteristics is their capacity to integrate these objectives with other public policies and, in particular, with food access policies.

3.1 PAA

The Food Purchase Programme (PAA) was created in 2003 by Law No. 10.696/2003 with three main objectives: (i) support family farmers and family rural entrepreneurs' production and access to market; (ii) distribute food for people with food and nutritional insecurity; and (iii) build up strategic stocks.

In 2011, Law No. 12.512/2011 expanded and articulated these three main aims in seven specific goals. These were to:

- support family farming production by promoting its economic and social inclusion with sustainable surplus growth and the processing and industrialization of food products;
- support the consumption and valorization of food produced by family farming;
- promote access to food, in the quantity, quality and regularity necessary for people with food and nutritional insecurity;
- supply institutional food markets, including school feeding;
- build up strategic stocks with family farming products;
- allow family farmer cooperatives and formal organizations to stock these products;
- strengthen local and regional networks for food commercialization.

In 2012, Decree No. 7775/2012 added two specific objectives to the programme:

- promote and enhance biodiversity, organic and agro-ecological food production and encourage healthy eating habits at local and regional level;
- stimulate the development of cooperatives and associations.

PAA encompasses, therefore, multiple objectives and strategies that act as guidelines for implementation of the programme in the different regions of Brazil. Within the aim of supporting family farming production and promoting its economic and social inclusion, the government chose to prioritize the poorest and most vulnerable family farm producers (Art. 16, para. 3, Law No. 12.512/2011). These include disadvantaged social groups, such as land reform settlers, indigenous people, the remaining members of *quilombola* communities,² and women. These groups will not only have priority in access to the programme, but will also influence many aspects of its implementation (Müller, 2007; Peraci and Bittencourt, 2010).

Within this context, PAA has two distinct beneficiaries: food consumers and food producers.

Food consumers are people with food and nutritional insecurity. They are those helped by the social assistance network (such as in day-care centres and shelters); by national food and nutrition aid (such as food banks, subsidized restaurants and community kitchens); by public and philanthropic schools (under specific conditions); or by other food- and nutrition-related actions financed by the government (see PAAMG Resolution No. 62/2013). The formal entities that receive the food and hand it on to food consumers are the *unidades receptoras* or beneficiary entities (Decree No. 7775/2012, as amended by Decree No. 8.026/2013).

² According to Brazilian legislation (Decree No. 4.887/2003), the remaining members of *quilombola* communities are ethnic and racial groups with their own historical past, characterized by specific territorial relations and with the assumption of black ancestry, related to the resistance of historical oppression.

The second beneficiaries are the food producers. Decree No. 7775/2012 divides these into two distinct categories: individual suppliers and supplying organizations.

Both categories are represented by beneficiaries of Law No. 11.326/2006 (which defines the directives of the national policy on family farming and family rural entrepreneurship – see Chapter 4). These are family farmers, family rural entrepreneurs, foresters, aquaculturists, extractivists and fisherfolk as well as members of the indigenous and *quilombolas* communities. The programme also includes land reform settlers among its beneficiaries, who are not expressly mentioned in Law No. 11.326/2006. All these categories must comply with the requirements established by law³ and obtain a DAP to be able to participate in the programme. Together they are generically known as family farming producers.

In order to reach its goals and maximize its reach and effectiveness throughout the country, PAA was articulated in different operational modalities. In all of them, food is acquired by the public sector (through its implementing agencies) from the family farming producers and/or their organizations, using a simplified and smallholder-friendly procurement model which has substituted the traditional bidding procedure (see Chapter 6). The PAA implementing agencies are the National Supply Company (CONAB), as well as the state, municipalities or public consortia. They receive resources from the federal government and are responsible for implementing the programme locally. The procedure of the new procurement model is not unified, but varies from one modality to another.

The only exception is the institutional purchase modality that is implemented directly by the federal government, state and municipality public institutions (such as hospitals, prisons, military bases, university restaurants) and with their own resources.

Currently, PAA counts on five different operational modalities.

- *Purchase with Simultaneous Donation* (Compra com Doação Simultânea [CDS]), which is the main PAA modality in terms of expenditure, number of beneficiaries and variety of products acquired. It encompasses the purchase of different types of food products and simultaneous donation to beneficiaries, with the main aim of meeting local demands for nutrition supplementation from people with food and nutritional insecurity.
- *Direct Purchase* (Compra Direta [CD]), which encompasses the purchase of a series of pre-established products when prices are low, or when there is high demand from people in food insecurity situations. CD aims to: (i) regulate the price of a series of relevant products produced by family farmers; (ii) fulfil the demand of food access programmes; and (iii) create strategic stocks.
- *PAA Incentive for Milk Production and Consumption* (Incentivo à Produção e ao Consumo de Leite [IPCL]), which encompasses the purchase of cow or goat milk from family farmers. Its main aims are to: (i) contribute to the fight against hunger and malnutrition through the distribution of free milk for people in a situation of social vulnerability or/and food and nutritional insecurity; and (ii) enhance the local and family production of milk, guaranteeing a fixed and market compatible price.
- *Support for Stock Formation* (Apoio à Formação de Estoque [FE]), which offers financial resources for family farming formal organizations to acquire and stock current harvest products and sell them in the future under more favourable conditions.
- *Institutional Purchase* (Compra Institucional), which encompasses the acquisition of food to meet regular food demand from the direct and indirect public administration at federal, state

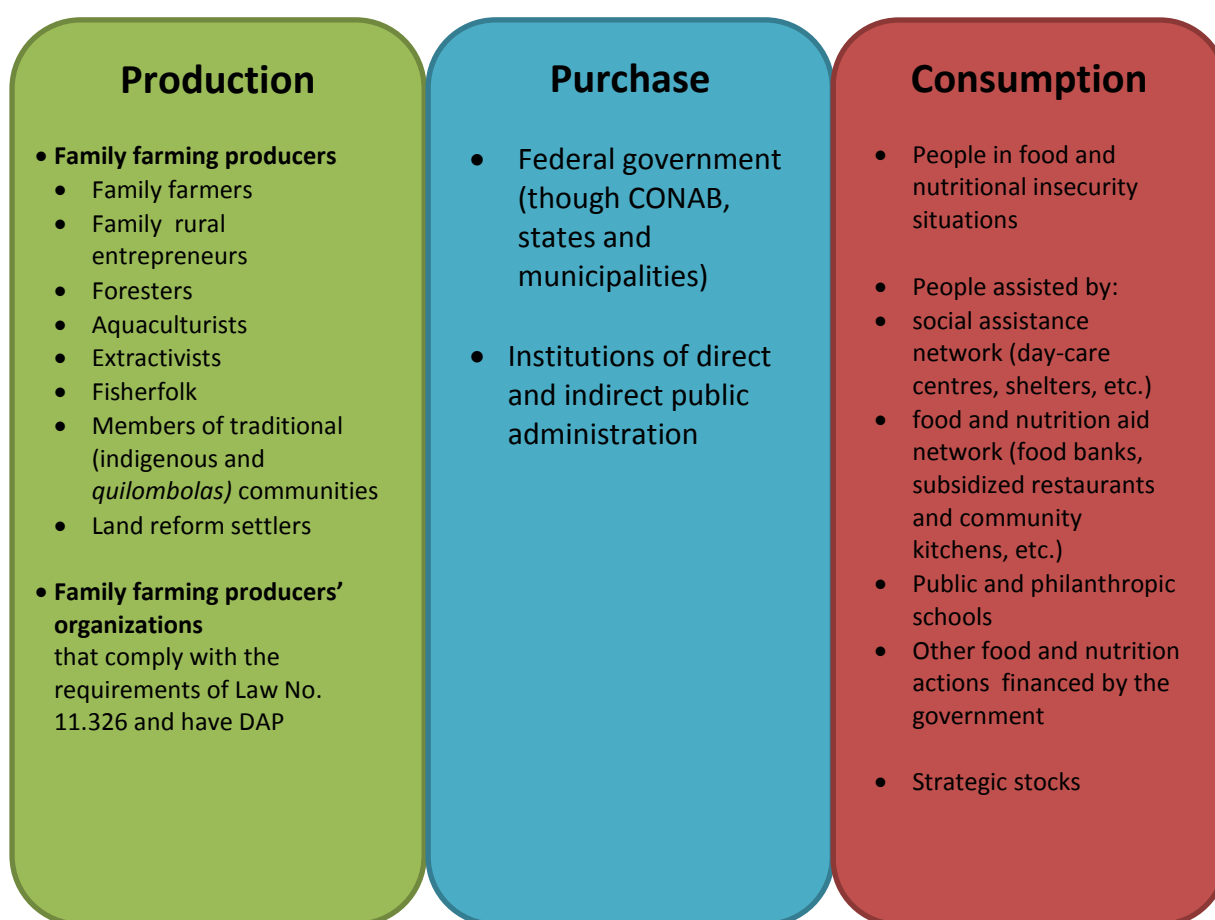
³ These requirements are that: (i) the rural property does not exceed four fiscal modules; (ii) the labour used in rural activities is predominantly family based; (iii) a minimum percentage (defined by the Executive Power) of the family income is generated by the activities of the rural property or enterprise; and (iv) the establishment is directly managed by the family (see Chapter 4).

and municipality level. This is a special modality created in 2012. In practice, it enables the extension of PAA smallholder friendly procurement mechanisms for other levels of public administration, including hospitals, prisons, military bases and university restaurants.

The number and type of PAA modalities have evolved and changed over time, demonstrating a continuous evolution of the programme (Peraci and Bittencourt, 2010).

These different PAA arrangements and modalities give great flexibility to the programme, which enables it to operate in various contexts and pursue diverse objectives. However, this makes the management process of the programme extremely complex. In fact, many of the challenges that PAA faces or has faced are intrinsically related to the number and variety of its modalities (FAO, 2010).

FIGURE 6
PAA production, purchase and consumption scheme



Source: author's elaboration.

3.2 PNAE

The Brazilian National School Feeding Programme (PNAE)'s main and traditional objective is to meet students' nutritional needs during their time in the classroom. It is Brazil's oldest food programme and one of the largest school meal schemes in the world (Chmielewska and Souza, 2011).

However, this main objective has been progressively developed and expanded over the years and, since the institution of Law No. 11.947 in 2009, it also encompasses the promotion of student growth, development, learning and academic achievement, as well as healthy nutritional habits. The

new PNAE guidelines arising from the law emphasize support of sustainable development and promotion of local food procurement, particularly from family farming production.

The law, encouraged and inspired by the PAA experience and in order to implement the programme new objective effectively, imposed an obligation to use at least 30 percent of the PNAE budget for food procurement in the purchase of food directly from family farming producers (IPC and WFP, 2013; Takagi, Sanches and da Silva, 2014). Following a procedure similar to the one adopted by PAA (which will be analysed in the next chapters), it established that a public bidding procedure should be avoided.

As a result, the Brazilian Government created an institutional link between food offered at public schools and family farming production, making PNAE one of the main institutional food procurement programmes in Brazil.

As in PAA, PNAE has two different beneficiaries: food consumers and food producers. The first category is represented by students of the basic public education system, including not only those of day-care centres, preschool and fundamental education but, since the 2009 regulation, also those of middle education, including youth and adult education, as well as students from indigenous and *quilombola* communities.

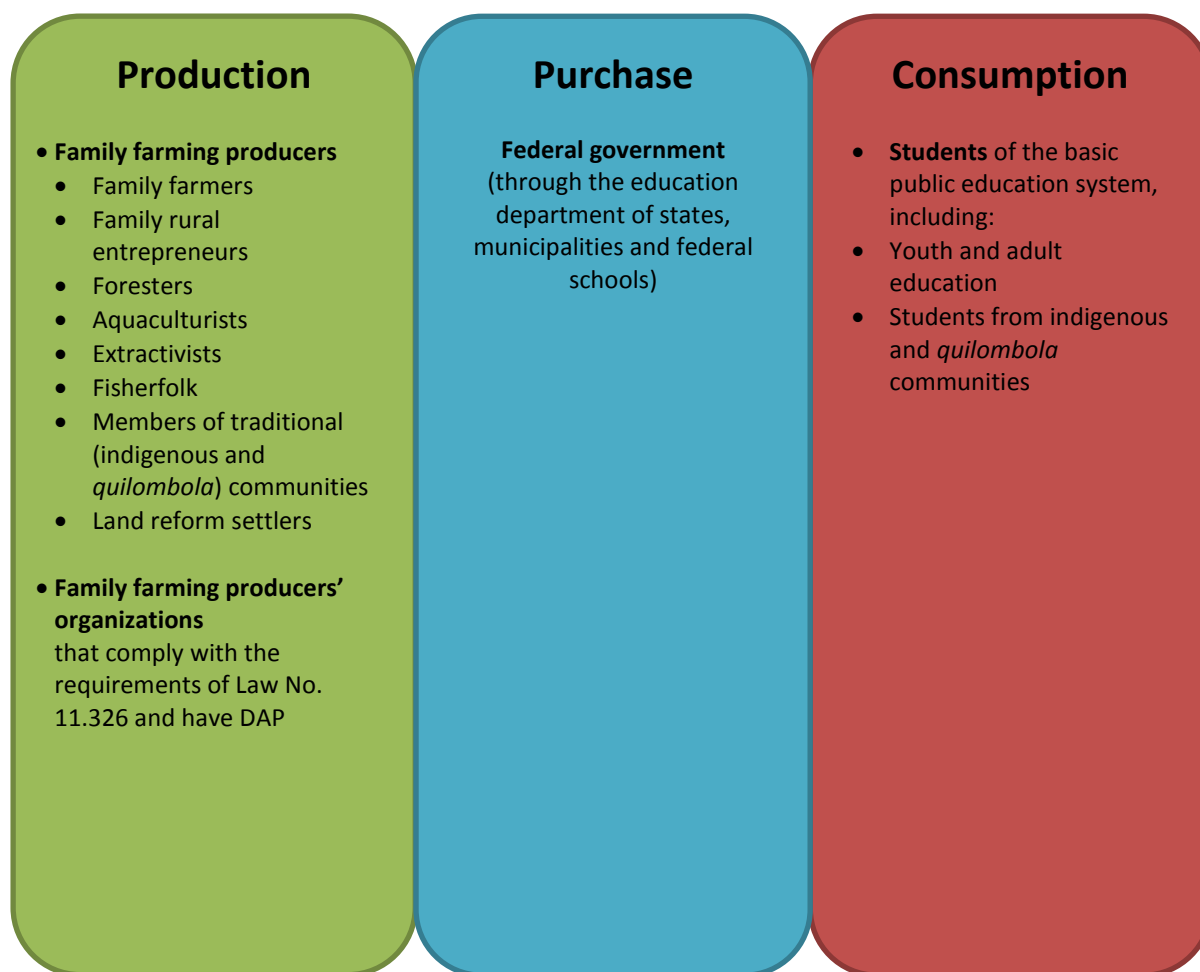
The specificity of these beneficiaries, children in particular, will determine the adoption of certain rules regarding, among others, the design of locally adapted menus and type and quality of products allowed; scale and stability of the supply; and more rigid quality and safety control. These requirements will impose some significant differences between the implementation of the two programmes.

The second categories of beneficiaries (food producers) are the same as those of PAA, i.e. family farming producers and their formal organizations.

Furthermore, specifically regarding the purchase of food from family farming, PNAE is implemented through only one operational modality. The government acquires food (through its implementing agencies) directly from family farming producers and/or their organizations using a simplified procurement model that has substituted the traditional public bidding process when food is bought from smallholders.

Since 1994, the programme has adopted a decentralized operational system and the education departments of the municipalities and states, as well as the federal schools directly, are the entities responsible for food purchase and for implementation of the programme locally. They may be called implementing partners, or implementing agencies, of the programme.

FIGURE 7
PNAE production, purchase and consumption scheme



Source: author's elaboration.

4. THE LEGAL ENABLING ENVIRONMENT OF BRAZILIAN IPPS

The legal enabling environment plays a fundamental role in both the creation and the effectiveness of IPPs. A procurement programme that aims at integrating family farming producers in institutional markets cannot be implemented without a proper legal framework adapted to support its development as well as its implementation.

The Brazilian case is of interest as regards analysis of the role of the legal framework in developing IPPs. Although there are challenges still to be overcome, Brazil counts on and has developed a particular legal framework to support its IPPs and overcome the main legal difficulties in purchasing food directly from family farmers.

This study reveals that the main legal issues intrinsically related to IPPs are: (i) regulation of public procurement; (ii) development of a legal definition for family farming at national level; and (iii) legal structure and regulation of smallholder producers' organizations. The latter will be analysed separately in Chapter 7.

The legal framework comprises a set of rules that range from constitutional provisions and federal laws to decrees and resolutions. Analysis of the Brazilian framework will focus here on the most important and specific legislation at federal level (see Box 1) related to the creation and implementation of Brazilian IPPs.

However, several other legislations constitute significant aspects of the legal enabling environment. Although not directly connected to IPPs, they may have a major impact on the successful implementation of IPPs and may require adaptations. These include, for example, contract law and its enforcement, rules on land tenure and on organic production, as well as tax and sanitary legislation. Such legal issues will not be analysed here although certain aspects will be clarified in the course of the study.

BOX 1

Institutional competences in the Brazilian legal system

Brazil is a federal republic formed by the union of its states (26), its federal district and its municipalities (currently 5 556), as established by the first article of the 1988 Federal Constitution (FC).

As a federal republic, the Constitution establishes different legislative competences among its entities. These may be: (i) exclusive; (ii) concurrent – in which the federal level can legislate only on directives and general principles; (iii) supplementary – in which the states or municipalities can legislate, complementing a law emanated at federal level (in the case of the states and federal district) or at the state level (in the case of municipalities); and (iv) residual, applied only to states and not municipalities (Arts 22–25 and 30 of FC).

Although the states, federal district and municipalities have legislative competences in Brazil, the main ones are exclusive to the federal level. These include all legislative competences on civil, commercial, criminal, labour, electoral and procedural law, as well as agrarian, maritime, aeronautical and space law (Art. 22 of FC).

Among the many competences established by Art. 22 exclusive to the federal level, there is also the regulation of the bidding process and of public contracts at all levels and entities of the public administration. This, therefore, establishes the basis for all legislation on public procurement analysed in this study.

4.1 Regulation of Public Procurement and Development of IPPS for the Purchase of Food from Smallholders

One important legal issue regarding the creation of IPPs is the regulation of the procedure imposed for public procurement.

Public procurement is guided in general by specific policies and legislation, because of its economic and political relevance. In order to guarantee the principles of administrative law and ensure transparency; prevent fraud, waste, corruption and local protectionism; legislation of public contracts is specifically drawn up by almost all countries in the world.

At international level, public procurement is subject to a plurilateral agreement under the auspices of the World Trade Organization (WTO), the Agreement on Government Procurement, which regulates government procurement of goods and services by public authorities, based on the principles of openness, transparency and non-discrimination (WTO Web site). In the European Union (EU), the subject of public contracts has been regulated and harmonized by EU legislation since the 1970s and is currently regulated mainly by Directive 2004/18/EC.

In general, these special regulations include all types of contracts concluded by the government and one or more economic operators for the execution of work, supply of products and provision of services, using public money. They also include the procurement of food. In Brazil, public procurement is regulated by the 1988 FC, which established as a general rule that all work, services, purchases, sales and leases contracted by the public administration must follow a bidding process in order to comply with administrative law principles of legality, impartiality, morality, publicity and efficiency (Art 37, XXI). The 126 articles of Law No. 8666/93 (amended by Law No. 12.349/10) establish the general rules of the bidding process for administrative contracts and all the formalities and requirements of the procedure. These rules apply to all levels of public administration: federal, state and municipality, and include any entity partially or entirely controlled by the government (Art. 1).

This law was an important achievement for the Brazilian legal system, especially in terms of establishing objective criteria in the selection of suppliers for the public sector; democratization among participants in the bidding procedure; linking bidding to the availability of previously authorized resources; transparency of the system with free access to data; possibility of legal complaint by any citizen; and punishment of public and private administrators for not complying with the law (Herrmann, 1999). Nevertheless, for a long time it represented the main legal obstacle for the public purchase of food directly from smallholders (Müller, 2007; Takagi, Sanches and da Silva, 2014).

The main issue of the regulation of public procurement for IPPs is that it often imposes a procurement procedure (the bidding process) which, because of its formality, complexity and high level of requirements, may hinder participation in institutional markets of a section of the population – the smallholder producers – who cannot easily compete with larger producers, intermediaries and traders under these same conditions.

As can be seen from Brazil, as well as in different country studies, the traditional procurement procedure imposed by public procurement legislation is unsuitable for the characteristics and capabilities of smallholder supply and may therefore hinder the development of specific policies and initiatives to support smallholder farmers' access to markets. (see Tricher & Schneider, 2010, FAO 2013a) This is especially true when a complex bidding procedure is combined with a centralized procurement system that requires the acquisition of large quantities of products (FAO, 2013a).

In order to create an efficient programme for public procurement of food from smallholders and guarantee their access to institutional markets it was, therefore, necessary to adapt the legal framework to these policy objectives and provide a procurement procedure for these specific cases more adapted to the capabilities and characteristics of smallholder supply.

The Brazilian FC had already consented to the possibility of creating an exception in the bidding process through a federal law, recognizing that in certain cases the process could be against the public interest. Consequently, the first step in the establishment of the food procurement programme was the elaboration of a provision within a federal law establishing an exception to the bidding obligation (Art. 37 FC).

Law No. 10.696/2003, which created PAA, established that procurement of food for PAA could be undertaken by waiving the bidding process. The same exception was repeated in Law No. 12.512/2011, which currently sets other legal rules for PAA. Such laws imposed further conditions of compliance to justify the waiving of the bidding procedure, and these will be analysed in Chapter 6. Food had to be produced by family farmers; prices should not be higher than those of regional markets; and a procurement financial limit established per year for each family farming unit should be respected.

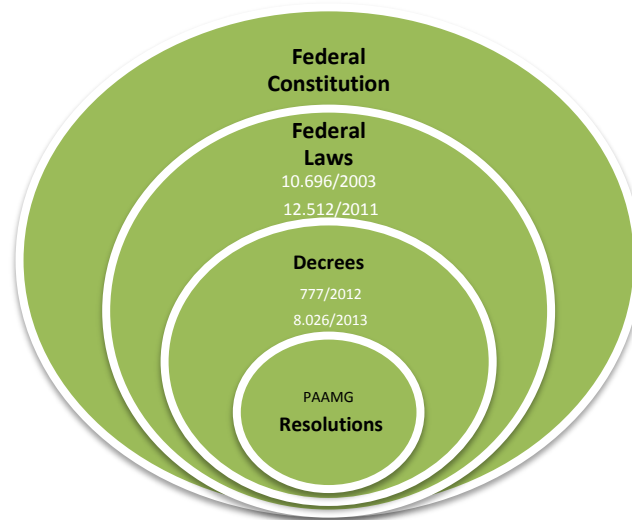
The same exception was repeated in Law No. 11.947/2009 for PNAE. Through this law, the government of the states, municipalities and federal schools are able to procure food for school meals directly from family farming producers, without the bidding process.

As in the case of PAA, Law No. 11.947/2009 imposes three conditions for waiving the bidding process. The purchase must be made directly from family farming producers and/or their formal organizations; the price must be compatible with those of the local markets; and products must comply with the requirements of quality control established by the appropriate legislation (Art. 14, para. 1). The law also establishes that, despite waiving the bidding procedure, the administrative principles established by Art. 37 of the Brazilian FC, must be observed, i.e. the principles of legality, impersonality, morality, publicity and efficiency.

These three laws are the main legislation of Brazilian IPPs. They complemented by decrees (acts of the Executive Power that regulate the application and execution of a law created by the Legislative Power) and resolutions issued by the PAA management group (PAAMG). The latter is an entity formed by different ministries in charge of defining, among others, the guidelines and specific rules for the implementation of PAA, and by the National Fund for the Development of Education (FNDE), responsible for the coordination of PNAE.

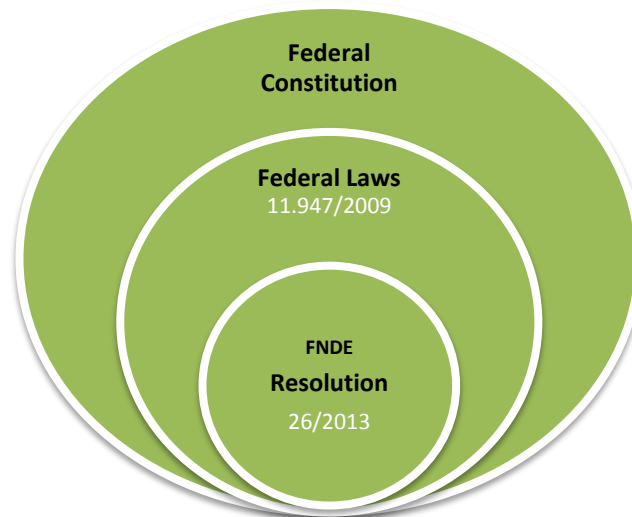
The main aspects of these regulations will be analysed later in this study.

FIGURE 8
Main legal framework of PAA



Source: author's elaboration

FIGURE 9
Main legal framework of PNAE



Source: author's elaboration.

BOX 2**Evolution of PAA regulation**

The first legal regulation of PAA was represented by a single article within a law that deals with different subjects (Art. 19, Law No. 10.696/2003 on the renegotiation and extension of debts arising from rural loans). In a few paragraphs, the article regulates some key points necessary for the institution of the programme. In practice, it established the institution of PAA and its general objectives; it provided the definition of family farmer beneficiaries of the programme; and it established the exception to the bidding process. All other aspects of the programme lacked regulation at the legal level.

The choice not to create a new ad hoc law for the institution of the programme was part of a political strategy. As reported by Müller (2007), the government was aware that the lobby of the large enterprises (the traditional and main suppliers of institutional markets) among congress could make the approval of a new and specific law difficult. Furthermore, introducing legal exception for the bidding procedure inside the general law on public procurement (Law No. 8.666/93) could also lead to complications since this law deals with all public contracts, and it could therefore take much longer and instigate further political stress (Müller, 2007).

The choice was, therefore, to “take a ride” with the closest law under discussion and insert a small article regarding the institution of the programme within it (Müller, 2007). In only three months, the government was able to elaborate the legal basis of the programme and have it approved through Law No. 10.696/2003.

Nevertheless, the great concision of this regulation and the first decrees that regulated PAA (Decree Nos 4.772/2003, 5.873/2006 and 6.447/2008 which had, respectively, only seven, eight and ten articles) represented a significant bottleneck in the programme for some time.

Many important aspects of PAA lacked regulations at the legal level, including the mechanisms of social participation and accountability, and the lack of common indicators for the uniform and correct implementation of the programme throughout the country and by the different implementing agencies (FAO, 2010).

Furthermore, despite the fact that the programme had significantly evolved over the years, with an increase in the number of modalities as well as in complexity, Law No. 10.693/2003 remained unchanged.

As assessed by FAO within a study on the evaluation and monitoring of PAA, developed in cooperation with the Brazilian Government and reported in the PAAMG 2003–2010 Balance Evaluation (see Box 4), in 2010 the PAA legal framework did not satisfy all the needs of the programme, or guarantee its continuous and simplified implementation. This represented one of the ten main challenges of PAA implementation during that period (FAO, 2010; GGPAA, 2010). The study suggests that, in order to improve PAA management, more detailed regulations were necessary, together with the elaboration of a new law.

This problem was fully recognized by the government and by PAAMG itself. As a result, Law No. 12.512/2011 was created in 2011, where Chapter III provides a new regulation for the programme. In addition, the government elaborated a new decree with 52 articles, which was about five times longer than the previous decree. Decree No. 7.775/2012, in combination with Law No. 12.512/2011 and several other new PAAMG resolutions currently provide detailed regulations for the programme.

TABLE 1

Chronological evolution of PAA main regulations

Year	Type of regulation	Main characteristics
2003	Law No. 10.696	In just one article, created PAA and regulated key points fundamental for the institution of the programme
2003	Decree No. 4.772	In a few articles, regulated the application and execution of Law No. 10.696/03. In particular, regulated the creation of PAAMG, establishing its main functions, including the development of the necessary infra-legal rules for implementation of the programme
2006	Decree No. 5.873	Substituted previous decree, providing only a few new rules. In particular, included the regulation of stock formation within the programme among the functions of PAAMG. Also provided further rules for the financial procurement limit imposed on the acquisition of products through the programme (see para. 6.2.4)
2008	Decree No. 6.447	Substituted previous decree. In particular, regulated for the first time the six different modalities of PAA, providing for each of them a specific financial procurement limit. Also included the Ministry of Education as a member of PAAMG and recognized the possibility of using PAA for the purchase of food for public schools
2011	Law No. 12.512/2011	Currently PAA's main regulation. Provided a more extensive regulation for the programme. Developed some of the rules in the 2003 law; and brought to a legal level some rules previously present in decrees and/or PAAMG resolutions (such as those on social participation and accountability). Introduced important innovations to the programme. These included a new instrument to formalize the partnership between the federal government and the states, municipalities and federal district for the implementation of the programme at local level; new payment procedures; and the possibility of reimbursing expenses incurred by PAA implementing agencies in the implementation of the programme
2012	Decree No. 7.775	Its 52 articles regulate Law Nos 12.512 and 10.693 and provide detailed rules for the implementation of PAA. Recently amended by Decree Nos 8.026/2013 and 8.293/2014

4.2 Legal Definition for Family Farm Producers

Another important issue in the institution of IPPs for the acquisition of food from family farm producers regards a unified legal definition for this category within the national context.

A specific definition may be created ad hoc for IPPs within their own regulations, yet a legal classification that provides a unified concept of family farm producers to be adopted at national level by all public policies is of significant importance. It is particularly relevant in the Brazilian context where there are such different models of agricultural production.

A unified legal definition contributes to the strength of the institutionalization of family farming in the country and its articulation with other government sectors (FAO, 2013a). A unified concept of family farming created through a federal law enables and facilitates a broader dialogue and interaction between different public policies and programmes, such as those on market access, financing and technical assistance, but also those on food and nutritional security and school feeding. These interactions are considered of key importance for the implementation and sustainability of IPPs.

Furthermore, a legal definition that provides clear criteria guarantees that public programmes on family farming effectively reach their target (MERCOSUR GMC Resolution No. 25/07). Without this, it becomes difficult to operationalize IPPs. It is also important to measure and evaluate the results and impacts of public policies and programmes on the sector (FAO, 2013a).

Nonetheless, at international level there is no unified and internationally accepted definition of smallholders or family farm producers (World Bank, 2008; FAO, 2013a; FAO, 2013b). Few countries have a legal regulation that establishes a unified national concept.⁴ In Latin America, for example, of the eight countries analysed by the FAO study on school feeding programmes (FAO, 2013a), none had a nationwide legal definition for family farm producers. Definitions or (mixed) parameters, when existent, are in general developed within specific and different public policies, as was the case in Brazil before 2006 (Del Grossi and Marques, 2010; FAO, 2013a; FAO, 2013b).

MERCOSUR is an exception. In 2007, following the recommendations of the Specialized Meeting on Family Farming (REAF) in which Brazil participated, common criteria were adopted to define family farmers and, through MERCOSUR GMC Resolution No. 25/07, it was established that each member state should include a similar formal definition in its legal system.

In Brazil, such a legal definition was adopted even before the MERCOSUR request. In 2006, through Law No. 11.326/2006, Brazil had already established unified criteria to define family farmers and family rural entrepreneurs for use by national public policies. This law, which established the directives for the development of the national policy on family farming and family rural entrepreneurship, was developed when PAA, as well as other programmes for the support of this category of producers, already existed.⁵ It represented a significant evolution of Brazilian public policies on family farming as well as an important innovation within the legal system.

Law No. 11.326/2006 (amended by Law No. 12.512/2011) established four criteria with which the farmer and rural entrepreneur should simultaneously comply in order to be classified as a family farmer or family rural entrepreneur and, therefore, to have access to family farming national policies

⁴ An FAO study (2012) identified 36 definitions for family farming. Of these, ten were developed by academic research, 13 from NGOs and publications/documents and only ten from governments, in particular on policies or programmes. Geographically, 23 were developed within the developing world and 13 by Western/developed countries.

⁵ During the first three years of PAA's existence, the definition used by the programme was the one established by Central Bank of Brazil Resolution No. 2.191/95 for PRONAF.

and programmes. These criteria are that: (i) the rural property does not exceed four fiscal modules; (ii) labour used in the rural activities is predominantly family based; (iii) a minimum percentage (defined by the Executive Power) of the family income is generated by the activities of the rural property or enterprise; and (iv) the establishment is directly managed by the family.

Because of the widely different types of farms within the Brazilian regions, the Brazilian definition uses “fiscal modules” as units of measure for rural property. The fiscal module unit is fixed for each municipality, taking into consideration factors such as the type of farming in the municipality and the income from predominant farm activities. This system gives more flexibility to the concept of family farming and makes it more adjustable to the great diversity present in Brazil.

The definition provided by this law opened the door of Brazilian public policies on family farming to other specific groups of beneficiaries. First, the law refers not only to family “farmers” but also to family rural entrepreneurs. Second, it includes fish farmers, fisherfolk and extractivists as its beneficiaries and, since its amendment by Law No. 12.512 in 2011, indigenous people and the remaining members of *quilombola* and other traditional communities that comply with legal requirements.

Within this broad definition, Brazilian policies for family farming, including IPPs, are able to reach a larger number of beneficiaries, including specific disadvantaged groups, in a social inclusion strategy. Furthermore, the definition has an impact on the products that can be commercialized through IPPs, which include industrialized or processed food produced by family rural entrepreneurs (see Chapter 6).

Since 2006, the food producer beneficiaries of PAA and PNAE, and of all other Brazilian programmes related to family farming, are defined and regulated by this same legal definition.

BOX 3

Evolution of PNAE legislation

PNAE and its legal framework revolved considerably before the introduction of Law No. 11.947/2009 and the interface between PNAE and family farming support.

One important step along the way was the decentralization of the programme in 1994, introduced by Law No. 8.913/1994.

From 1953 (the year in which a national wide school feeding programme was created until 1993), the administration and procurement of food for school meals in Brazil were centralized. The Ministry of Education (MEC) through the Student Assistance Foundation or Brazilian Public Supply Company (COBAL) bought food and other school materials, by means of a national bidding process. These materials were stored in central warehouses and then distributed to all schools at state and municipality level (Otsuki and Arce, 2007; Saraiva *et al.*, 2013). Although the states and municipalities collaborated in the execution of the programme – providing, for example, the minimum structure required for storage, distribution and preparation of the food in schools – they were completely excluded from management of the programme (CEDEC, 1996).

This centralized model faced several challenges. Transportation of food over long distances increased transportation and storage costs; products deteriorated before reaching schools; food, mainly industrialized and non-perishable, was of low quality or unsuited to local students' habits and tastes; in certain regions, delays and discontinuity in distribution resulted in lower student attendance; and there were frequent cases of misappropriation of food and resources (CEDEC, 1996; Saraiva *et al.*, 2013).

The centralized system also hindered the possibility of local purchases and that of procurement from smallholder producers (FAO, 2013b).

In 1994, Law No. 8.913 established the decentralization of PNAE, as a first step towards a new and smallholder friendly procurement system within the Brazilian programme. This new law established that PNAE resources be transferred monthly to states, federal district and municipalities, which became responsible for management of the resources, as well as for elaboration of school menus, and procurement and distribution of food.

Advantages of the decentralization were the rationalization of logistics and costs for distribution of products, an increase in the quality and variety of food, and its compatibility with local habits and tastes. It also meant that food could be purchased locally, which was expressly encouraged by the law. It stated (Art. 3) that natural products, as well as local production and the farming traditions of the region be prioritized in elaborating menus and in the procurement of food. However, these criteria were based on reducing costs and were not (yet) directly related to a strategy of family farming support (IPC and WFP, 2013).

Nevertheless, the procurement procedure was still linked to Law No. 8.666/1993 and, therefore, to the bidding process. As a result, even with a law that encouraged local procurement, the requirements of the bidding process represented an obstacle for family farmers and family rural entrepreneurs to access this market.⁶

A definitive step towards a link between PNAE and family farming was made only in 2009, through Law No. 11.947/2009 which, following the PAA model, established a new legal exception for the bidding process in PNAE.

⁶ Within this context, several municipalities began to use PAA as a contributing source for their school feeding programme, complementing purchases made with PNAE's resources and, therefore, as an independent strategy to overcome the public bidding procedure and develop the local market. Acknowledgement of this process led to the publication of Decree No. 6.447/2008, which expressly included schools among the recipients of the food procured under PAA (Belik, Chaim and Weis (2004); IPC and WFP (2013).

TABLE 2

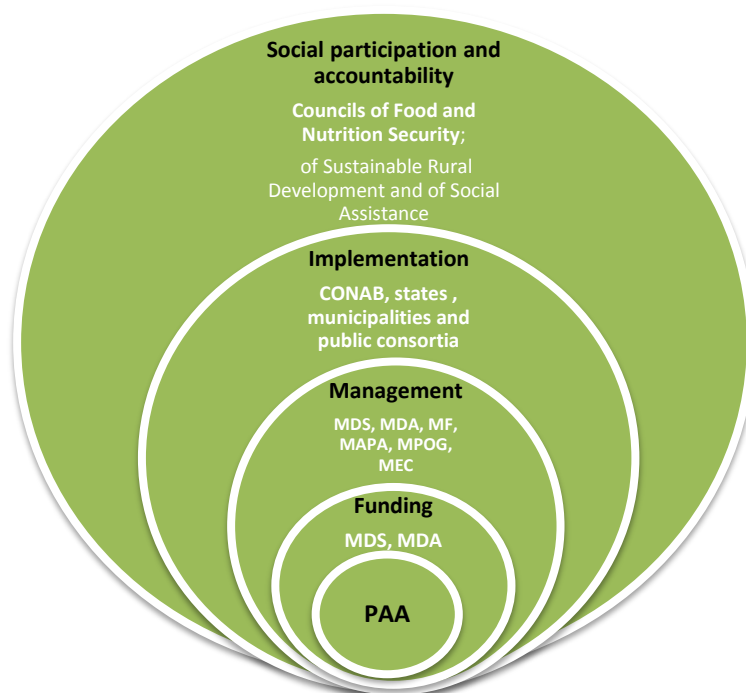
Chronological evolution of PNAE main regulations

Year	Type of regulation	Main characteristics
1953	Decree No. 37.106	Created a national school feeding programme in Brazil (PNAE)
1994	Law No. 8.913	Established decentralization of PNAE
2009	Law No. 11.947	Established support of family farming production as one of PNAE's objectives for the first time. Imposed an obligation to use at least 30 percent of PNAE financial resources in the purchase of food from family farm producers. Currently the main legal legislation of the programme, regulating its main aspects
2009	FNDE Resolution No. 38	Following Law No. 11.947/2009, provided specific, detailed, and infra-legal regulation for PNAE implementation
2013	FNDE Resolution No. 26	Provided new specific, detailed and infra-legal regulation for PNAE implementation

5. INSTITUTIONS AND STRUCTURE

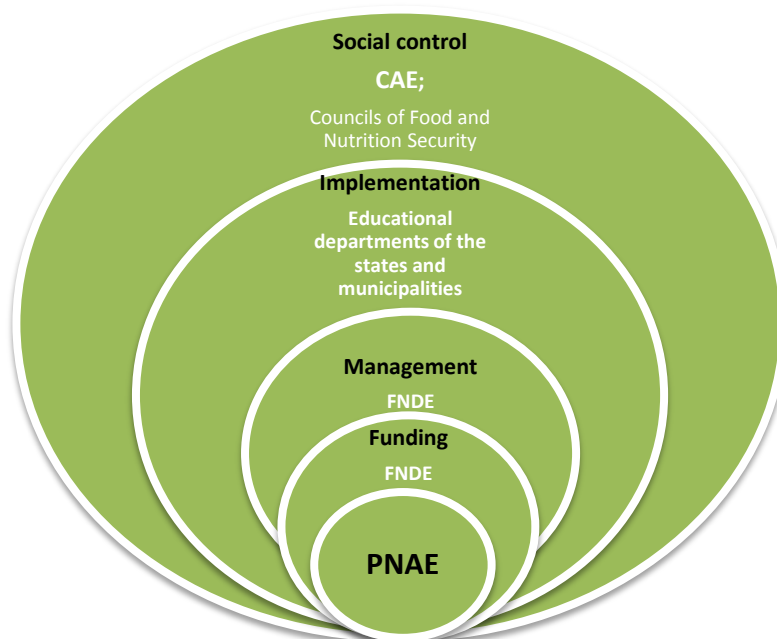
It is possible to divide the structure of Brazilian IPPs into four different spheres: funding, management, implementation and social participation and accountability. Each counts on the participation of different actors and institutions. The effective interchange among different actors, institutions and public policies is one of the main characteristics and innovations of Brazilian IPPs and, in particular, of PAA.

FIGURE 10
PAA organizational structure



Source: MDS, 2013.

FIGURE 11
PNAE organizational structure



Source: author's elaboration

5.1 Funding

Both programmes are funded by the federal government, but through different institutions.

PAA is funded by the resources of two ministries: the Ministry of Agrarian Development (MDA) and the Ministry of Social Development and Fight against Hunger (MDS). The only exception is represented by Institutional Purchase that, as already mentioned, is implemented with the pertinent resources of the organs of direct and indirect public administration to attend to their own demand for food.

MDS was created in 2004 and is responsible for Brazilian policies on social inclusion, food and nutrition security, social assistance and cash transfer. It is PAA's main source of resources and is mainly responsible for management of the programme. Until 2005, PAA operated exclusively through resources made available by MDS.

MDA was created in 1999 within the context of strong social demands for public policies on family farming sustainable development. Among its main competences are land reform, land tenure and promotion of sustainable family farming, as well as the issues related to land occupied by *quilombola* communities. In 2006, through the Secretariat for Family Farming, MDA became directly involved in PAA, collaborating with its own resources in the financing of the programme.

The actions of each of the two ministries have different focuses that characterize their intervention in PAA's operational modalities. MDA's actions (and funds) are focused on PAA modalities associated with the creation of family farming organizations' stocks and with the sustainability of product prices, i.e. CD and Support for Stock Formation (FE) (MDS and MDA, 2010).

On the other hand, the focus of MDS actions (and resources) is on purchasing food to donate to people facing food insecurity situations, who are assisted by the social assistance network and the national programmes of food and nutritional security (MDS and MDA, 2010). The different modalities of PAA will therefore be funded either by MDS or by MDA and, in some cases, by both ministries (see Table 3).

MDS and MDA are also the Management Units (*Unidades Gestoras*) of PAA, which partner with the implementing agencies for transfer of resources and local implementation of the programme (Arts 27 and 28, Decree No. 7.775/2012).

As regards PNAE, funding resources come from the National Treasury, approved by federal law, and the National Fund for the Development of Education (FNDE) is responsible for transferring them to the programme implementing agencies (Art. 16, II, Law No. 11.947/2009).

FNDE is a federal autarchy created in 1968 by Law No. 5.537/1968 and is responsible for implementing Ministry of Education (MEC) policies. It is the main institution involved not only in PNAE financing, but also in the entire coordination and management of the programme.

5.2 Management

Brazilian IPPs are managed through different ministries and their affiliated agencies.

A PAA innovative characteristic is that it is intersectoral, which is represented also in its management structure. It is managed by a group of ministries that comprises not only MDS and MDA (involved in programme financing) but also four other ministries. These are the Ministry of Agriculture, Livestock and Food Supply (MAPA), which is directly involved in PAA implementation

through CONAB; the Ministry of Planning, Budget and Management (MPOG); the Ministry of Finance (MF); and, since 2009, the Ministry of Education (MEC).

These ministries are the components of the PAA Management Group (PAAMG) (*Grupo Gestor do PAA [GGPAA]*), a deliberative body coordinated by MDS that aims to guide and monitor the implementation of PAA (Art. 20, Decree No. 7.775/2012).

PAAMG defines:

- i. mode of operation of PAA modalities;
- ii. methodology for setting the reference price to be used by the programme, taking regional differences and the reality of family farming into consideration;
- iii. methodology for setting the price and conditions for sale of the products acquired through the programme;
- iv. conditions for the donation of purchased products;
- v. conditions for stock formation;
- vi. criteria to prioritize certain categories of PAA food producer beneficiaries;
- vii. conditions for the purchase of seeds, saplings and similar products;
- viii. how the management group operates, with the approval of its bylaws and;
- ix. other measures required for the operation and implementation of the programme (Art. 20, Decree No. 7.775/2012).

The different ministries directly involved in programme financing and implementation are the same as those that participate in programme management through PAAMG and establish the detailed rules of the programme through its resolutions. In this way, according to Campos and Bianchini (2014), an intersectoral approach is ensured and decisions made are effectively legitimized since PAAMG members represent the entities that are directly involved in implementation of the programme. (For critiques, see Delgado, Conceição and Oliveira, 2005; Müller, 2007.)

Furthermore, PAAMG may constitute an advisory committee with a supporting role, formed by representatives of government and civil society (including family farm producers and CONSEA representatives) in order to guarantee a broader dialogue with civil society within PAA management. This advisory committee aims to strengthen the multistakeholder approach of the programme (Art. 22, Decree No. 7.775/2012).

PNAE is managed by FNDE, which establishes the general rules for planning, execution, control, monitoring and evaluation of the programme (Art. 16, Law No. 11.947/2009). As in the case of PAAMG, FNDE is responsible for establishing detailed regulations for the programme through its resolutions. Apart from transferring economic resources, other functions of FNDE as coordinator of PNAE are to:

- i. promote interagency dialogue between federal entities directly or indirectly involved in the execution of PNAE;
- ii. promote the adoption of guidelines and goals established in pacts and international agreements to improve the quality of life for students in basic education at public schools;
- iii. provide general technical guidance for states, the federal district and municipalities for the proper functioning of PNAE;
- iv. cooperate in human resources training for those involved in the execution of PNAE and in social participation and accountability; and
- v. promote the development of studies and research that evaluate the actions of PNAE, in cooperation with public or private entities.

5.3 Implementation

Although both programmes are funded federally, implementation is based on a decentralized organizational model, developed in partnership with different actors. As already stated, the decentralized model is recognized as most appropriate for the direct purchase of food from smallholders, especially in such a large country as Brazil.

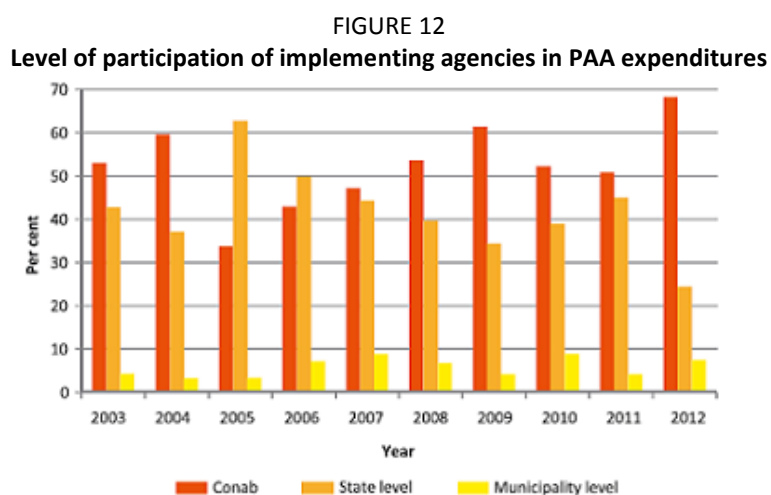
As regards PAA, three main categories of partners (or implementing agencies) are in charge of implementing the programme locally. These are CONAB, states (and the federal district) and municipalities.⁷ In the case of the new modality of the programme (Institutional Purchase), it is the public institutions of the direct or indirect public administration at federal, state or municipality level (including hospitals, penitentiaries, universities, public companies) that implements this modality with their own resources.

CONAB is a public company under the administrative arm of MAPA. Its mandate is to manage agricultural and food supply policies to meet the basic needs of Brazilian society in ways that preserve and encourage market mechanisms. It has traditionally played a central role in building and maintaining food stocks in the country and is, through its decentralized offices in almost every state of Brazil, the main implementing agency of PAA.

For implementation of the programme at local level, MDS or MDA sign an agreement with the different implementing agencies. These may be (i) a covenant (*convênio*) or an adherence agreement (*termo de adesão*) in the case of states, municipalities, federal district or public consortia; or (ii) a cooperation agreement (*termo de cooperação*) in the case of CONAB (Art. 28, Decree No. 7.775/2012).

Through these agreements, MDS and MDA transfer the resources to the implementing agencies, which become responsible for implementing PAA locally. Since 2011, covenants have been gradually substituted by adherence agreements, considered less bureaucratic and more efficient for implementation of the programme.

Because of its particular characteristics and objectives, each operational modality may require different implementing agencies, as described in Table 3.



Source: IPC and WFP, 2013.

⁷ They can also implement the programme through public consortia formed among the states, federal district and municipalities (Art. 1, Decree No. 6.017/2007).

TABLE 3
Actors involved in PAA financing and implementation

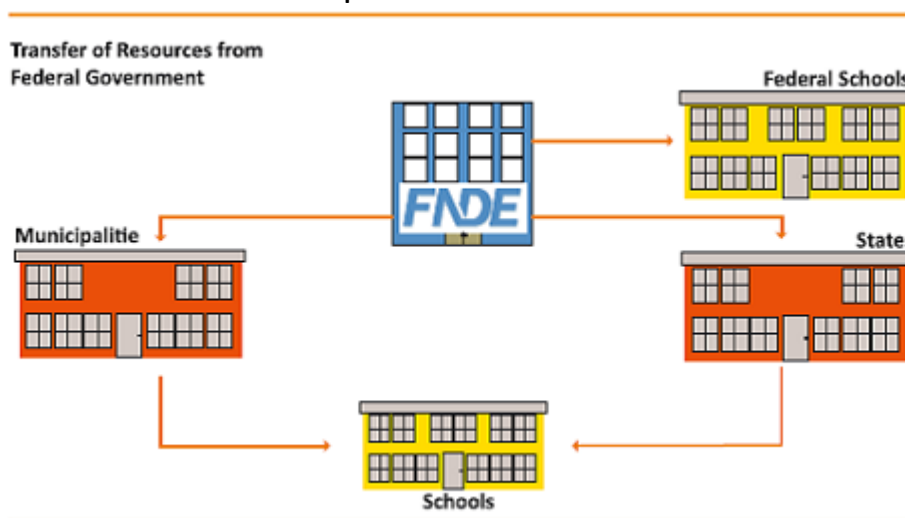
Modality	Origin of resources (financing)	Implementation
Purchase with Simultaneous Donation (CDS)	MDS	CONAB, states and municipalities
Direct Purchase (CD)	MDS/MDA	CONAB
Incentive for Milk Production and Consumption (IPCL)	MDS	States from the northeast regions and the state of Minas Gerais
Support for Stock Formation (FE)	MDS/MDA	CONAB
Institutional Purchase	Institutions of the direct and indirect public administration at federal, state and municipality level	Institutions of the direct and indirect public administration at federal, state and municipality level

Source: MDS and MDA, 2010

PNAE's implementing agencies are the education departments of municipalities, states and federal districts. They receive federal funds directly from FNDE without the need for any adherence agreement, covenant or the like (decreasing, therefore, bureaucracy and related risks of disruption, delays, etc. in the transfer of resources), and are responsible for executing the programme and purchasing food for school meals (Art. 5, para.1, FNDE Resolution No. 26/2013). In the case of federal schools, resources are transferred directly, and schools are responsible for acquiring school food following the same rules and procedures (Art. 5).

Resources for each implementing agency are calculated according to the number of students assisted, and based on the school census of the previous year (Art. 5, para. 4).

FIGURE 13
Implementation of PNAE



Source: FNDE in IPC and WFP, 2013.

5.4 Social Participation and Accountability

Both programmes encompass mechanisms for civil society participation and accountability although the implementation of these mechanisms at state and municipality level has been identified as one of the main challenges of the programme by the SESAN/MDS and FAO evaluation project, especially regarding PAA (see Box 4).

BOX 4

Evaluation of PAA: the SESAN/MDS project and FAO report

In 2010, SESAN/MDS, in collaboration with FAO, developed a project for supporting the implementation and achievements of the Zero Hunger (*Fome Zero*) programme and, within it, to evaluate the implementation of the programme between 2003 and 2010.⁸ This project encompassed 24 qualitative case studies (organized under five regional projects), five regional workshops (*oficinas de documentação participativa*) and 59 management diagnostics, among others.

Within the project, FAO elaborated a report where, through the consolidation and evaluation of all the documents produced, it identified ten main challenges for implementation of the programme during that period and proposed recommendations for improvement (FAO, 2010). This document became part of the PAAMG Balance Evaluation of PAA implementation between 2003 and 2010 (GGPAA, 2010) and provided important guidelines for improvement and evolution of the programme.

According to the report, the main challenges faced by PAA implementation in 2010 were:

- lack of an annual and consolidated planning system for the implementation of PAA;
- lack of a unified communication project for PAA, encompassing all its modalities;
- lack of proper legislation;
- insufficiency of instruments to capacitate and qualify the partners involved in implementation of the programme;
- lack of an information management system to support the management and implementation of the programme;
- low degree of coordination between PAA and other local public policies, programmes and actions (in particular those of ATER), as well as with local social development structures;
- insufficiency and fragmentation of the instruments of social participation and accountability;
- lack of a consolidated system for monitoring and evaluating PAA implementation;
- delays in payments to family farm producers; and
- existence of operational issues not fully adequate for the implementation of PAA.

Although the government has been collecting data since 2009 through the Annual Financial Statement Report (*Demonstrativo Sintético Anual*) of its implementing agencies, a similar evaluation project has not yet been developed for PNAE.

The main actors involved in the social participation and accountability mechanisms for PAA are the Councils of Food and Nutrition Security (Art. 24, Law No. 12.512; Art. 44, Decree No. 7.775/2012). They are the National Council of Food and Nutrition Security (CONSEA) at federal level; the State Councils of Food and Nutrition Security at state level; and the Municipal Councils of Food and Nutrition Security at local level (MDS and MDA, 2010).

CONSEA is a consultation forum created in 2003⁹ that connects the interests of government and civil society in the field of food and nutrition security. It consists of civil society representatives and

⁸ This study was developed within the international cooperation agreement between MDS and FAO for supporting the implementation and achievements of the Zero Hunger (*Fome Zero*) programme (Project UTF/BRA/064/BRA).

⁹ CONSEA was originally created in 1993, deactivated in 1995, and re-established in 2003.

members of federal government, and offers advice in the formulation of policies and in the definition of guidelines. It is important to mention that CONSEA has played a fundamental role in the elaboration and improvement of both Brazilian IPPs and is responsible for social participation and a multistakeholder approach within PAA (Müller, 2007).

Apart from the Councils of Food and Nutrition Security at municipality and state level, the PAA regulation established that, where these councils do not exist, the Councils of Sustainable Rural Development or Social Assistance may become responsible for supervision of the programme's execution.

Implementation of these instruments of social participation and accountability faces considerable challenges. As stated in the FAO report, by 2010 these instruments were considered insufficient for the needs of the programme, as well as being fragmented and, in most cases, merely for protocol. The report states that, up to that time, there had been no clear legal regulation on PAA social participation and accountability. Implementation had to deal with the fragility of local councils, which were not able to comply fully with their assignments. As affirmed by PAAMG, social accountability was primarily focused on meeting the specific requirements of some PAA modalities (in particular, approval of participation proposals). The most appropriate entity (CONSEA) was often inexistent at municipality level and at state level it was used to perform bureaucratic and formal tasks only (FAO, 2010; GGPAA, 2010).

Most of the case studies developed within the project showed little awareness of the programme's beneficiaries, regarding social participation and accountability. Even when they did, they were extremely critical (Doretto and Michellon, 2007).

The consequences include a low degree of control over PAA implementation and distortions in implementing the programme (FAO, 2010).

PNAE

Social participation and accountability for PNAE are carried out mainly by the School Feeding Councils (CAEs). Their creation at municipality, state and federal level became mandatory after decentralization of the programme in 1994.

CAEs are collective entities that have a supervisory, permanent, deliberative and supportive character. They are formed by representatives of the Executive Power of the federated entity; entities of professionals in the educational system and teachers; students' parents who are members of School Councils, Parent-Teacher Associations or similar entities; and organized civil society organizations (Art. 18, Law No. 11.947/2009; FNDE Resolution No. 26/2013).

While PAA legislation does not provide a detailed description of the duties involved in social participation and accountability, PNAE legislation does. According to Law No. 11.947/2009, CAE's competences are to:

- i. follow up and control compliance with the guidelines established by Law No. 11.947/2009;
- ii. follow up and control the use of resources destined for school feeding;
- iii. monitor the quality of school meals, including hygienic conditions and acceptability;
- iv. receive the annual PNAE Management Report and emit a conclusive document of proof in this respect, approving or rejecting the execution of the programme.

These competences are complemented by the duties specified in the FNDE Resolution which include, among others, approving the financial reports of states and municipalities to be presented to FNDE (for final approval), and notifying FNDE or other control bodies when the implementing entity fails to

comply with applicable legal requirements in the use of PNAE funds (Art. 35, FNDE Resolution No. 26/2013).

Furthermore, CONSEA and the Councils of Food and Nutrition Security of states and municipalities may have a role within PNAE social participation and accountability. According to Law No. 11.947/2009, CAEs must observe the guidelines established by CONSEA, and state and municipality councils (or other similar councils) may cooperate with CAEs in the performance of their duties (Art. 19).

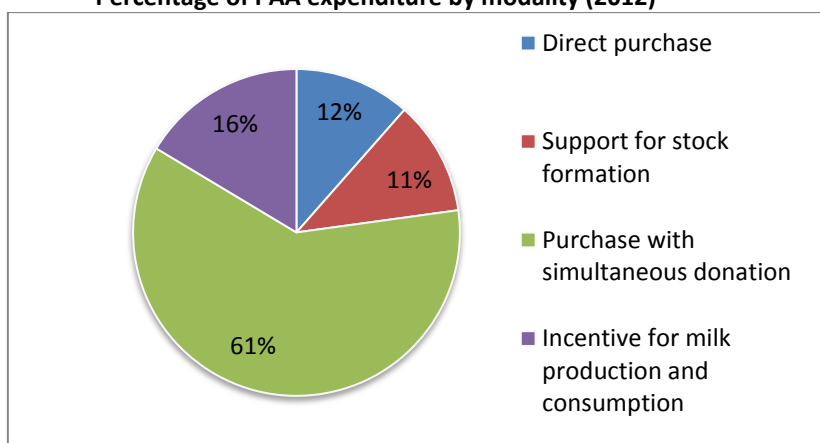
6. OPERATIONAL MODALITIES

6.1 PAA

Purchase with Simultaneous Donation (CDS)

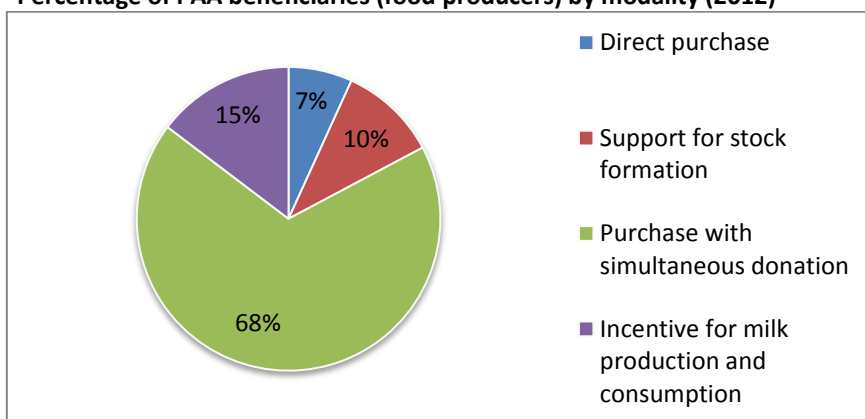
Purchase with Simultaneous Donation is the main PAA modality in terms of expenditure, number of beneficiaries (regarding both food producers and food consumers), and variety of products acquired.

FIGURE 14
Percentage of PAA expenditure by modality (2012)



Source: author's elaboration, based on data from the Secretariat for Evaluation and Information Management (SAGI).

FIGURE 15
Percentage of PAA beneficiaries (food producers) by modality (2012)



Source: author's elaboration, based on data from SAGI.

CDS was designed specifically to foster the links between family farming production and local demands for food and nutritional supplementation. While other modalities are associated with the formation of strategic stocks, this modality is directly linked with the immediate distribution of food for people with nutritional and food insecurity.

The CDS modality can be implemented either by CONAB or by the federal district, municipalities and states that have a cooperation or adherence agreement with MDS.

Family farm producers can access this modality both individually and through their formal and informal organizations. As already stated, in both cases (as well as in all PAA modalities), they must

have a DAP certifying that they comply with all the legal requirements to be classified as family farm producers.

Implementation through municipalities and states

When municipalities or states are the implementing agency, the procurement procedure utilized in this modality comprises: (i) a public call; (ii) a participation proposal; and (iii) an execution project developed by the implementing agency.

The public call is the administrative procedure adopted for selecting specific proposals for the procurement of food from family farm producers and/or their organizations. It therefore substitutes the bidding process and is designed to meet the special needs of smallholder producers. It also aims to guarantee the principle of wide publicity of administrative actions even without the public bidding process.

The call is published by the implementing agency and must contain the main information for procurement, including: (i) purpose of the call; (ii) indication of the products to be acquired; (iii) eligible suppliers; (iv) place and periodicity of delivery; and (v) terms of payment.¹⁰

The family farm producers interested in participating in the programme and who comply with requirements must reply to the public call with a participation proposal. With this document, producers and/or their organizations express their commitment to participate in the programme. It must indicate: (i) the type and quality of products (among those established by the call) that they intend to sell; (ii) quantity; (iii) periodicity of delivery and; (iv) identification of producers (MDS and SESAN, 2010).

Upon receipt of proposals, the implementing agency will select producers, following established priority criteria, and should send the list of selected suppliers to the institution of social participation and accountability for approval (see Chapter 7 on priority criteria). Once approved, the agency elaborates the execution of the project (Project of Acquisition and Donation) with the approved suppliers. It is in this project that the definition, quantity and price of the food products to be sold by family farm producers and/or their organizations are agreed upon¹¹ (see following paragraphs on operational issues).

In this modality, food must be delivered preferentially to distribution centres or to collection points (Art. 8, PAAMG Resolution No. 59/2013). A distinguishing characteristic of PAA is that suppliers, in general, are not responsible for the logistics and transportation of food to the individual beneficiary entities, but only to a single collection point.

Upon delivery, the *Termo de Recebimento e Aceitabilidade* (terms of receipt and acceptance) is issued. This document certifies that the products have been delivered as per the agreed quality and quantity. Payment will be made only upon presentation of this document.

¹⁰ According to the MDS model, the public call is organized in eight main parts. These indicate: (i) purpose of the call (i.e. purchase of food from family farm producers and/or their organizations for donation to people in situations of social vulnerability assisted by the PAA CDS modality), and a description of the products; (ii) eligible suppliers (family farm producers and/or their organizations with DAP); (iii) deadline for submission of proposals; (iv) documents to be presented by candidates: (CPF [*Cadastro de Pessoas Físicas*, Natural Persons Register] or CNPJ [*Cadastro Nacional da Pessoa Jurídica*, National Registry of Legal Entities] – the national fiscal IDs, DAP and the Proposal); (v) priority criteria to be applied in the selection procedure; (vi) place and periodicity of delivery; (vii) terms of payment; and (viii) general clauses (MDS and SESAN, 2010).

¹¹ As affirmed in the MDS/SESAN (2010) manual, all farmers who submit proposals with the required documentation are inserted in the PAA project and may, at least theoretically, supply products to PAA. However, this does not mean that the implementing agency will necessarily acquire such production. The effective purchase will depend on: (i) priority criteria of selection; (ii) limit of available resources transferred to the implementing agencies; and (iii) supply capacity of the producer, with the time and periodicity requested.

Following the modifications introduced by Law No. 12.512/2011, payment is made directly by MDS to the family farm producers through a specific bank card created for the receipt of funds from PAA. This new payment method is a recent evolution of the programme and was developed to avoid payment delays (see Chapter 8). According to the legislation, payment should be made within ten days, yet delays were considered to be an important challenge for PAA implementation (FAO, 2010).

As already mentioned, PAA imposes an annual procurement limit in all its modalities for each family unit and its organizations. These limits establish the maximum financial amount that each DAP can sell to the different modalities of PAA. In the CDS modality – independently from the implementation agency – the individual procurement limit per DAP is BRL5 500. This can, however, be increased to BRL6 500 or BRL8 000 under specific circumstances.

Implementation through CONAB

When CONAB is the implementing agency of CDS, its operation is slightly different. The procurement procedure does not include a public call but, instead, only a participation proposal and the *Cédula de Produto Rural* (CPR – Farm Product Bond).

As such, family farm producers can elaborate at any time a participation proposal in collaboration with local beneficiary entities that are endorsed to receive the donations (i.e. day-care centres, shelters, public hospitals and schools, among others) and send it electronically to CONAB. This proposal must link the food consumption needs of the beneficiaries and the family farmers' production and supply capacities and, therefore, requires dialogue and interaction. Since there is no public call, this type of proposal is more detailed and must contain information regarding not only the food suppliers and the supplied products, but also information regarding the beneficiary entities receiving the food directly.¹²

As an instance of social participation and accountability, all participation proposals must be submitted to the local (municipal or state) CONSEA for approval or, in its absence, to a local active council (MDS and MDA, 2010).

Once the approved proposals have been selected, the CPR is issued by farm producers and/or their associations and formalizes the commitment to deliver the established products. The producer receives resources in advance and has the obligation of delivering the equivalent in rural production at an agreed location and future date (World Bank, 2008). In some cases, such as in the Support for Stock Formation modality (FE), the CPR can be liquidated financially.

Thereafter, producers start to supply the products to beneficiary entities, according to the terms of the proposal. Exceptionally in this modality, products are delivered directly by the suppliers to the beneficiary entity responsible for issuing the terms of receipt and acceptance necessary by release of payment. Resources are previously deposited in the bank account of the food producer beneficiaries and/or their organizations by CONAB but remain blocked. They will be released only when CONAB receives the terms of receipt and acceptance and other necessary documents (tax invoices and delivery report) (Art. 8, PAAMG Resolution No. 59/2013).

¹² The proposal must thus indicate on the supplying side: (i) the identification of suppliers and their DAPs; (ii) type and quality of products they would like to sell; (iii) quantity; and (iv) price they would like to receive. On the beneficiary entity's side, it must indicate, among others: (i) the identification of the beneficiary entity; (ii) number and age of person assisted; (iii) schedule of delivery of the products; (iv) specific information regarding the beneficiary entity and its food consumers, including the objectives of the project and mechanisms for the distribution of food among food consumers (CONAB, 2013a).

It is worth mentioning that initially only formal organizations could access CDS implemented by CONAB. PAAMG Resolution No. 59/2013, however, no longer imposes this limitation, although it still gives priority to access of producers through their organizations.

In 2012, CDS – as implemented by both types of implementing agencies – received BRL95 105 154.24, the highest sum of all the modalities. This is also the most relevant modality as regards the number of beneficiaries, including both food producers and food consumers. In 2012, it benefited 131 068 family farm producers and 23 882 institutions all over Brazil, reaching 21 719 893 persons suffering from food or nutritional insecurity (SAGI).¹³ However, CDS faces great challenges, especially regarding the complexity of its implementation and coordination among its different actors. It involves not only the highest number of actors but also the direct link between beneficiary institutions and family farm producers.

Direct Purchase (CD)

The Direct Purchase modality was developed for the purchase of a set of pre-established products from family farming when prices are low (below the reference price published by PAAMG), or when there is high demand from the population in food insecurity situations.

Through this modality, the Brazilian Government can: (i) regulate the price of a set of relevant products; (ii) fulfil the demand of its food access programmes; and (iii) create strategic stocks, adjusting the availability of products to the needs of consumption, thus performing an important role in price regulation (MDS and MDA, 2010).

Only a predetermined number of products established by PAAMG can be purchased. Among these are rice, cashew nuts, Brazil nuts, manioc flour, beans, maize, sorghum, wheat, dry whole milk and wheat flour.

The CD modality can be implemented exclusively by CONAB, which may receive funds from both MDS and MDA. Once the market price of the established product has fallen below the reference price in a certain region, CONAB advertises the opening of a purchase stand (a CONAB or accredited storage unit, warehouse or even “itinerant” stand that can reach places where products are available and that has no storing facility). Interested family farmers can bring their products there, together with the required documentation as specified by CONAB communication No. 009/2013.

There is no need for a public call within the procurement procedure of these purchases since the advertisement is sent directly to the family farming organizations of the region (CONAB interview).

CONAB analyses the documentation and classifies the product. If everything is in order, it issues a simple purchase invoice and the product becomes part of inventory stocks that are managed by MAPA, in cooperation with MDA and MDS. Payment is made through CONAB either to individuals’ suppliers or to formal organizations that will pay its members (Art. 10, Decree No. 7.775/2012).

Producers can access this modality either individually or through their formal and informal groups. The individual financial procurement limit per DAP is BRL8 000.

This represents the third modality of the programme in terms of expenditure. In 2012, BRL96 452 563 from PAA financial resources were invested in the CD modality, benefiting 13 098 family farmers (SAGI).¹⁴

¹³ Preliminary data subject to change (SAGI).

¹⁴ Preliminary data subject to change.

Incentive for Milk Production and Consumption (IPCL) – PAA milk

The Incentive for Milk Production and Consumption is a particular modality of the PAA programme that comprises one type of product (i.e. milk, both cow and goat) and is implemented in only two specific regions of Brazil, the northeast and the state of Minas Gerais.

The modality was created with two specific aims. These were to: (i) contribute to the fight against hunger and malnutrition through the distribution of free milk for people in situations of social vulnerability or/and food and nutritional insecurity; and (ii) enhance local and family production of milk, guaranteeing a fixed and market-compatible price (PAAMG Resolution No. 37/2009; Martins, 2014).

PAAMG Resolution No. 61 of October 2013 broadened these objectives, including milk in other circuits of PAA assistance, such as schools, public institutions serving meals regularly, and not only to specific categories of beneficiaries (in particular, senior citizens, young children and pregnant or lactating women).

The states are implementing agencies of this modality (Art. 3, PAAMG Resolution No. 61/2013). Although Law No. 12.512/2011 opens up the possibility of substituting covenants with adhesion agreements, the PAAMG Resolution establishes that a covenant should still be signed between the implementing agency and MDS for this particular PAA modality.

Family farm milk producers can access this modality both individually and through formal and informal groups. They must have not only a DAP but also participate in the initiatives proposed by the covenant – in particular those related to technical assistance – and their animals must be properly vaccinated. The programme also gives priority to formal groups of producers with at least three years of operation and, in particular, to those able to sell milk already pasteurized.

After signing a covenant with MDS, the implementing agency can implement the programme in different ways. It can contract a Milk Cooling Centre (MCC), which will be responsible for receiving or collecting milk from the family farm producers and for pasteurizing, packing and transporting milk to the agreed distribution points. In this case, the agency will be responsible for selecting and registering the supplier beneficiaries of the programme and for payments. The MCC contract must follow public bidding regulations and MDS will pay up to 50 percent of costs for this service (Art. 9, PAAMG Resolution No. 61/2013).

Another possibility given by the PAAMG Resolution is that agreement can be made directly with the family farm producers' cooperative (with DAP-legal person), which will become responsible for registering milk producers as beneficiaries of the programme and directly coordinate the pasteurization of the product, which can be done directly by the cooperative or outsourced. This agreement, however, must be analysed and authorized by MDS and, in this case, MDA can cover 100 percent of the value of milk pasteurization and payment to MCC is made directly by the cooperative (Art. 8, PAAMG Resolution No. 61/2013).

Producers are paid instead by the implementing agency, either through the associated cooperative or directly to individual producers (IPC and WFP, 2013). The financial procurement limit imposed on this modality is BRL4 000 per semester per DAP. Producers must also respect a supply limit of 100 litres per day.

This represents the second modality of the programme regarding expenditure. In 2012, BRL137 704 717.97 were invested from PAA financial resources in the IPCL modality that benefited 28 254 smallholder milk producers and 798 195 consumers (SAGI).¹⁵

Support for Stock Formation

The Support for Stock Formation (FE) modality was created in 2006 with the objective of financing stocks of products of family farmers organized in formal groups. Through this modality, MDA and MDS offer financial resources to the formal organizations of family farmers and family rural entrepreneurs to acquire and stock products of the current harvest and sell it in the future under more favourable conditions. In this way, producers can process and add value to products or just stock them to be sold subsequently when prices are higher.

Only cooperatives and formal organizations with a DAP-legal person have access to this PAA modality. One of the aims of the modality is specific support for family farm producers' organizations to handle market price fluctuations better and improve their overall management capability.

As in CD, CONAB is the only implementing agency and, as in the CDS modality implemented by CONAB, the procurement procedure does not include a public call. Formal organizations interested in participating in this modality must submit a participation proposal to CONAB through PAAnet (a new information technology tool developed to make the submission, analysis and acceptance of PAA processes faster) (MDS and MDA, 2010).

This participation proposal must include identification of the family farming organization and the individual producers who will supply the product and who can be members or non-members of the organizations (Art. 3, PAAMG Resolution No. 20/2006). It must also describe the type and quality of the products to be acquired to form the stocks; their expiry date; quantity; price expected; place where products will be stocked; duration of stock formation; disbursement schedule; ways of future commercialization of the products stocked; and register in the organs of sanitary and quality control.

Once the participation proposal has been approved, the stock Farm Product Bond (CPR) is issued, which formalizes the commitment to deliver the products and regulates procedure (Art. 2, PAAMG Resolution No. 20/2006).

Subsequently, CONAB makes the financial resources available and the organization can start to purchase the products from the family farmers listed in the proposal. The stock CPR has a term of up to 12 months. Within this period, the organization will repay the resources received, plus charges of 3 percent a year. The bond can be liquidated financially (when the resources are from MDS), or in products (when the resources are from MDA) (MDS, 2012; Art. 6, PAAMG Resolution No. 20/2006).

The procurement limit is BRL1.5 million per organization (DAP-legal person) but each family farmer may respect, concomitantly, the individual limit of BRL8 000.

In 2012, this modality was the fourth in terms of expenditure. It received BRL95 105 154.24 and benefited 20 073 producers (SAGI).¹⁶

Institutional Purchase

Institutional Purchase (*Compra Institucional*) is a PAA modality introduced in 2012 with the aims of increasing market opportunities for family farmers and meeting regular demand for food from direct and indirect public administrations at federal, state and municipality levels. It enables, therefore,

¹⁵ Preliminary data subject to change.

¹⁶ Preliminary data subject to change.

PAA smallholder friendly procurement mechanisms to be extended to other levels of government, waiving the traditional bidding process that makes it difficult for smallholder farmers to compete with larger companies and access institutional markets. This modality distinguishes itself from others in various ways.

It is implemented by direct and indirect public administrations at federal, state or municipality level and by their institutions, including public hospitals, prisons, military bases and universities. With their own resources, these can procure food directly from family farms, using the PAA procurement procedure to meet their regular demand for food. Municipalities and states that want to complement the school feeding programme with their own resources can also purchase through this modality.

Family farm producers can access the modality only through formal groups, i.e. family farm producers' cooperatives or associations with DAP-legal person (Art. 5, PAAMG Resolution No. 50/2012).

Through the Secretariat for Family Farming (SAF), MDA published a six-step procedure for the implementation of this modality, providing a model for each step of the procurement procedure. This comprises public call, participation proposal and contract (MDS Web site).

In step 1, the buying institution elaborates and in step 2 publishes, similarly to other PAA modalities, the public call according to assessed demand.¹⁷ In step 3, the interested family farmers' organization elaborates a participation proposal based on the criteria established by the call. As in other modalities, the participation proposal must contain main information about the family farm supplying organizations and the products they wish to sell in the call.

Subsequently (step 4), the buyer selects the proposals that comply with the requirements of the programme and the public call and following, as in other modalities, the priority criteria established by PAAMG. In step 5, the family farming organization and the buyer sign a contract formalizing the terms of purchase.¹⁸

Once the contract is signed (step 6), the family farming organization starts to execute the contract and supply the products according to the delivery schedule. Payment is made directly by the buying institution and with their own resources.

As regards procurement limit, this modality does not impose a particular limit for the formal organization. Only members' individual limit of BRL8 000 per DAP per year must be respected.

In November 2013, the Brazilian Government published information stating that, since its creation and in a little more than one year, the resources invested in this modality by different institutions were of BRL4.9 million. Despite, therefore, this modality's great potential in creating a structured demand for family farm products, the financial resources invested are still much lower than in any other modality of the programme.

¹⁷ Similarly to the public call of other PAA modalities, this should include: (i) purpose of the call; (ii) products and their characteristics; (iii) quantity that the implementing agency wishes to buy; (iii) price it wishes to pay; (iv) eligible suppliers; (v) place and periodicity of delivery; and (vi) payment conditions.

¹⁸ MDA provides a contract model. Clauses include: (i) identification of the parties; (ii) specification of contract purpose; (iii) contract duration; (iv) terms of payment; (v) liability of the parties; and (vi) termination. As regards products, prices and delivery, the contract only makes reference to what had already been established in the public call.

BOX 5

Advance Purchase (CA)

At the beginning, PAA had a modality which, however, became extinct after just two years, i.e. the Advance Purchase (*Compra Antecipada*) modality.

This was created in 2003 with the aim of anticipating payments for family farm producers (especially for those who could not comply with the requirements of access to credit) to finance their production and subsequently enable them to sell their products through the programme.

CONAB was the sole implementing agency and responsible for anticipating payments during the sowing season without financial intermediation by banks. The producers had to commit, through the issue of a CPR, to deliver the products in the harvest season or to liquidate the bond financially. The financial limit of this modality was BRL2 500 per DAP per year.

This modality had as one of its main characteristics to reach the poorest producers (See USP/FEALQ 2006) During the two year of implementation the federal government invested around BRL 92.3 million, benefiting 47.215 families.

Although the modality was well evaluated during its implementation by both CONAB and family farm producers, on the expiry of operations in 2004/2005, its results were deemed a failure. The default rate reached over 70 percent, as producers either did not deliver the contracted crop or had their products rejected for not meeting the quality parameters (Peraci and Bittencourt, 2010; USP/FEALQ 2006).

According to the study developed by FAO/ESALQ, many reasons contributed to the extremely high default rate leading to failure of the modality. The problem was not caused by misuse of the advance payment (practically all producers analysed in the research did actually cultivate products). The main causes were high losses and poor quality, which may be attributed to a series of interconnected factors. These include: (i) adverse weather conditions; (ii) lack of access to training and extension services; (iii) gaps in the planning process and delays in payments; (iv) malfunctioning of rural insurance (in this period, ProAgro, which was obligatorily used by producers to access the modality); and (v) lack of information about producers and implementing agents.

The study reports that, because of gaps in the planning process in certain regions, the federal government contracted products that farmers were not used to and had no knowledge or experience to produce. This choice, associated with a lack of technical assistance and rural extension services, contributed significantly to losses in production and for non-compliance with quality requirements. The study also highlights that delays in payments conditioned the time of farming. The poorest producers could not start to farm before receiving payments, and these often arrived too late when weather conditions were not ideal, impacting therefore productivity and quality of production. As reported, 74 percent of producers faced losses in production and around 29 percent lost their entire crop.

Lack of information about producers (as well as banks and local implementing agents) regarding the programme, insurance and bond, also had an important impact on results. In most cases, ProAgro rural insurance was not even activated at the right time by producers because of their lack of information.

Operational issues also contributed to negative results. Rural insurance – even when activated – proved to be inadequate in covering losses faced by producers. Furthermore, most family farm producers did not even receive the payment request for CPR, probably because of government difficulties in locating their properties (USP/FEALQ, 2006).

Other authors add further justifications for such a high default rate. These include the inexperience and inadequacy of CONAB to execute credit operations such as those involved in this modality (Müller, 2007; Peraci and Bittencourt, 2010).

ESALQ/FAO's research team however highlight the importance of this modality, despite the problems that led to its extinction in particular due to its capacity of reaching the poorest and most needy producers. (USP/FEALQ, 2006).

This experience is furthermore a good illustration of the potential challenges and difficulties that IPPs may face, especially when targeting the poorest and most vulnerable producers, where a simple guarantee of stable demand – and even of credit – may not be enough. For the proper implementation of IPPs, coordinated strategies, policies and initiatives are necessary.

6.2 PNAE

PNAE has only one operational modality to procure food directly from smallholders. As in Institutional Purchase, it includes a public call, sale proposal and contract. This is implemented by the education departments of municipalities, states and the federal district.

Until 2013, family farm producers could access the programme only if organized through groups, even if informal. Nevertheless, modifications introduced by FNDE Resolution No. 26/2013 established that these producers may now access PNAE individually as well.

Following the PAA framework, the government published a manual with a ten-step procedure to be followed by the implementing agency for the procurement of food directly from family farm producers (MEC; FNDE Resolution No. 26/2013).

The first two steps in the procedure are particular to PNAE and do not exactly correspond to PAA modalities. They concern calculation of the budget and elaboration of school menus. Based on the school census of the previous year, the implementing agency must identify the amount of financial resources transferred by FNDE and estimate the proportion to be used in that year for direct purchases from smallholders, which should be at least 30 percent (step 1). The second step regarding school menus states that the nutritionist responsible must: (i) map the food produced by family farming in the region; (ii) prepare menus taking into consideration local eating habits and diversity of family farm production in the region; and (iii) inform the implementing agency about the products and quantities to be purchased.

This requires a great deal of coordination between the nutritionist and family farm producers in order to identify products, their seasonality and availability and match them efficiently with the planned menus. This coordination is of key importance for the efficient implementation of the programme as regards family farm direct procurement. Inappropriate performance has been an important challenge in PNAE implementation and a significant barrier for access of family farm producers to the programme (see Chapter 7).

Once the implementing agency has this information, it can proceed, as in PAA, with the price survey (step 3) and elaboration of the public call (step 4). The call must have all the information and regulations regarding purchases, including a description of the type, quality and quantity of products to be bought; place and periodicity of delivery; and forms of payment. In order to overcome certain constraints in the elaboration of public calls, FNDE Resolution No. 26/2013 currently specifies that the call should also include prices (Art. 29) and must be widely publicized (Art. 26).¹⁹

A particularity of PNAE regards the description of products. This is extremely detailed and quality standards are specific and exacting. On the one hand, this reflects great concern for PNAE consumers, particularly children. On the other, for family farm producers it makes the supply of food to PNAE more demanding and complex than that of PAA.

¹⁹ Despite the fact that FNDE provides a model of the call, a study in the state of São Paulo has identified several complaints and challenges regarding calls elaborated by implementing agencies. Important aspects of a call (such as delivery schedule, identification of the priority criteria to be used in the selection, and price) had not been included. Calls were not clearly elaborated (not specifying, for example, the quality requirements in the date of the contract) and were not properly advertised (Malina, 2012). It was not possible to locate a similar study regarding PAA or other states in Brazil.

Following the public call, interested beneficiaries must elaborate a sales proposal or project (step 5), the document with which producers express their commitment to participating in the programme. It should, therefore, have suppliers' identification, as well as all information regarding the type and quality of products they wish to sell. The sales proposal represents the basis of the contract to be signed once the proposal is accepted. In the case of individual suppliers, FNDE Resolution No. 26/2013 provides the possibility of assistance by a linking institution for elaboration of the proposal (Art. 28).

The implementing agencies receive the proposals with all the requested documentation specified in the FNDE Resolution, including DAP (step 6). Another important specificity of PNAE that has no similarity in the PAA procurement process regards quality control through sampling. This again reflects the more demanding requirements of PNAE. After the proposal, family farm producers must provide samples of their products for quality control in order to prove compliance of products with the requested quality standards (step 7).

After these seven steps, the implementing agency selects the proposals, according to the priority criteria established by FNDE Resolution No. 26/2013, which will be analysed in Chapter 8. If the local suppliers are not able to comply with the entire demand for family farm products, their proposals can be complemented with other proposals from smallholders in the rural territory, state and country, in this order.

Law No. 11.947/2009, nevertheless, recognizes three possible justifications for non-compliance with the imposition of purchasing at least 30 percent of school food directly from family farm producers. These are: (i) impossibility of family farmers to provide a regular and constant supply; (ii) impossibility of family farm suppliers to issue the necessary tax invoices; and (iii) inadequacy of suppliers' sanitary conditions (Art. 14, para. 2).

The last two steps to be followed regard the signing of the contract, which represents legal formalization of the commitment made by the implementing agency and family farm producers for the supply of food to schools. The contract will set the delivery schedule as well as the terms of the payment, which may vary (once a month, twice a month, etc.). It will also include penalties for non-compliance of its regulations and those of the programme, especially regarding product quality and delays in delivery.

Upon delivery, the terms of receipt and acceptance by the implementing agency will be issued. Presentation of these terms is a *sine qua non* condition for payment. In PNAE, the issue of electronic tax invoices is obligatory.

In 2012, MEC invested BRL3 306 million in PNAE to supply food for 43.1 million students. Around 29 percent of these resources were used for the direct purchase of family farm products (FNDE, see Chapter 8).

7. MAIN OPERATIONAL ISSUES

7.1 Purchased Products

The Brazilian IPPs provide for the purchase of a wide range of food products. There are two main requirements of the programmes; products must be produced by family farmers and family rural entrepreneurs and they must comply with the quality control requirements specified by current legislation, i.e. the standards set by MAPA, the National Health Surveillance Agency (ANVISA) and the Ministry of Health. Further specific requirements relate to PNAE regarding the specificity of their food consumer beneficiaries –students and, particularly, children.

For the CDS and IPP modalities of PAA, all types of food suitable for human consumption that fulfil the above two requirements may be purchased, whether of vegetable or animal origin, fresh, perishable or processed.

Some limitation is imposed, however, by other modalities of the programme, such as those designed for the procurement of specific products, i.e. the Incentive for Milk Production and Consumption and CD modalities. Similarly, limitations may result from the incompatibility of the product with stock formation, as in the Stock Formation by Family Farmers modality, where products must be from the current crop and appropriate for stocking.

Apart from food products, Decree No. 775/2008 establishes that seeds, seedlings and similar products may also be purchased through the programme in order to stimulate the production of food, fight against hunger and promote food and nutritional security. From 2013 onwards, in exceptional situations and under certain conditions, the purchase of products for animal feed may also be sold on at a lower price to family farm producers in situations of emergency or public calamity (Art. 18, Law No. 12.512).

From the time of its institution until 2013, PAA purchased more than 3 000 types of product, used for both building up strategic reserves and for distribution by the government through its food security programmes. Among the main products acquired through the programme are dairy products (28 percent), vegetables (16 percent), fruit (12 percent), oil crops, nuts, cereals and grains (9 percent), and meat and eggs (8 percent) (MDS and SESAN, 2010; see also Tables 1 and 2).

TABLE 4

Main products commercialized through PAA in the CD, FE and CDS modalities, in weight (2009–2011)

Product	Quantity (kg)
Wheat	80 809 743
Beans	68 766 879
Rice	61 736 431
Maize	57 941 687
Cassava ²⁰	47 738 561
Bananas	47 634 546
Manioc flour	29 860 461
Oranges	23 564 113
Others	380 953 260
Total	799 005 681

Source: author's elaboration, based on data from CONAB.

²⁰ Including cassava and its roots.

TABLE 5

Main products commercialized through PAA in the CD, FE and CDS modalities, in expenditure (2009-2011)

Product	BRL (Brazilian reais)
Beans	104 394 516
Rice	52 738 756
Bananas	48 121 291
Wheat	41 091 060
Honey	34 234 911
Cassava ²¹	31 887 543
Maize	30 246 850
Manioc flour	29 856 525
Others	821 582 155
Total	1 194 153 612.33

Source: author's elaboration, based on data from CONAB.

PNAE, however, has further requirements related to the specificity of its beneficiaries. For acquisition through PNAE, family farm products must not only comply with the quality and safety standards provided by ANVISA, the Ministry of Health and MAPA, but also be in accordance with menus elaborated by nutritionists and promote healthy and adequate feeding for programme beneficiaries.

The legal framework establishes among the directives and objectives of the programme the provision of health and adequate food. This comprises the use of variable and secure food products which respect the culture, tradition and healthy eating habits and that contribute to the growth and development of students and to the improve of school performance. The food must also be in accordance with the students' age and health status, including the students that need special attention due to their particular health status. (art. 2, I, FNDE Resolution No. 26/2013).

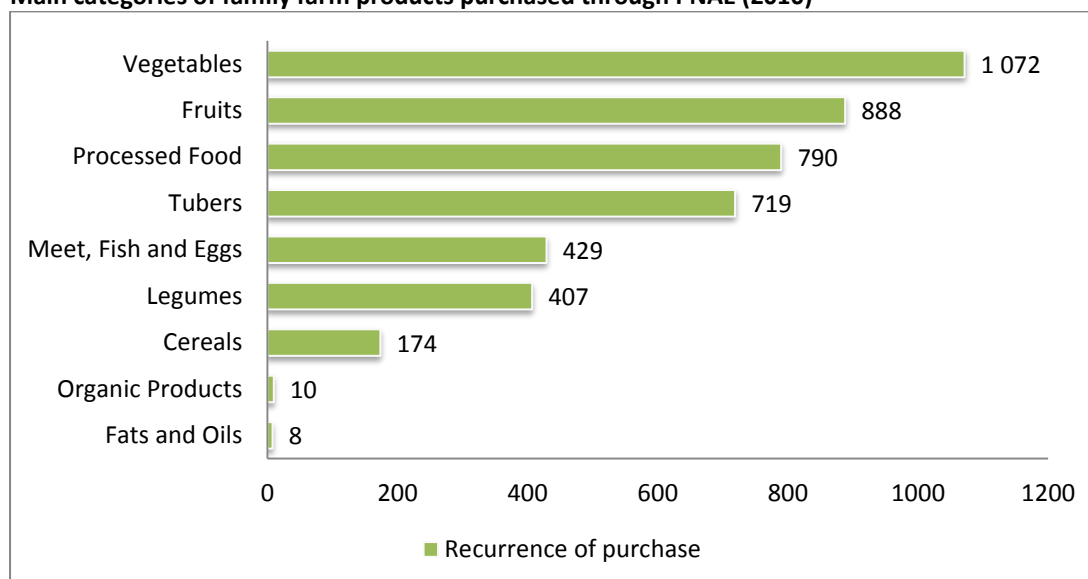
Specific parameters have to be followed in the elaboration of school menus (such as maximum values for added sugar, fat, saturated fat, salt and the mandatory inclusion of a certain quantity of fruit and vegetables). There are also restrictions on the acquisition of certain types of products: beverages with low nutrition value are not envisaged, and sweets and concentrated, canned and semi-ready foods are limited (Art. 16, 22 and 23, FNDE Resolution No. 26/2013).

As mentioned, both products and quality standards in PNAE are specified in much more detail in the public call than in the PAA programme (regarding, for example, size, colour and maturity of products) and must be strictly adhered to by suppliers, with the possibility of sanctions, as provided in the contract. Unlike PAA, compliance with these standards is controlled through sample analysis before delivery.

Although the types of product may vary considerably from region to region (as a result of different regional production and eating habits) and there is a lack of unified data regarding each specific product, Figure 16 shows the main categories of products acquired directly in 2010 from family farmers through PNAE by recurrence of purchase.

²¹ Including cassava and its roots.

FIGURE 16

Main categories of family farm products purchased through PNAE (2010)

Source: FNDE & MDA, 2010.

It is important to note that the legal framework of both programmes establishes that organic products are given priority as well as a 30 percent price surplus. This will be analysed in Chapter 8.

7.2 Price

One of the main criteria in waiving the bidding procedure and purchasing products directly from family farm producers regards price. Brazilian IPPs do not intend to provide any subsidy for the procurement of food from smallholders, but to keep to the market price which often, and especially in the case of PAA, already constitutes an advantage for family farmers (see Chapter 8).

Law No. 12.512/2011 establishes that the PAA price must be compatible with local or regional market prices. These should be assessed and defined by the implementing agencies according to PAAMG methodology.

PAAMG, therefore, is the institution responsible for setting out the criteria for defining the PAA reference price. It is also responsible (based on CONAB data) for directly establishing and publishing the reference price for two specific modalities: CD and IPCL, which comprise only a few pre-established types of product.

Since the start of the programme, the criteria adopted by PAAMG have undergone several modifications. Until 2010 one hindrance in the implementation of PAA was the lack of a proper price methodology (FAO, 2010; GGPAA, 2010). The FAO study (2010) states that up to that date, no clear and unified criteria existed to define the reference price and the prices adopted did not reflect the reality of the local market.

The methodology applied within and among the different modalities varied and thus resulted in differences in prices paid for the same product in the same location by different modalities of the programme. These differences caused problems, especially when both modalities were available in the same location, which meant that one modality could be abandoned in preference to the other. This had a negative impact on local collective action and was the cause of complaint among producers (Chmielewska and Souza, 2010).

Currently, new resolutions in force have greatly simplified the methodology for defining the programme's reference price.

As regards CDS, PAAMG Resolution No. 59/2013 simplified and unified its criteria.²² First, it established that the reference price for all types of products be defined by an average of three price surveys undertaken at local or regional wholesale markets and within the past 12 months. It also specified that the price paid to producers in local markets could be adopted for products without a reference in local or regional wholesale markets (Art. 7).

Second, the Resolution provided that other implementing agencies (states and municipalities) could use the reference prices calculated and published by CONAB, therefore avoiding differences within the same modality implemented by different partners.

Third, as established by Law No. 12.512/2012 and applied to all PAA modalities, the Resolution established that the price for organic products could be increased by up to 30 percent with regard to the regular established price.

Last, the validity of the reference price is 12 months. Nevertheless, suppliers may require prices to be revised if the product has undergone a significant price change in the market (Art. 7, para. 4).

As regards the Support for Stock Formation (FE) modality, the Resolution established that, when applicable, CD prices should be used, which are directly published by PAAMG. When there is no established price for the product, CONAB uses the same methodology applied to CDS (PAAMG Resolution No. 20/2006; CONAB interview).

It should be noted that CONAB, in order to give greater transparency to the process, currently organizes meetings with representatives of different entities working with PAA as well as family farm producers in order to discuss elaboration of price parameters (CONAB interview).

As regards the Institutional Purchase modality, PAAMG Resolution No. 50/2012 established that implementing institutions should define prices for the procurement of family farm products on the average of three price surveys undertaken at local or regional markets.²³ The Resolution also gives buying entities the possibility of adopting the prices used by PNAE.

For PNAE, Law No. 11.947/2009 established compatibility with local market prices as a condition for the direct acquisition of food products from family farmers. FNDE Resolution No. 26/2013 also simplified and unified the methodology used to define PNAE prices.²⁴

Currently, prices to be used by the programme and published at the public call should be calculated by the implementing agencies through the average price surveyed in at least three markets (preferably at local, regional, territorial, state and national levels, and in this order). Priority should be given to the family farm products markets, when available, rather than the wholesale market as in the PAA CDS modality. As for PAA, prices for organic products may be increased by up to 30 percent.

²² The former PAAMG Resolution No. 39/2010 (which substituted Resolution No. 12/2004) adopted three methodologies that varied according to the characteristics of the product (grains, horticulture and processed products) and that comprised a period of analysis over the past three years.

²³ The Resolution, however, does not specify whether reference prices should be those of wholesale or retail markets, or the time frame.

²⁴ According to previous regulations for establishing PNAE prices, the PAA reference price should be taken into consideration. In localities where there is no PAA reference price for the product, prices should be calculated based on different criteria, according to the annual amount of purchases by the implementing agency through PNAE. If these are lower than BRL100 000, then prices should be considered those of retail markets. If they are BRL100 000 or higher, then prices should be considered those of wholesale markets and the price in force at a public bidding procedure recently established by the same implementing agency.

The FNDE Resolution No. 26/2013 (Art. 29) also establishes that, unlike PAA, PNAE prices include transportation, tax, packing and all other costs borne by producers in delivering products to schools.

Several problems have arisen regarding this issue, since the previous regulation established that PAA reference prices in the region were to be taken into consideration in defining PNAE prices. This led to many implementing agencies adopting PAA reference prices for PNAE without, however, considering transportation, packing and other costs borne by producers participating in this programme (Souza, 2012).

As reported in the analysis developed by the NUTRE project on the inclusion of family farming in school feeding in São Paulo state, PNAE suppliers did not consider PAA prices fair for PNAE since their costs for supplying to the programme are much higher. These include not only expenses for transporting food directly to individual schools (whereas PAA transports, in general, to a single collection point), but also expenses with special packing. While food products are generally delivered in boxes by PAA, individual and more elaborate packaging is often required by PNAE (Malina, 2012).

This issue was a significant bottleneck for PNAE implementation regarding the direct purchase of food from family farm producers (FNDE, in Silva, 2011). As reported by Santos, Evangelista and Oliveira (2012), it caused dissatisfaction among many participants and was indicated as a cause of low participation in the programme. The new resolution has changed this rule and no longer makes reference to PAA prices.

Another difference in the two programmes is that PAA reference prices are generally valid for 12 months, whereas they are updated every six months for PNAE.

7.3 PRONAF Eligibility Declaration (DAP)

Another criterion adopted in both programmes in order to waive the bidding process regards qualification of the producer as a family farm producer. This must be certified by presentation of a DAP.

As already explained, DAP is a document certifying that the producer or formal organization complies with all the requirements established by Law No. 11.326/2006, and therefore may be classified as a “family farmer” or “family rural entrepreneur”. This signifies that: (i) the rural property does not exceed four fiscal modules; (ii) labour used in the rural activities is predominantly family based; (iii) a minimum percentage (defined by the Executive Power) of the family income is generated by the activities of the rural property or enterprise and; (iv) the establishment is directly managed by the family.

A DAP is issued free by authorized institutions, such as the official entities of technical aid and rural extension or agriculture federations and confederations.²⁵

An individual DAP has a regular duration of six years while the DAP-legal person (obtained by formal groups that have at least 70 percent of their members with a DAP) lasts for only one year. Currently, 3.8 million individual DAPs and around 2 000 DAP-legal persons are regularly registered in Brazil (MDA, 2013).

²⁵ In particular cases, DAP may be granted by other organizations, such as the National Indian Foundation (FUNAI), for indigenous people; Palmares Cultural Foundation, for *quilombo* community members; Ministry of Aquaculture and Fishing or fishing federations and their affiliated colonies, for fisherfolk; and the National Institute for Colonization and Land Reform (INCRA), for land reform campers and settlers (MDA Act No. 17/2010).

The requirements and procedures for obtaining DAP have been modified over time. These modifications also reflect some of the criticisms they have received. In fact, difficulties in obtaining DAPs and irregularities in their issuance have been regarded as two of the main operational hindrances of PAA (FAO, 2010; GGPAA, 2010).

As affirmed by Grisa *et al.* (2011), the requirement regarding proof of landownership and the improper charge for issuing DAP by some institutions may be the cause of lack of participation by many family farmers in PAA (Grisa *et al.*, 2011). Fraud in obtaining DAPs has also enabled the acquisition of products from intermediaries and business farmers (Sparovek *et al.*, 2007; Grisa *et al.*, 2011). This type of complaint has also been reported with regard to PNAE, especially concerning DAP-legal persons (Sá, 2012).

Within this context, Law No. 12.512/2011 tempered previous requirements, particularly the one imposing that the family income had to be sourced *predominantly* from the rural property. Currently, only a *minimum percentage* of the family income must be sourced from the property. This percentage is established by the Executive Power and was recently also decreased from 70 to 50 percent, i.e. family income generated outside the rural property must be at least 50 percent lower than that obtained from the property.

On the one hand, these modifications were in line with the complaints of many smallholders who often could not reach the previous percentage and obtain a DAP when, for example, one member of the family worked outside the rural property (Guardians of Nature Institute [ING] and Agency of Agrarian Development and Rural Extension [AGRAER] interviews). On the other hand, the modifications, particular the new percentage, certainly increase the number of beneficiaries and no longer include only the poorest and most vulnerable. Consequently, this will mean a corresponding increase for resources from the government, not only for the procurement of food but also, as reported by ING, for technical assistance and related initiatives. These requirements may cause a problem for the programme, which already suffers from lack of and low investment in technical assistance and rural extension services (ING) (see Chapter 8).

Another evolution is the new information technology system for issuing DAPs, which has substituted the paper form, and is faster and safer from fraud.

7.4 Procurement Limit

In order to acquire products directly from family farmers through both IPPs, an annual (or semester-length) procurement limit imposed on each family unit and family farm producers' organization must be respected. These limits establish the maximum financial amount that each DAP can sell to different modalities of IPPs.

The main reason for the institution of this financial limit is, because of limited budgets, to give priority to the poorest family farmers or family rural entrepreneurs and, therefore, to comply with the PAA focus of reaching the most vulnerable producers (Peraci and Bittencourt, 2010). As reported by Müller (2007), one of the points discussed since the initial establishment of PAA was the necessity to create mechanisms guaranteeing that the farmers who access the programme are actually the most vulnerable ones. Furthermore, the procurement limit helps to prevent the concentration of purchases among a small number of producers as well as to spread the programme among a larger number of family farmers and family rural entrepreneurs (IPC and WFP, 2013).

Initially, the programme provided only one unified limit for all its modalities. The initial value established was based on the multiplication of the national minimum wage by 13 which, in 2003, resulted in BRL2 500 (Müller, 2007). This has been subsequently revised by different decrees regulating the programme and, in 2008, different limits for each modality were established.

In the case of PNAE, following the PAA model, the 2009 FNDE Decree established an initial annual limit of BRL9 000 for individual DAPs. As affirmed by IPC and WFP (2013), the higher limit of PNAE reflects the trade-off between diversifying suppliers on the one hand and, on the other, the need to have a minimum scale to supply school demand for food on a regular basis, particularly in medium-sized and large cities. Furthermore, the PNAE procurement limit includes expenses for packing and transport of food to different schools.

Currently, Decree No. 7.775/2012, amended by Decree No. 8.026/2013, establishes new and increased limits for each PAA modality. As already stated, these are: (i) BRL5 500 for CDS; (ii) BRL8 000 for CD, stock formation and institutional procurement or other modalities established by PAAMG; and (iii) a semester-length limit of BRL4 000 for IPCL. In the latter, producers must also respect a supply limit of 100 litres per day.

For formal groups (DAP-legal persons), an annual limit of BRL1 500 000 is imposed for the Stock Formation by Family Farmers modality. This must, however, be respected in concomitance with the individual limits of each of its members.

The Decree also introduced the possibility within CDS of increasing the annual limit of BRL5 500 to BRL6 500 when the supply is through a family farming organization, and up to BRL8 000 when the supply (through a formal organization) consists of organic and agro-ecological products and those from sociobiodiversity and when at least 50 percent of members are registered at CadÚnico (Unified Registry for Social Programmes of the Federal Government). These increased limits reflect the PAA objectives of stimulating the development of formal organizations, and promoting and enhancing organic and agro-ecological production, as well as reaching the most vulnerable producers.

In 2012, the PNAE annual procurement limit was also increased to BRL20 000 which is more than double the PAA limit.

These new limits are in line with criticisms received. The reduced financial procurement limits, especially of PAA, have been one of the main complaints of family producers regarding the programme, according to ING and AGRAER interviews.

The government maintains that family farm producers can, at least theoretically, participate in different PAA and PNAE modalities, and earn a significant income. Nevertheless, in most cases, this is not a possible choice.

With regard to PAA, the limits of some of its modalities (CD, IPCL and CDS) are cumulative and family farm producers may participate in various modalities but cannot exceed the total amount of BRL 8 000 per DAP. These limits are not cumulative with those of the Institutional Purchase and FE modalities (if CPR is liquidated financially), nor with PNAE limits.

Therefore, the family farmer and family rural entrepreneur may, at least theoretically, participate in different PAA and modalities at the same time, reaching an income of up to BRL44 000.

FIGURE 17
PAA and PNAE procurement limits

FE	Institutional Purchase	CD	IPCL	CDS	PNAE
BRL8 000	BRL8 000	BRL8 000	BRL8 000	BRL5 500, 6 500 or 8.000	
The combination of these modalities cannot exceed the BRL 8 000 limit					
Total limit among all PAA modalities = BRL 24.000					BRL20 000
Total amount between both programmes = BRL44 000					

Source: MDS, 2013.

In practice, however, family producers are often not able to participate in more than one modality since their products may not be compatible with all modalities, considerably limiting their incomes from the programme.

In some PAA modalities, as has been seen, only specific products are allowed or are compatible, as in the case of CD, through which the government buys only certain types of pre-established products. The same is true of the FE modality, which is not feasible for perishable products. In PNAE, products for school menus must be specified, which may not cover all products produced by all family farmers. The only modality through which practically all products can be sold is CDS. Nevertheless, and despite recent increases, the limit imposed is still lower than the sum of 13 minimum wages (fixed at BRL678 in 2013), causing yet more complaints from producers (ING interview).

8. ACCESS TO BRAZILIAN IPPS

8.1 General Rules and Priority Access

Both Brazilian IPPs currently allow producers to access their programmes and institutional markets individually as well as through formal and informal groups. Furthermore, both programmes adopt a series of priority criteria to regulate access.

The first priority criteria in the programmes are connected with their aim to foster the development and social inclusion of marginalized populations through IPPs. Both programmes select the main groups of family farmers considered to be the most vulnerable social groups that should have priority over other producers. These are land reform settlers and members of traditional communities, i.e. indigenous people and *quilombolas*.

Recently, consolidating its aim of reaching the poorest producers, PAAMG included among the priority beneficiaries of CDS those family farm producers who are: (i) registered at CadÚnico; (ii) beneficiaries of the *Bolsa Família* social welfare programme; and (iii) beneficiaries of other activities of the *Brasil sem miséria* (Brazil without poverty) plan (PAAMG Resolution No. 59/2013).

In PAA, the issue of gender was also expressly addressed, and women were included in the list of the most vulnerable producers to whom priority access should be given (see Siliprandi and Cintrão, 2014). The PAA legal framework encourages not only the participation of women, but also that:

- their formal organizations have priority over other supply organizations;
- at least 5 percent of the programme annual budget (from MDS and MDA) must be dedicated to purchases from organizations formed by at least 70 percent of women; and
- from 2012 onwards, in the CD and IPCL modalities, at least 45 and 30 percent of the beneficiaries, respectively, must be women (Decree No. 7.775/2012; PAAMG Resolution Nos 44/2011 and 59/2013).

There are no similar rules in the PNAE legal framework where the legislation does not give any priority to women.

Reaching the poorest and most vulnerable family farm producers is still one of the main challenges of both programmes,²⁶ and important progress has been made. The number of these suppliers who have effectively accessed the programme has increased considerably in recent years. For example, *quilombola* beneficiaries of PAA rose from 285 in 2009 to 1 652 in 2012. In the same way, members of indigenous communities had risen from 136 to 754 by 2012, and land reform settlers from 7 716 in 2009 to 30 619 in 2012 (CONAB Web site). Data from the CDS and FE modalities also show that the participation of women in PAA increased from 24 percent in 2010, to 27 percent in 2011 and 43 percent in 2012 (Porto *et al.*, 2013).

The second priority criterion common to both programmes regards support to agro-ecological and organic production. These products not only have priority over others offered by regular suppliers but also have a 30 percent price increase.

²⁶ In 2009, as reported by the PAAMG Balance Evaluation, 68 percent of PAA beneficiaries were better-off family farmers (belonging to PRONAF Group A), while the most vulnerable groups that should have had priority in accessing the programme (i.e. members of indigenous communities, *quilombolas*, land reform settlers, etc.) represented only 10.27 percent of total access (GGPAA, 2010; Roux, 2013).

In PNAE, the support for and promotion of organic and/or agro-ecological products, as well as those of sociobiodiversity, are recognized as actions of Food and Nutrition Education (EAN).²⁷ In PAA, they are one of the declared objectives of the programme, established by Decree No. 7.775/2012. In order to support this type of production, the programme allows an increase in CDS purchase limits per DAP of up to BRL8 000 when products are organic and supplied through a family farm formal organization.

Nevertheless, these are practically the only actions directly provided by PNAE and PAA in support of organic production. Besides the priority criteria, increase in price and in the procurement limit of one of the PAA modalities, there is no provision in either programme for other direct action, such as assistance in obtaining the required certification and technical aid to adapt production.

As analysed by Galindo, Sambuichi and Oliveira (2014), organic products represented only 1.6 percent of PAA purchases in 2012. According to the authors, an explanation for this low percentage may be the limited number of producers able to produce organic products and obtain the required certification. It also demonstrates the lack of vital assistance and/or coordination with other ATER programmes to enable these producers to acquire not only the necessary capability to produce from organic agriculture, but also to obtain and bear the cost of the certification required. This lack is particularly relevant in that the development of organic production could constitute an important strategy for family farm producers to upscale and access new and different markets outside IPPs.

However, this is one of the gaps in the programme that has often been remedied by NGO support, as in the case of ING, an NGO that provides support for family farmers' organizations in accessing PAA in the region of Paraná. Although the role of these linking organizations within the implementation of the programme is not fully recognized by the government, they have been instrumental in helping family farm producers to access PAA. Among its many activities, ING helps producers to access technical assistance to enable them to adapt their production to organic standards and obtain the required certification (see Box 6).

The third priority criterion common to both IPPs regards access through collective action. Despite the possibility of individual access, access through family farm formal (i.e. cooperatives and associations) and informal organizations has priority over individual access in both programmes.

In PAA, Art. 7 of Decree No. 7.775/2012 expressly establishes that CONAB will give priority in the procurement procedure to producers' organizations and, in particular, to those with members who are beneficiaries that are defined as priority suppliers by PAAMG. Furthermore, supply through groups is also specified in the various PAAMG resolutions as one of the priority criteria for the selection of suppliers in several PAA modalities.

Another strategy adopted for support of access through formal organizations was the possibility of increasing the CDS procurement limit from BRL5 500 to BRL6 500 when supplies are through these formal organizations. This goes up to BRL8 000 when the organization supplies organic and agro-ecological products, or when at least 50 percent of its members are registered at CadÚnico.

In PNAE, individual access was not permitted until recently. According to the previous regulation (FNDE Resolution No. 38/2009), family farm producers could access the programme only if organized in formal or informal groups. However, the new FNDE Resolution No. 26/2013 introduced the possibility for family farm producers to access the programme individually as well. Nevertheless, the

²⁷ According to Art. 13, FNDE Resolution No. 26/2013, EAN purposes, for PNAE, should be those formative actions and continuous, multidisciplinary and intersectoral practices that aim to encourage the voluntary adoption of healthy food choices, which help with students' education, health and quality of life.

resolution establishes expressly that formal groups have priority to individual access over informal ones (Art. 25, IV, FNDE Resolution No. 26/2013).

The choice of giving priority to access through formal farmer organizations indicates the importance and utility of this instrument in market access. Other IPPs, such as P4P, have farmer organizations as the main and, in most cases, only form of access. This choice is in line with the objectives of the Brazilian IPPs, and, in particular, of PAA, to support the development of cooperatives and associations.

However, although both Brazilian programmes give priority to access through formal groups, there is not enough provision for actions to support the institution and development of family farmer or family rural producer formal organizations directly. Some initiatives, such as ATER's *Mais Gestão* (management) programme and PNAE's NUTRE project represent a significant step forward but still have a limited range. Access through farmer organizations also faces several challenges at institutional and legal level.

Before analysing the specificities of access to IPPs through producer organizations, two particularities of PNAE regarding priority criteria should be mentioned.

First, while PAA does not impose a specific order in its criteria, PNAE does. According to Art. 25 of FNDE Resolution No. 26/2013, the following order should be observed in prioritization of proposals.

- i. Local suppliers of the municipality.
- ii. Land reform settlers and members of indigenous and *quilombola* communities.
- iii. Suppliers of products certified as organic or agro-ecological.
- iv. Formal groups over informal ones and informal groups over individual suppliers.
- v. Formal organizations with the highest percentage of family farm producers among their members.

Second, PNAE not only establishes the location of the supply as its first criterion, but also gives a specific order to be followed when the implementing agency cannot obtain the necessary quantity of food from local suppliers. In these cases, the supply should be complemented by proposals from family farm producers in the rural territory, from state and from country, in this specific order (Art. 26, para. 2, FNDE Resolution No. 26/2013).

8.2 Access through Collective Action in the Brazilian IPPS: The Main Challenges from a Legal Perspective

Although producers can access both Brazilian IPPs individually, individual access to institutional and other types of markets may be particularly difficult for smallholders.

In general, one of the main challenges identified for individual smallholder access is a lack in scale and hence an inability to produce the amounts required by the market. On the buyer side, the high transaction costs of dealing with individual producers are considered one of the main bottlenecks. Market intermediaries may play an important role in linking individual smallholder producers to markets, but they can often also "filter" a sizeable proportion of the benefits.²⁸

²⁸ Market intermediaries can play very different roles in market access. In many cases, they are considered as bottlenecks and they raise the costs of access to markets, filtering great part of the value that producers might obtain. In other cases, however, an effective intermediary may play a key role in facilitating the interaction between smallholder producers and buyers, especially where social, economic and language barriers may prevent direct interaction (Humphrey and Navas-Alemán, 2010; Cafaggi *et al.*, 2012; Fernandez-Stark, Bamber and Gereffi, 2012).

Within this framework, access through collective action may represent an important strategy, particularly in the case of smallholder farmers. These can be established both informally (informal groups) or through formal legal organizations (formal groups).

In the past few decades, donors, government and scholars have been increasing their interests to the institution of collective action as a mechanism to support the access of smallholder producers to markets and improve their benefits in market participation, as well as promoting equitable growth and poverty reduction (Kariuki and Place, 2005; World Bank, 2008; Bernard and Spielman, 2009).

In the agricultural sector, farmer groups and formal ones in particular can be useful instruments to solve the problem of lack of scale and reduce transaction costs, but their benefits do not stop here. They can also improve the access of smallholder farmers to critical services (including credit and technical assistance), to (cheaper) production inputs, and to relevant information (regarding, for example, production techniques and pathogens). They promote the dissemination of information and the building of social capital and collaboration to reduce risks (see, among many, Markelova *et al.*, 2009; Shiferaw and Muricho, 2011; Fernandez-Stark, Bamber and Gereffi, 2012; FAO, 2013b).

These are important factors that, as demonstrated by empirical and theoretical studies, can open up opportunities for smallholders not only for accessing the market but also for upgrading, accessing new and higher-value chains, and achieving superior outcomes (Cafaggi *et al.*, 2012; Markelova *et al.*, 2009; Shiferaw and Muricho, 2011; Swensson, 2012).

Although further research is required, case studies and data currently available indicate that the strategy of group access adopted by the Brazilian IPPs is likely to bring benefits for smallholder producers and help them to access the institutional market and comply with its requirements. Qualitative case studies indicate that the organization of smallholder producers in formal groups is key to enabling them to access formal PAA markets and to upgrade and access a more demanding institutional market represented by PNAE (Grisa *et al.*, 2011; Santos, Evangelista and Oliveira, 2012; Souza, 2012; IPC and WFP, 2013).

These cases have also demonstrated that the greater the involvement of associations and cooperatives, among other social actors, the higher is the degree of consolidation of these institutions, most effective are the results of PAA (Botelho Filho and Carvalho, 2006; Müller, Fialho and Schneider, 2007; Grisa *et al.*, 2011).

Nevertheless, despite its potential, access through formalized collective action poses several challenges. Empirical and theoretical studies have analysed the difficulties faced in coordination and collaboration building among smallholder farmers (see, among many, Hellin, Lundy and Meijer, 2009; Shiferaw and Muricho, 2011).

In PNAE, for example, producers' mistrust of associativism and, in particular, their resistance to linking themselves through formal organizations were difficulties pointed out by both producers and implementing agencies in the implementation of PNAE (Souza, 2012; Triches and Schneider, 2012). These problems were particularly relevant within the context of the previous FNDE Resolution, which had established that in certain cases producers could access the programme only if they were organized through formal organizations.

In fact, acquisitions for BRL10 000.00 or more could be made only through family farm formal groups. The absence of these types of group represented a significant obstacle in the implementation of the FNDE programme. As a result, in 2013, the new FNDE resolution eliminated this condition and introduced the possibility for family farm producers to access the programme

individually. Although no explicit reference was mentioned, in practice this new condition was a strategy to overcome the problem, while not providing a complete solution.

Another challenge for access through formal groups is the legal form adopted to regulate the organizational structure of formalized collective action. Despite its importance, however, this issue is often disregarded by scholars and policy-makers alike.

Inadequate regulation of its legal structure may pose significant challenges to formal organization and may limit its utility and restrict its functions. A study on rural agro-enterprises in Colombia showed how the inadequate legal structure of formal organizations may hinder an organization's performance and become an obstacle for its long-term development (González, Johnson and Lundy, 2006).

The limits imposed by inadequate regulation can be seen in the Brazilian IPPs with regard to the use of producer organizations as an instrument to foster smallholder farmers' access to institutional markets. As already mentioned, legislation on IPPs establishes that formal groups must be constituted as legal entities recognized by Brazilian private law and, in particular, as a cooperative or non-profit association (Law No. 12.512/2011, FNDE Resolution No. 26/2013).

In Brazil, the development of cooperatives and associations is supported by the Federal Constitution (FC) of 1988. According to Art. 174, they should also be supported and encouraged by the state through specific legislation.

Nevertheless, cooperatives are still regulated mainly by a law issued back in 1971 (Law No. 5764).²⁹ The regulation provided by this law, issued even before the FC, is obsolete and inadequate for those small producers and groups that are precisely the target of IPPs and could benefit from a strategy to access markets.

The constitution and administrative systems of cooperatives under Law No. 5764/1971 are characterized by a heavy structure and bureaucratic encumbrances with many formalities. According to this legislation, cooperatives must have, for example, three different social bodies (a general assembly, board of directors and audit committee), as well as several mandatory books and minutes that must be registered at an appropriate public register. It also imposes a complex accountability system.

These complex features are, in practice, too unwieldy and costly for smallholder producers (Triches and Schneider, 2012). This seems evident in the IPP case where the number of cooperatives among the formal groups that access the programme are extremely limited in comparison with non-profit associations.

Also as a strategy for overcoming the bureaucratic barriers, the legal form most commonly adopted by Brazilian family farm smallholder producers to access institutional procurement programmes are non-profit associations.

This has been observed in several different studies. In the state of Minas Gerais, for example, of the 234 formal groups with DAP and therefore eligible to participate in IPPs, 31 were cooperatives and

²⁹ The current cooperative law does not encompass the new aims of the FC. As a result, as affirmed by Bialoskorski-Neto (2011), Brazilian cooperativism lies in a "juridical vacuum" because of the absence of a clear modern legislation that is able to refine the former legislation and add the modifications instituted by the constituent process in 1988. In 2002, the new Civil Code (CC) partially integrated the regulation of cooperatives in a few articles and defined their legal status as *sociedades simples* and, as such, not business enterprises (Art. 982, CC).

203 were non-profit organizations (Santos, Evangelista and Oliveira, 2012). In a case study undertaken by Chmielewska and Souza (2010) in three municipalities of the Sergipe region, only associations (and not even a single cooperative) accessed PAA.

The legal and organizational structure of non-profit associations has fewer costs and formalities in its institution and administration. Nevertheless, different sectors have observed that non-profit organizations are not the most suitable legal structure for smallholder producer organizations, especially within the aim of market access (FAO, 2007; Cafaggi *et al.*, 2012; Swensson, 2012).

Non-profit associations are regulated in Brazil by the FC (Art. 5, XVII–XXI, Art.174, para. 2) and by the CC (Arts 53–61). According to these rules the non-profit associations should not have a commercial purpose, cannot pursue profits and cannot share any eventual gains among its members. One of their main characteristics in any legal system is that when profits are earned, they cannot be distributed.

Among the many practical consequences of these limitations is that the association is not able to build up a reserve or have its own resources to pay for any expenses. In IPPs, these represent a particular difficulty.

PNAE and some modalities of PAA (such as CDS) require the development, management and execution of a complex sales project that regulates the formal group commitment to participate in the programme (see para. 6.1). Participation in these programmes also requires the maintaining of an accountability system, the issue of tax invoices, and many other logistic and managerial activities. All these have a cost for the formal organization. Without the possibility of building up a reserve or having its own resources, the non-profit associations are dependent on donations from their members or on direct payment, which may seriously limit their actions (ING interview).

Furthermore, the non-profit regime, lack of capital and the non-profit association liability regime may also compromise the signing of contracts with private buyers or their access to financing (FAO, 2007). These limitations have already been reported as an important challenge for market access in other economic sectors (Cafaggi *et al.*, 2012; Swensson, 2012).

Although less bureaucratic and more easily managed and, therefore, the chosen option, such evidence shows that non-profit associations cannot be considered the most appropriate legal form for the organizational structure of smallholder producer organizations, especially from a market access perspective. They are often incapable of being adapted to all functions and activities of formal groups of smallholders for market access since these are mostly commercial and aim to make profits.

Another important point directly connected with the regulation of both cooperatives and non-profit associations regards tax legislation and its incompatibility with the support of formal groups within the Brazilian legal framework.

In Brazil, both cooperatives and non-profit associations cannot benefit from the Unified Tax Collection System (SIMPLES) that, according to the law, applies only to enterprises. Consequently, taxation on hiring an employee is high. For an enterprise, costs could be 30 or 35 percent of the salary, while for cooperatives and associations they may reach 60 or 65 percent (ING). Such high costs can make the hiring of employees unsustainable for the organizations, especially for poorer small farmers.

According to ING, these costs often make the participation of smallholder producers' formal groups in PAA an enviable prospect. Indeed, some have been induced to use a limited liability company in

order to register their employees and overcome this disparity. In other words, the formal organization has to make use of another legal structure to overcome the deficiencies of the existent one, which further demonstrates the limitations and inadequacy of the legal structure available.

A case study on PNAE opportunities and challenges in the state of Minas Gerais reported that of 78 family farm organizations analysed in the study (18 cooperatives and 60 non-profit organizations), 76 percent did not have permanent employees. Although a direct connection between the low number of employees and tax issues is not made, the study points out the informal situation and low organizational and managerial capability of the organizations caused by the lack of permanent employees (Santos, Evangelista and Oliveira, 2012). This situation is a serious obstacle, especially when aiming to upgrade and access formal markets.

Problems regarding the appropriate regulation of the legal structure of formal organizations are not exclusive to the Brazilian legal system. In the agrifood sector, studies have indicated the difficulties in various legal systems posed by the inadequacy of the legal structure provided by the legislator or chosen by the producers to regulate their collective actions (González, Johnson and Lundy, 2006; FAO, 2007).³⁰ Providing a proper regulation for the legal structure of formal groups of smallholder producers is not an easy task.

Nevertheless, efforts can and should be made in order to develop a more adequate and flexible legal structure for smallholder producers' formal groups, considering its importance in linking smallholders to markets and helping them to upgrade. Legislation of traditional forms (such as cooperatives) could be improved and updated but new models might also be developed, based on organizational but also on contractual arrangements, less bureaucratic and more adapted to the demands of family farm producers (see Swensson, 2014).

As affirmed by FAO, in the International Year of Cooperatives (2012), cooperatives and producers' organizations can thrive and act as a vehicle for inclusion and market integration for their members. Nevertheless, this will only be possible if they are empowered and have an appropriate enabling environment with a conducive and apposite regulatory and legal framework (FAO Web site).

Institutional arrangements, including updating legislation, establishing a compatible and favourable taxation system, and other direct support assistance are measures that are still lacking, negatively influencing the success of the programme.

8.3 Other Challenges

Further challenges face the Brazilian IPPs regarding the access of family farm producers to the programmes, which go beyond the issues related to collective action and the appropriate legal framework. Among the most important of these are: (i) lack of technical assistance and its proper coordination with IPPs; (ii) operational constraints; and (iii) delays in payment.

Limited range of technical assistance and of its coordination with IPPs

Many studies have evidenced that family farm producers still face difficulties in accessing programmes and in complying with requirements (FAO, 2010; GGPA, 2010; Grisa *et al.*, 2011; Honorato, 2012; Sá, 2012).

³⁰ Shepherd, in FAO (2007) affirms: "In many countries the legal status of farmer groups remains to be clarified and thus they are unable to carry out financial transactions. In Kenya, for example, producer marketing groups are required to register as self-help groups and therefore lack legal status as business enterprises. In Colombia, groups have tended to register as non-profit businesses in order to take advantage of low registration fees and tax incentives but such an organizational structure may become an obstacle to long-term development. In some other countries there have been moves to force farmer groups or associations to be registered as cooperatives, despite the fact that there appears to be a preference among groups to have the status of limited liability companies."

Although IPPs have been excellent in showing producers the quality and other standards required by institutional and other markets, and enabling them to adjust adequately, they still do not provide sufficiently direct tools to help producers in this process (ING).

There is a wide gap between: (i) the high requirements imposed by IPPs (in terms of organizational, managerial and planning capabilities, and quality standards); and (ii) support from the programmes themselves, as well as an institutional and legal framework to enhance family farm producers' and organizations' expertise so they may conform to these requirements and access the programmes.

This gap is particularly relevant if the target is, as in PAA, the poorest and most vulnerable producers, who are precisely the people without expertise. It is also relevant in PNAE, where quality standards and organizational requirements are even higher and more demanding than those of PAA.

Lack of technical assistance and its coordination with IPPs thus prevents many family farm producers and their organizations from acquiring the necessary expertise to access PAA and PNAE, or upgrade and access other markets, such as for organic products.

This PAA challenge was reported by the FAO 2010 study, as well as by other case studies and interviews. Grisa *et al.* (2011) state that: "family farmers have difficulties to organize themselves, to plan the production and meet the quality standards imposed by PAA which, probably, would be facilitated if technical assistance were coordinated with the programme". This was also fully recognized by PAAMG, which affirmed that ATER's contribution is well below the needs of the family farm organizations that participate in the programme (GGPAA, 2010).

However, lack of coordination and complementarity encompasses not only the ATER, but also other public policies and programmes.

As FAO reports (2010), within the PAAMG Balance Evaluation there is a general lack of initiatives for the linking of PAA with local family farm policies and actions, and with local partners and institutions involved in social development actions. This includes programmes related to family farming financial support (such as PRONAF).

Among the consequences underlined by the FAO study were:

- losses for family farm producers and their organizations;
- inefficiency of family farm organizations in the commercialization and/or processing of their production;
- underutilization of the PAA capacity to create synergies at local level;
- low degree of involvement of social development agencies in PAA implementation;
- little efficiency and efficacy in implementation of the programme.

There is no comparable evaluation for PNAE, although different studies report this problematic as an important bottleneck also within this IPP. (Honorato, 2012; Sá, 2012).

Both IPPs have been trying to address these problems. PAA created the ATER *Mais Gestão* management programme in 2012 and PNAE the NUTRE project in 2010 to support implementation of Art. 14 of Law No. 11.947/2009 and the insertion of family farm cooperatives in PNAE. The NUTRE project works on two fronts: (i) with the family farm producers' organizations to help them adjust to school standards and requests; and (ii) with selected implementing agencies (in large municipalities) to assist them in proper preparation of public calls. Six projects have been implemented in Brazil (Call 4/2012): one in the northeast region and five in different states of the southeast and south

region (São Paulo, Minas Gerais, Paraná, Santa Catarina and Rio Grande do Sul). They count on an investment of BRL25 million and benefit 200 cooperatives and 64 municipalities (MDA, 2013).

These programmes, despite their importance, still have a very limited range.

Operational constraints

A further challenge regards the operational constraints in both Brazilian IPPs. These not only contribute to aggravating the problem of access of family farm producers to the programmes, but are also a limitation in programme development (FAO, 2010; GGPAA, 2010).

Operational issues not fully adequate for PAA implementation were considered PAA's tenth main challenge between 2003 and 2010. The FAO report (2010), in the PAAMG Balance Evaluation, highlights eight main operational obstacles, which are:

- i. access to DAP, including difficulties for family farm producers to comply with the requirements to obtain DAPs, and irregularities and delays in its issuance;
- ii. methodology for establishing prices considered, in that period, neither clear nor unified and inadequate to reflect the reality of local markets;
- iii. inadequacy of sanitary regulations for family farm production which, in certain cases, may hinder the inclusion of products of animal origin in the programme;
- iv. tax issues, including the lack of specific regulation for family farming in many states, high bureaucracy and operational difficulties in tax collection;
- v. difficulties for family farmers and family rural entrepreneurs to issue tax invoices, combined with the high costs of these operations;
- vi. inadequacy of the logistics of transportation and product distribution, characterized by lack of an adequate fleet to meet the needs of PAA;
- vii. insufficient and inadequate networks of distribution stations and centres for PAA products, consequently often unable to perform its functions;
- viii. products purchased against programme rules, such as processed food not produced by family rural entrepreneurs, or with raw material not from family farming, as well as products with questionable nutritional characteristics (FAO, 2010; GGPAA, 2010).

PNAE faces similar obstacles, including:

- i. difficulties in obtaining DAP and the DAP legal person in particular;
- ii. problems regarding establishment of prices, including misinterpretation of PNAE regulations and, more specifically, the necessity of including expenses for transport, packing, etc.;
- iii. same limitations and difficulties imposed by sanitary legislation, often inadequate for the specificities of family farming;
- iv. tax issues;
- v. difficulties for family farm producers to issue tax invoices and particularly the requested electronic tax invoice;³¹
- vi. logistic challenges, which include the difficulties faced by producers in packing and transporting products to different schools;
- vii. inadequate structure in schools, both for storage and cooking of products.

FNDE data analysing compliance with the rule establishing that at least 30 percent of PNAE resources be used for the acquisition of products directly from family farm producers highlight some of the main difficulties of these producers' access to PNAE.³²

³¹ As already mentioned, the impossibility of issuing the requested tax invoice and the inadequacy of sanitary conditions are two of the three justifications allowed by PNAE legislation for non-compliance with the imposition of using at least 30 percent of school feeding resources for the procurement of food directly from family farm producers (Art. 14, para. 2, FNDE Resolution No. 26/2013)

³² These data have been collected through the Annual Financial Statement Report (*Demonstrativo Sintético Annual – DSA*) that implementing agencies have to submit to FNDE. The challenges presented, therefore, are mainly focused on

According to such data, apart from the operational constraints presented, the main challenges reported by implementing agencies for not purchasing at least 30 percent of school food directly from family producers include:

- i. lack of family farm organization, reported as the main challenge (28 percent of replies);
- ii. lack of preparation of people involved, such as local administrators' lack of knowledge regarding the existence of family farm producers in the region and their production (leading to the elaboration of public calls completely unsuited to local production and the products available in the period) and their resistance in changing to the new procurement modality (i.e. to use the public call instead of the bidding process); and lack of adequate preparation for nutritionists and school cooks;³³
- iii. absence of PAA and thus of producers who were already used to accessing IPPs and had acquired the necessary skills and experience, which included organization through formal groups;
- iv. mistrust by family farm producers of local government regarding, among others, the effective and timely payment by the public administration and the advantages of this new market;³⁴
- v. lack of local family farming, especially in large cities; and
- vi. lack of integration between implementing agencies and family farming.

This last point is particularly important as family farming producers can only access PNAE's institutional market to sell products specified in the public call. The programme requires, therefore, effective integration among nutritionists, implementing agencies and family farm producers in order to coordinate elaboration of menus, public calls and production, respectively. However, FNDE data demonstrates that there is still a lack of coordination among participants, hindering the possibility of producers to access the programme. In the NUTRE project, in São Paulo state, such coordination occurred at only a few locations. In most municipalities, menus had not changed since the 2009 Law and products to be acquired directly from family farming were chosen at random, without any negotiation with producers, and often included products not commonly produced by family farming, such as pasta and cream crackers (Siliprandi and Belik, 2012; Santos *et al.*, 2012).

Payment delays

The issue of payment delays was considered the main and most common challenge for PAA in the FAO report and PAAMG Balance Evaluation. It is also reported in PNAE studies (FAO, 2010; GGPAA, 2010; Corá and Belik, 2012; Sá, 2012).

According to PAA legislation, payment must be made within ten days. Nevertheless, according to the FAO report and PAAMG evaluation, this requirement was not followed by implementing agencies between 2003 and 2010 (FAO, 2010; GGPAA, 2010). Data from University of São Paulo (USP)/FEALQ

programme operational constraints and, in particular, from the implementing agencies' point of view. A broader analysis with qualitative studies from the family farm producers' point of view, such as the one undertaken for PAA in 2010, is lacking.

³³ The FAO report and PAAMG evaluation declared insufficient aid in helping to qualify and capacitate partners involved in PAA implementation to be one of the main challenges, in spite of PAA's complex implementation system. PAA The consequences were that partners responsible for implementation of the programme were unprepared, and little utilization was made of PAA available resources. Moreover, the programme was often implemented against PAAMG directives. This, therefore, promoted access by a restricted number of beneficiaries constituted by the most developed and organized family farm producers (FAO, 2010; GGPAA, 2010).

³⁴ As stated by Triches and Schneider (2012), producers' mistrust was regarded as a significant hindrance by most interviewees. The producers were unsure whether it would be advantageous to sell to the public administration, whether the government would effectively pay them, whether the prices would be fair, and so on. There was also mistrust on the part of the public administration which, especially at the beginning, was afraid that family farm producers would not be able to comply with regular supply (see also Siliprandi and Belik, 2012).

field research in the northeast region indicate, for example, that 47 percent of PAA beneficiaries analysed received payment after ten days (USP/FEALQ, 2006).

This issue was particularly relevant in CDS and the PAA milk modalities where the implementing agencies were the states and municipalities, and resources were transferred through the covenant system (GGPAA, 2010). However, and as stated by ING, CONAB often does not have the appropriate structure to receive and verify the required documentation and process payment on time.

Delays in payment are significant for poor small producers who need money for their immediate family needs. The situation becomes even more critical when products sold are processed, so that family farm producers need to acquire other ingredients in their production (as for cakes and biscuits, for example). Generally, the time they have to pay for these ingredients is less than the time it takes to receive payment from PAA.

The FAO report notes that these delays result in loss of programme credibility among suppliers, loss of PAA effectiveness in improving family farm producers' income and, negative impacts on the image of PAA among participants. It also mentions that payment delays have stopped producers from participating in the programme (FAO, 2010; GGPAA, 2010).

PNAE has no fixed term for payments but payment date and conditions must be indicated in the public call. For example, payments can be made monthly, within 15 days from delivery or even from 15 to 30 days after delivery.³⁵ As in the PAA cases, PNAE delays in payment to suppliers are a common occurrence (Malina, 2012; Sá, 2012). The study conducted by the NUTRE project in São Paulo state gives two justifications provided by implementing agencies for delays – the incorrect issuance of the electronic tax invoice by family farm producers and delays in transfer of resources from FNDE (Malina, 2012).

In both cases and when payment is made through formal organizations (which become responsible for making individual payments to their members), these delays put cooperatives and associations in a difficult position since they do not receive the money in time to pay their members as agreed. They create political difficulties within the associations and cooperatives, hinder the supply of products approved in the project, create financial difficulties for producers and discourage participation (Cordeiro in Grisa *et al.*, 2011; Sá, 2012).

Nevertheless, important modifications have been made in the programmes to overcome these defects, especially regarding PAA. The new adherence agreements to regulate the partnership and transfer of resources between the federal government and the implementing agencies (states and municipalities) have decreased bureaucracy in the transfer of resources and enabled direct payment to suppliers from the government.

A bank card – the PAA card – has also been created, whereby suppliers receive payment directly from the federal government. This should considerably improve payment delays in the programme.

The MDS Secretariat for Food and Nutritional Security (SESAN) states that within the adherence agreements, the PAA card represents a new way of operation for the programme, providing greater simplicity, more agility in direct payment of producers and more transparency in the control and monitoring of the entire process (Campos, 2014).

³⁵ According to a study conducted by the NUTRE project in São Paulo state, most (33.4 percent) of the 42 public calls analysed provided a monthly payment, followed by payment within 15 days of delivery (23.6 percent) (Malina, 2012).

BOX 6

Linking organizations: the experience of the Guardians of Nature Institute (ING)

ING (*Instituto os Guardiões da Natureza* – Guardians of Nature Institute) is an NGO established in 1998 in the Prudentópolis municipality of the southern region of Brazil (Paraná state). It was created in the context of high suicide rates among family farm producers and extensive deforestation, caused particularly by the introduction of large-scale tobacco and soybean plantations. Its mission is “to promote and contribute to the evolution of human beings, with emphasis on biodynamic agriculture and the preservation of nature”.

Since 2006, ING has played an important part in supporting the access of family farm producers of the region to PAA, as well as helping them to overcome certain bottlenecks in the programme.

One example regards lack of technical assistance and its proper coordination with the programme. The ING President, Vânia Mara Moreira dos Santos, says that from the start of working with PAA, they realized that many producers were having difficulties in complying with PAA quality criteria and that technical assistance was necessary in order for them to attain these standards and guarantee their access to the programme. Since there was no specific project for technical assistance in the region for PAA suppliers, the NGO itself organized ATER services for family farm producers. It did this through different partnerships (also with public institutions) and hiring of technicians to “explain, talk about and teach how to make a product with better quality”.

The same attitude was adopted for organic production. In order to benefit from the priority and price increment given by PAA to organic production and, foreseeing the possibility of accessing other markets and therefore being able to upgrade and “not remain a hostage of public programmes”, ING established a partnership with TECPAR, the public Institute of Technology in Paraná state. Through this partnership, the institute provides technical assistance for family farm producers assisted by ING, to enable them to adapt their production to organic standards and obtain the required certification.

ING has also acted to combat the lack of managerial and organizational capacities of family farm producers and, in particular, their difficulties in the elaboration and maintaining of accounts, as well as in issuing the necessary tax documents. According to ING’s president, the accountability report required by PAA is extremely complex and it is almost impossible for producers to cope with it alone. Even professional accountants have difficulties. One of the reasons is the frequent change in established requirements. Since ING contributes directly to the elaboration and coordination of the sales project, the NGO itself develops, maintains and reports the necessary accountability to CONAB and helps producers in the issuance of tax invoices.

ING provides support in overcoming the logistic challenges of the programme. Even in PAA when deliveries must be made to a single collection point, logistics may represent an unsurmountable barrier to access for some family farm producers and especially for the poorest and most vulnerable ones. Most of these producers do not have any means of transport for taking products to the delivery point. Different case studies show that this is a common issue for family farm producers. An example in Minas Gerais state ascertained that 72 percent of producers interviewed had no kind of private transportation (Sidaner, Balaban and Burlandy, 2012).

Consequently, ING has begun to use a vehicle acquired in another project to collect and transport the products of those unable to do so. According to the ING president, this is a great step forward since it has enabled many producers to participate in the project and attracted family farm producers in neighbouring regions to become members of the associations assisted by ING and thus access PAA. The next step, according to the president, is to acquire cold storage to enable family farmers to store their products properly (particularly strawberries) and supply them through the programme. The implementing agencies of the region do not have such equipment. ING provides information for family farmers and family rural entrepreneurs about the programme, its objectives, modalities and implementation so that they are fully informed about access to PAA. As mentioned previously, lack of proper information has been considered by FAO within the PAAMG Balance Evaluation as one of the main challenges to PAA implementation (FAO, 2010; GGPAA, 2010). Beneficiaries of PAA (both food consumers and food producers) often do not have enough information about IPPs. In some cases, family farm producers sell their products to cooperatives and associations without even knowing that they are participating in the programme (Grisa *et al.*, 2011).

Despite the important role played by ING, it is not recognized by the programme. PAA regulation does not admit the existence of a linking organization to support the access of family farming producers to the programme. Together with lack of recognition is lack of financial support. All costs of the services provided by ING have to be covered by producers through their organizations and cannot be reimbursed by PAA.

On the other hand, PNAE recognizes the role of a linking organization, albeit in a limited way. The FNDE Resolution provides that, in the case of individual DAPs and, therefore, of individual access or access through informal groups, family farm producers may count on the assistance of a linking organization to prepare sales projects. Given the complexity of the latter, PNAE sees linking organizations as useful instruments to help individual producers with the organizational, managerial and planning aspects necessary. However, such recognition is limited since it does not include financial support to cover these activities, thus significantly reducing action by the linking organizations. (ING interview)³⁶

8.4 Overcoming Challenges

Although the Brazilian IPPs still face challenges in their implementation, great progress has been made. Both IPPs, and PAA in particular, have seen constant evolution, which has been considerably intensified over the last few years.

Different factors have contributed to this process. The activities of National Council of Food and Nutrition Security (CONSEA) – who integrates the interests of government and civil society in food and nutrition security – have been of key importance not only in the initial elaboration of IPPs but also in improving them, ensuring a multistakeholder approach to the programmes (IPC and WFP, 2013).

Analysis and evaluation of programme implementation and, in particular, the 2010 PAAMG Balance Evaluation, were invaluable. Although a consolidated system for evaluating and monitoring the implementation of both IPPs is still lacking (one of the ten main challenges of PAA),³⁷ this evaluation, developed with FAO participation, was significant in identifying the main challenges of PAA and provided important guidelines for improvement. Many of the innovations in the programme occurred subsequently in accordance with these guidelines. The evaluation reinforced the importance of a proper system for evaluating and monitoring IPPs, and its significant role in enabling programme coordinators, implementing agencies, national stakeholders and the international community to have a precise idea about the positive outcomes and reach of IPPs. It also identified their problems and challenges, providing guidance for improving and overcoming them.

PNAE lacks a similar project although, since 2010, the government has been collecting data on its implementation through the Annual Financial Statement Report (*Demonstrativo Sintético Anual – DSA*) submitted by all implementing agencies through a new online system. Important innovations of the new FNDE Resolution are already a reflex of what assessed through these data.

Another important factor regards the choice of regulating implementation of these programmes mostly through infra-legal instruments issued by PAAMG. Although a strong legal framework is key to the development of IPPs, resolutions for complementing it and for regulating the specificities of programmes give greater flexibility and allow faster and simpler innovations, without a long-lasting

³⁶ MDA defines these linking organizations (*entidades articuladoras*) as entities representing family farming that are registered by an authorized institution (such as SIBRATER [Brazilian Technical Assistance and Rural Extension System], SINTRAF [Family Farming Workers' Union] or other institutions allowed to issue DAPs). They are not allowed to receive any compensation, be engaged in sales or sign the proposal (sales project) and have no legal liability (MDA Web site).

³⁷ The FAO report states that, until 2010, there was little monitoring on PAA implementation and little information on how available resources were being used and PAA impact on the local economy and life of family farmers and rural entrepreneurs, as well as on food consumer beneficiaries. It points out the consequential lack of coordination in PAA implementation; impossibility of timely reaction to correct anomalies; lack of defined indicators and a simple strategy (based on clear and pre-established objectives) for the (continuous) monitoring and evaluation of the programme; and low efficiency in the use of available resources (FAO, 2010).

legislative process. This was emphasized by PAAMG in the PAA Balance Evaluation. Since a significant part of PAA rules were resolutions of PAAMG they could, therefore, be improved with ease.

Among the many innovations are:

- unification and simplification of the methodology adopted to establish reference prices in both programmes (see para. 6.2);
- substitution of covenants for adherence agreements in PAA which, associated with the introduction of a PAA bank card, aim to overcome delays in payments (see para. 7.3);
- creation of new modalities, and modification, improvement and adaptation of the initial ones (see para. 6.1).

Development of the ATER *Mais Gestão* programme should be mentioned as well as introduction of new programme targets, such as support of organic and agro-ecological production and economic and social inclusion of specific vulnerable groups, including land reform settlers, indigenous people, *quilombolas* and, more recently, women and poor producers recognized as beneficiaries of other social programmes.

Some specific operational improvements include the recognition of reimbursement of expenses borne by implementing agencies, the adoption of the new electronic system to issue DAPs, and a new online managerial system for PAA (PAAnet).

Initially, reimbursement by the federal government for any expenses made by the partners for local implementation of PAA was not foreseen. Implementing agencies had to bear high costs and heavy bureaucracy to implement programmes locally and often lacked the resources (FAO, 2010; GGPAA, 2010). Furthermore, since municipalities, states and the federal district may implement PAA on a voluntary basis, these high costs may discourage them to sign the covenant or adherence agreement to implement the programme in their localities. Law No. 12.512/2011 filled this gap and established that the federal government may contribute to payment of the expenses undertaken by the implementing agencies on the implementation of the programme. This new rule represented an important step in the improvement of programme implementation and in PAA evolution.

Both programme legislation and regulation have been upgraded. In the past few years, PAA has received a new law (Law No. 12.512/2011), a new decree (Decree No. 7.775/2012 amended by Decree No. 8.026/2013) and its regulation has been improved by the issue of several infra-legal PAAMG regulations (*Resoluções do Grupo Gestor*). Among these were: Resolution No. 50/2012 regulating the new Institutional Purchase modality; Resolution No. 59/2013 providing a new regulation for CDS; Resolution No. 61/2013 for the PAA milk modality; and Resolution No. 62/2013 providing new rules regarding the destination of food acquired with PAA resources (see Box 2).

FNDE Resolution No. 26/2013 was issued for PNAE.

The new regulations introduced or formalized several of the changes mentioned and are an important part of IPP evolution. Although many changes are recent, so that an appropriate assessment of their results cannot yet be made, they represent an important achievement and have contributed to the increasing positive results of both Brazilian IPPs.

9. RESULTS AND IMPACTS

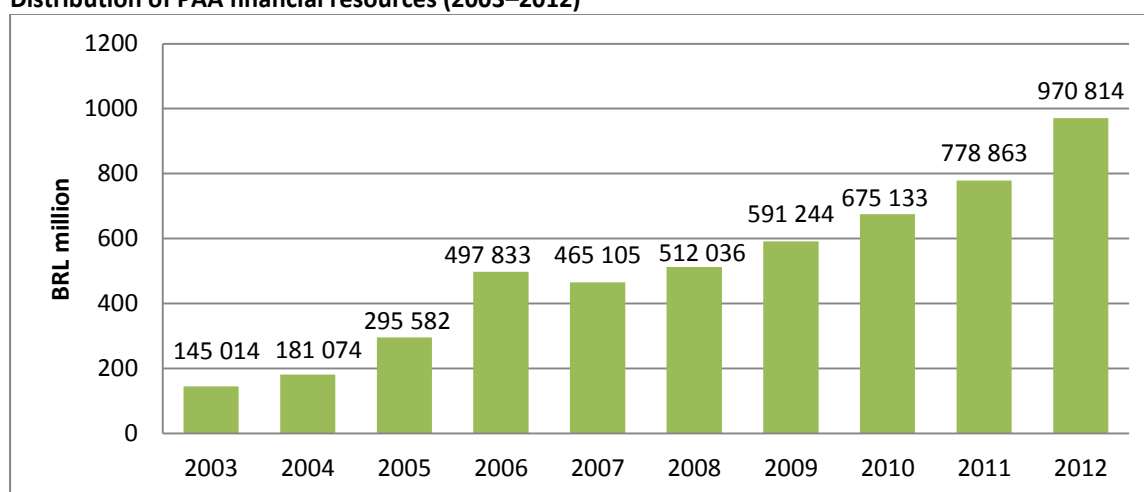
9.1 Main Results

Positive results in the implementation of Brazilian IPPs can be seen by the significant and increasing numbers in each programme.

From the institution of PAA in 2003 until the last available data³⁸ in 2012, there has been an almost constant increase in both the amount of resources invested in the programme and the number of beneficiaries, including both food consumers and food producers.

As seen in Figure 18, the programme began in 2003 with an expenditure of BRL145 014 million and reached more than BRL970 million in 2012.

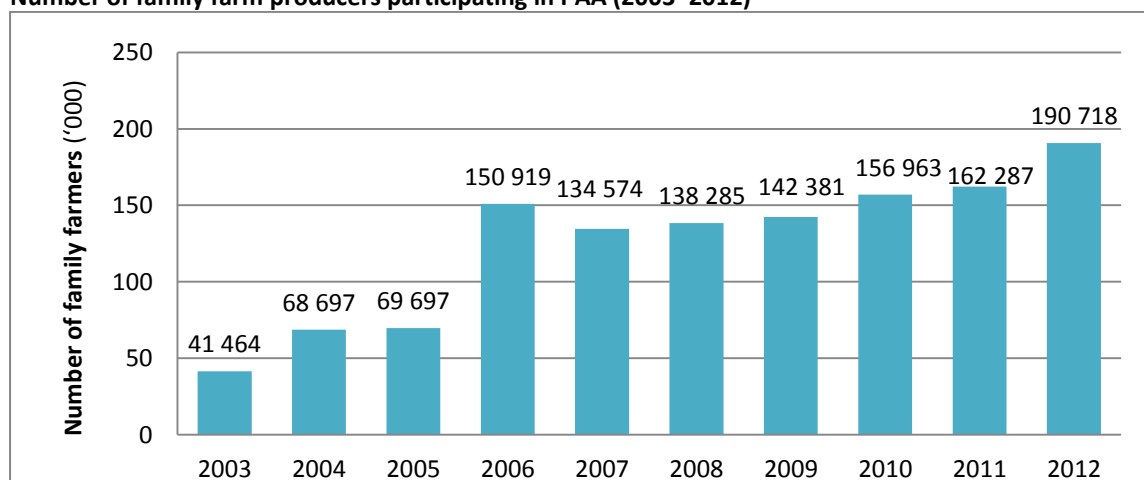
FIGURE 18
Distribution of PAA financial resources (2003–2012)



Source: MDS, 2013

Similar observations can be made regarding the number of family farm producers participating in the programme (see Figure 19).

FIGURE 19
Number of family farm producers participating in PAA (2003–2012)

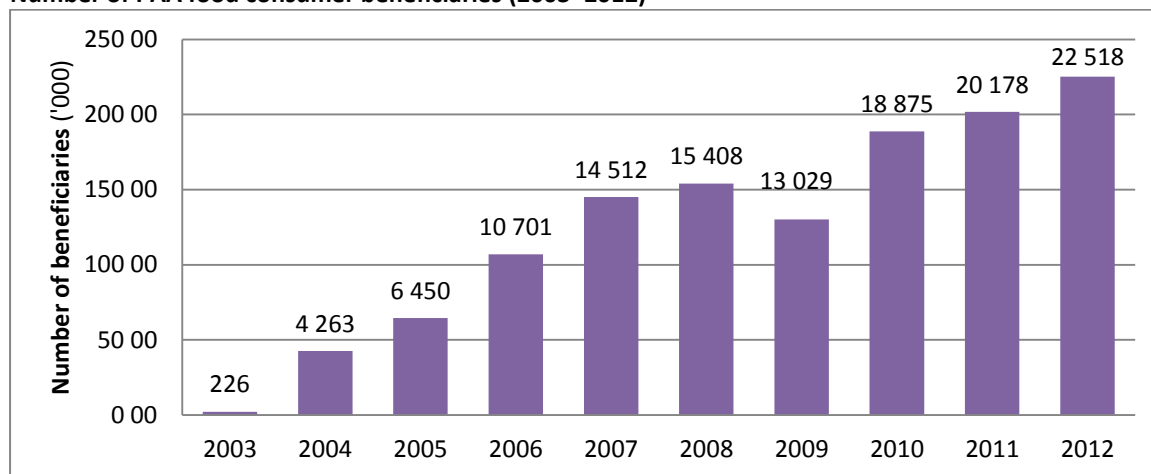


Source: MDS, 2013.

³⁸ Data do not include the Institutional Purchase modality created in 2012.

Numbers of food consumer beneficiaries have also significantly increased over the years, ranging from 226 414 in 2003 to 22 518 088 in 2012 (see Figure 20).

FIGURE 20
Number of PAA food consumer beneficiaries (2003–2012)

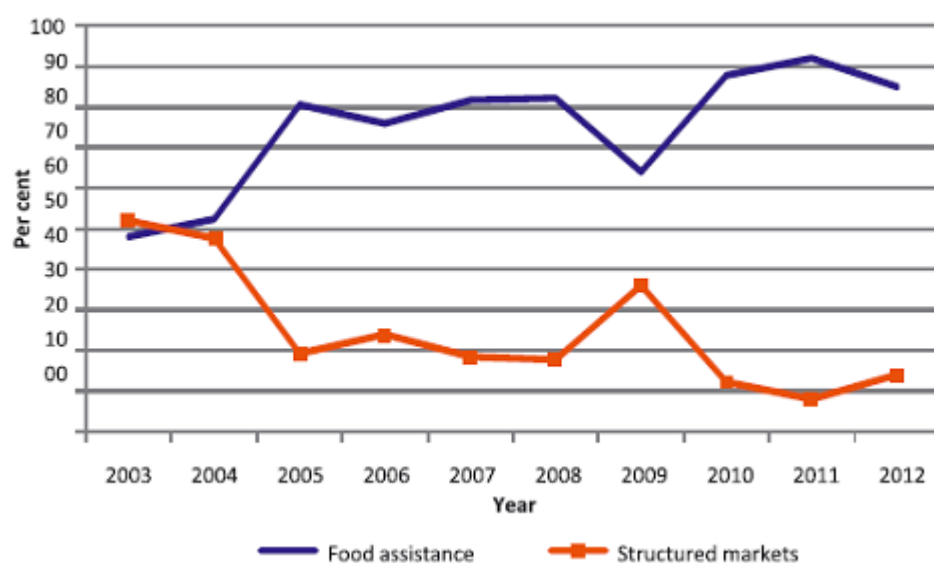


Source: author's elaboration, based on data from Bavaresco and Mauro, 2012; SAGI

In certain periods, the increase in PAA expenditure and a relative increase in the number of beneficiaries, both food consumers and food producers, do not tally. The same is true regarding the increase in the quantity of food acquired. The reason for these anomalies relates to the different modalities of the programme and their particular characteristics, such as the tendency to acquire products with higher or less aggregated value, different financial limits and destination of products for food assistance or the formation of strategic stocks. There is also significant variation in resources invested over the years.

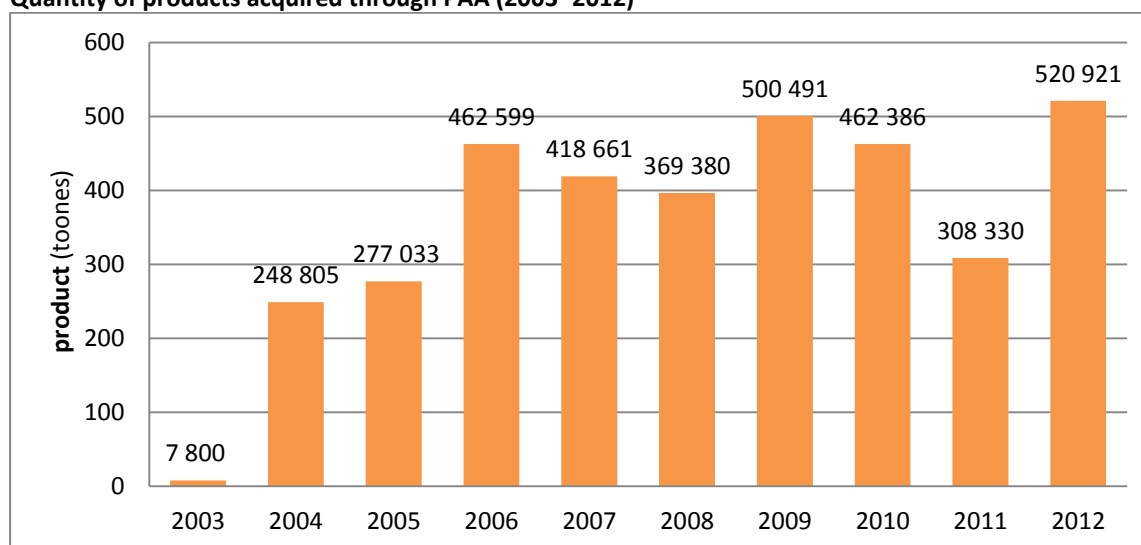
One example regards the 2009 period in which there was a significant increase in the modalities related to stock formation and, particularly, in CD. This modality received about 46 percent of programme funds since most of its products fell below the market price. Consequently, there was a reduction in the number of people (food consumers) assisted by the programme since this modality applies only to producers for a limited number of products (CONAB, 2013b).

FIGURE 21
Percentage of PAA resources by categories of product destination (2003–2010)³⁹



Source: IPC and WFP, 2013.

FIGURE 22
Quantity of products acquired through PAA (2003–2012)



Source: MDS, 2013

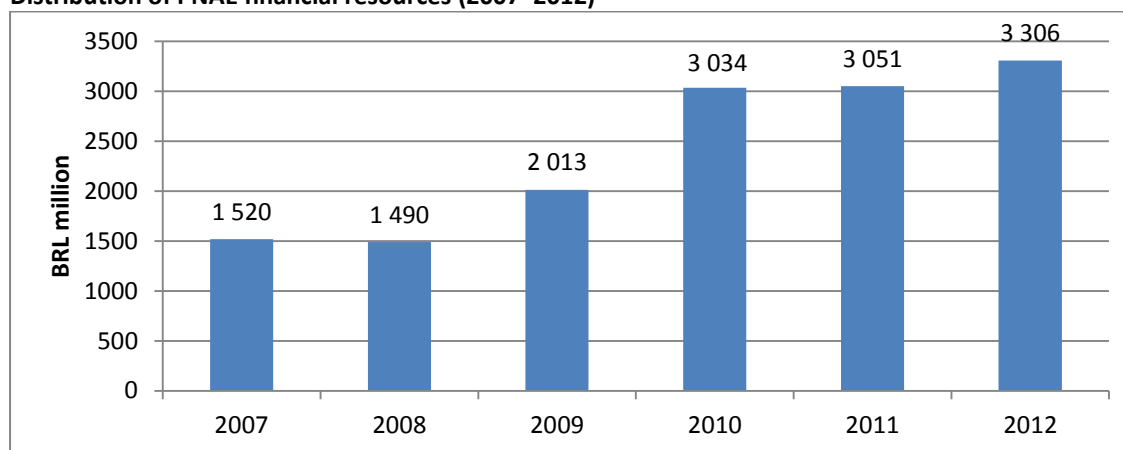
Despite increasing numbers in PAA, the programme still has a wide margin for growth. Currently, it reaches only about 5 percent of the estimated number of family farmers in Brazil and its budget represents less than 0.0004 percent of the country's GDP (gross domestic product) (IPC and WFP, 2013; Roux, 2013).

As regards PNAE, both the number of students and the resources received have undergone significant change over the last few years, particularly after regulation in the programme by Law No. 11.947/2009.

³⁹ According to IPC, "food assistance" refers to PAA modalities in which produce is donated to populations suffering from food insecurity, schools and other social assistance institutions, while "structured markets" refer to PAA modalities used to regulate price and supply, and support commercialization. They procure food for inventory stocks to be marketed or distributed to food insecure groups (IPC and WFP, 2013).

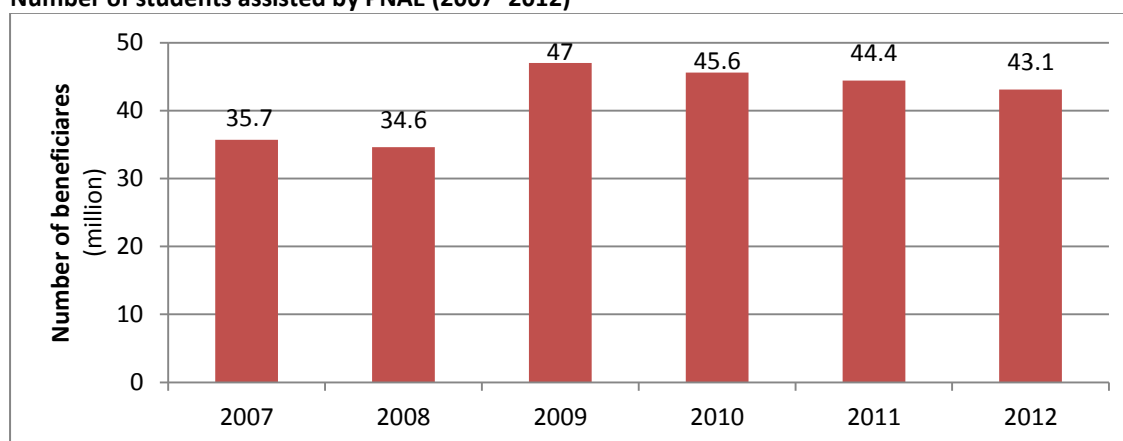
From a budget of BRL1.490 million in 2008, resources more than doubled in the following year, reaching BRL3.306 million in 2012. This increase followed a growth in the numbers of beneficiaries (students) who, because of the new categories covered by the programme since 2009, rose from 34.6 million in 2008 to 43.1 million in 2012.

FIGURE 23
Distribution of PNAE financial resources (2007–2012)



Source: author's elaboration, based on data from FNDE

FIGURE 24
Number of students assisted by PNAE (2007–2012)



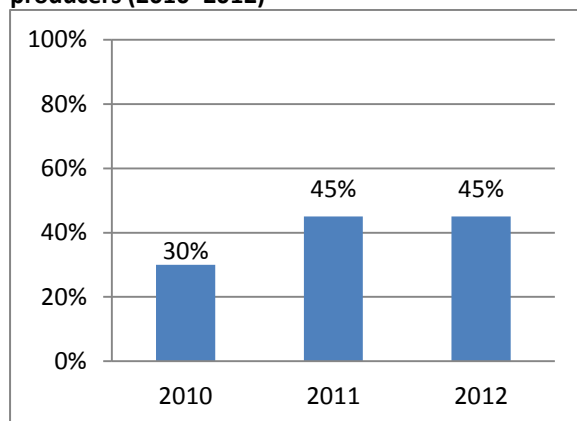
Source: author's elaboration, based on data from FNDE

As already stated, at least 30 percent of resources should be used for the procurement of food directly from family farmers and family rural entrepreneurs, according to the PNAE legal framework. In 2012, this amount should therefore have been at least BRL991.8 million. However, available data (as yet incomplete) show that to date this is not the case.

In 2010, the first year of implementation of the new rule, only 30 percent of implementing agencies complied with the rule and used at least 30 percent of FNDE resources to procure food directly from family farmers and family rural entrepreneurs. This percentage increased rapidly in the following year but, in 2012, still encompassed only 45 percent of implementing agencies.

FIGURE 25

Percentage of implementing agencies complying with a minimum 30 percent purchase from family farm producers (2010–2012)

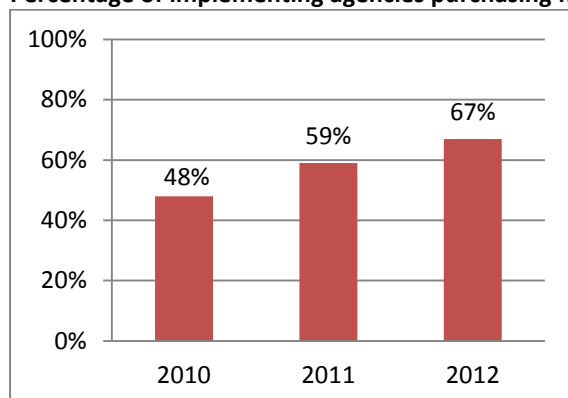


Source: author's elaboration, based on data from FNDE in IPC and WFP, 2013

There has, however, been a constant and significant increase in the percentage of implementing agencies that purchase, even if in small quantities, directly from family farmers and family rural entrepreneurs for PNAE (see Figure 26).

FIGURE 26

Percentage of implementing agencies purchasing from family farm producers for PNAE (2010–2012)

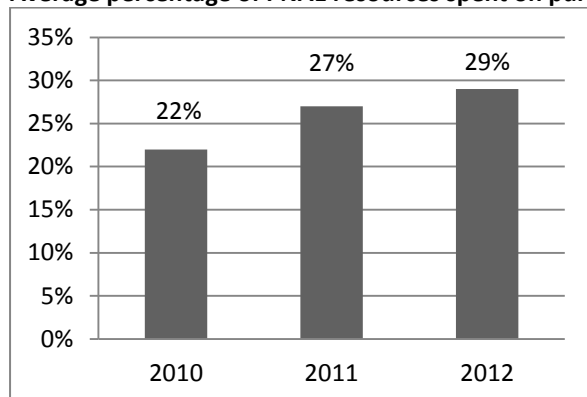


Source: author's own elaboration, based on data from FNDE in IPC and WFP, 2013

Good and increasingly better results can be seen regarding the average percentage of total PNAE resources spent on purchases from family farmers and family rural entrepreneurs (see Figure 27)

FIGURE 27

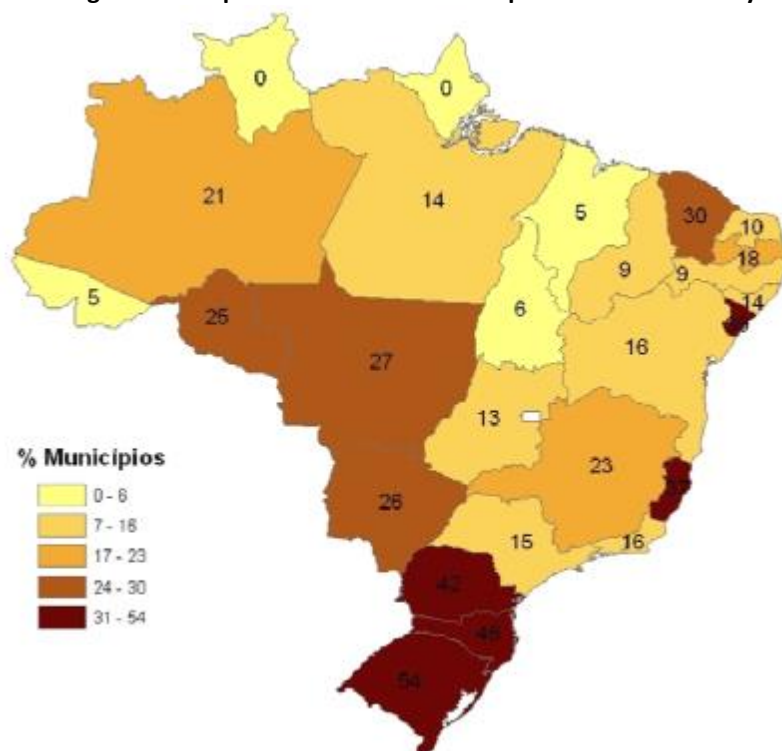
Average percentage of PNAE resources spent on purchases from family farm producers (2010–2012)



Source: author's elaboration, based on data from FNDE in IPC and WFP, 2013

Comprehensively, therefore, almost 30 percent of federal resources for PNAE are spent on the acquisition of products from family farming, although only 45 percent comply with the 30 percent requirements. This shows great disparities among implementing agencies, as well as among the different regions in Brazil (see Figure 28). In the south, about 87 percent of implementing agencies purchased from family farm producers in 2012, applying 37 percent of total resources. These percentages were 60 and 22 percent, respectively, during the same period in the north (IPC and WFP, 2013).

FIGURE 28
Percentage of municipalities in each state that purchased from family farm producers for PNAE (2010)



Sources: FNDE and MDA, 2010

9.2 Assessed Impacts

A nationwide impact evaluation of the Brazilian IPPs still lacks. According to IPC and WFP (2013), evaluations to date have mainly utilized qualitative case studies and small-scale surveys of one to five municipalities. A gap still exists for studies with significant quantitative methodologies able to analyse at country level the impacts of both programmes on the local economy and life of family farm producers (Chmielewska and Souza, 2011; IPC and WFP, 2013).

PAA

To date, most case studies concern PAA and highlight some implications of the programme at local level.⁴⁰ Through these studies, and the IPC and WFP (2013) and Grisa *et al.* (2011) literature

⁴⁰ These include five regional projects based on 24 case studies that were carried out under an international cooperation agreement between MDS and FAO (Project UTF/BRA/064/BRA) for supporting the implementation and achievements of the *Fome Zero* programme). Two of these concern the northeast region in two different periods (2005/2006 and 2009); one compares three states of the south and three states of the northeast region (2005/2006); and two, PAA milk (in 2005/2006 and 2009). The main results were published and analysed in the Balance Evaluation of the Implementation of

reviews,⁴¹ it is possible to identify some common assessed results of PAA. Among the main ones are: (i) diversification and increase of family farm production; (ii) increased income; and (iii) strengthening and development of collective organizations.

Diversification and increase in family farm production

Diversification and increase in production were reported as the main results of PAA by almost all case studies. In a survey reported by Sambuichi *et al.* (in IPC and WFP, 2013), based on 29 case studies, diversification in production was assessed as the most common impact in 72 percent of cases. One of the main reasons for this was the capacity of the programme to guarantee stable markets, price and payment for family farm products (Doretto and Michellon, 2007; Chmielewska and Souza, 2010; Grisa *et al.*, 2011).

In a case study in Paraná state in the south of Brazil, Doretto and Michellon (2007) showed that, with PAA participation, about 25 percent of family farm producers analysed began to cultivate new products (mainly oilseeds) and about a third increased their cultivated area.

A similar result was seen by Vogt and Souza (2009) in a qualitative case study in the Rio Grande do Sul state in the south of Brazil. After PAA, farmers began once more to cultivate products that previously had no commercial value and where cultivation had been abandoned or produce used only for family consumption (Souza, 2012).

Furthermore, since some PAA modalities – in particular CDS – are able to create a stable demand all through the year, diversification was identified as a strategy to achieve a steady flow income throughout the year instead of merely a single (or double) payment per year at harvest time (Doretto and Michellon, 2007; IPC and WFP, 2013).

Studies also showed an increase in total family farm production, which aimed for commercialization specifically through PAA and was motivated mainly by direct and guaranteed payment (Müller, Fialho and Schneider, 2007; Agapto *et al.*, 2012).

Increased income

An increase in family farm income is recognized as one of the most important impacts of PAA. Nevertheless, the literature is clear to affirm that more evaluation in different Brazilian contexts is needed before considering this a proven impact of PAA at national level (Grisa *et al.*, 2011; IPC and WFP, 2013).

Research by the University of São Paulo and ESALQ – within the framework of the international cooperation agreement between MDS and FAO (see Box 4) – showed that incomes among PAA participants in the northeast of Brazil tended to be three times higher than those of non-participants (USP/FEALQ, 2006; Sparovek *et al.*, 2007).⁴²

However, IPC and WFP (2013) note that this is not only because participants have an increase in income from sales to PAA but also because non-participants tend to be subsistence farmers and thus consume most of their production.

Similar research developed by UnB under the same project indicates, nevertheless, that although an increase of income could be seen in the south, it was not possible to establish trends with regard to

PAA, 2003–2010 by PAAMG and were used to analyse and identify the main challenges in the programme's implementation (GGPAA, 2010).

⁴¹ For an overview of different case studies by state, see Vieira, Faria and Rosa (2010).

⁴² This study was based on a sample of 250 questionnaires in six different states of the northeast region.

the three states analysed in the northeast region (Bahia, Pernambuco and Rio Grande do Norte). The authors, however, recognized that these data (based mainly on interviews) need to be relativized and require further in-depth investigation (Botelho Filho and Carvalho 2006; Doretto and Michellon, 2007).

Nevertheless it is still possible to affirm that an increase in family farming income is one of the most common results described in regional and local studies.

There are different reasons for PAA to have an impact on family farmers' and family rural entrepreneurs' income. Among them are the capacity of the programme not only to: (i) guarantee a stable market with a market-based price (which is often higher than that obtained by family farmers); but also to (ii) influence and push up the local price for family farm products; and (iii) foster the development of new markets or the strengthening of existent ones.

Different surveys both in the northeast and southeast regions of Brazil indicate that, after PAA, farmers began to receive much higher prices for their products. These had been nearly always commercialized through intermediaries for prices significantly below the market price⁴³ (Lucena and Luiz, 2009; Chmielewska and Souza, 2010; Agapto *et al.*, 2012).

The idea is that the guarantee of the PAA market and its reference price enables family farmers to negotiate prices in the private market or even with traditional intermediaries and, therefore, also obtain outside the programme a price closer to the market one. In fact, changes in the relationship between family farmers and intermediaries (who have begun to use fairer practices in commercialization) are showed as another of PAA's effects (Sparovek *et al.*, 2007; Vogt and Souza, 2009).

In a study developed by the Institute for Applied Economic Research (IPEA) to assess the concept and implementation of PAA in the states of Piauí, Rondônia and São Paulo, Delgado, Conceição and Oliveira (2005) observed that the mere advertisement of the PAA public call was often enough to increase the price of products on the local market.

Furthermore, the strength or creation of new markets for family farm products (such as local farmers' markets) was identified in several case studies as a consequence of PAA, having an impact on increasing family farmers' income and production (Sparovek *et al.*, 2007; Pandolfo, 2008; Vogt and Souza, 2009; Vannuchi and Reinach, 2012). As reported in a case study in the state of Rio Grande do Sul in the south of Brazil, family farmers noted an increase in demand for their products on the local market, after the introduction of PAA, as the products became better known by the programme food consumer beneficiaries (Pandolfo, 2008). As reported by Vogt and Souza (2009), PAA helps to expand other channels of commercialization by providing an incentive for more diverse production,

Strengthening and development of collective organizations

The third main category of PAA impacts assessed by the case studies is the strengthening and development of family farm organizations.

Although pertinent quantitative data are lacking, specific case studies in some municipalities of Brazil have demonstrated that participation in PAA has contributed to strengthening family farm organizations. One case study, as above, was in two municipalities in Rio Grande do Sul where PAA

⁴³ For example, in a study in the municipality of Campina do Monte Alegre in the southeast of Brazil, Agapto *et al.* (2012) assessed that prices offered through PAA were almost 46 percent higher than the average prices offered through intermediaries.

stimulated improvement in the planning and managerial capabilities of the cooperatives analysed and also contributed to their interaction with new institutions, thereby expanding social and cooperation networks (Vogt and Souza, 2009). Similar observations were made by Grisa *et al.* (2011).

The creation of new producer organizations was assessed as another result. Studies demonstrate that these were created to enable family farm producers to access PAA, and also help participants to access other markets and/or mobilize political and economic resources (Zimmermann, 2008; Grisa *et al.*, 2011; Santos, Evangelista and Oliveira, 2012).

Fundamental to these achievements is the priority given by PAA to access through formal organizations together with the power of producer organizations to increase producers' capability to meet the requirements necessary to access (institutional) markets directly (see Chapter 7). Various case studies have shown that effectiveness of PAA results are intrinsically linked to the existence and consolidation of family farm organizations (Botelho Filho and Carvalho, 2006; Müller, 2007).

Further impacts of PAA assessed through case studies are:

- an improvement in beneficiaries' nutrition and health, including not only food consumers but also family producers themselves (Delgado, Conceição and Oliveira, 2005; Vieira, 2008; Solução Consultoria & GTZ, 2010; Vieira, Faria and Rosa, 2010);
- improvement in the quality of products (Soares, Barros and Magalhães, 2007; Sambuichi, Galindo and Oliveira, 2013);
- transition towards higher added-value production, including processed products (Doretto and Michellon, 2007) and organic and agro-ecological production (Surita, 2004; Turpin, 2009);
- an increase in the level of technology used in production (Doretto and Michellon, 2007; Solução Consultoria & GTZ, 2010) and in the use of agricultural inputs (Chmielewska and Souza, 2010); and
- stimulus in local economy (ING; Chmielewska and Souza, 2010).

PNAE

Because of PNAE's relatively recent direct connection with family farming, there are few studies on its impact on the economy and life of family farm producers or on the impact of its new procurement model on schoolchildren's diets, nutrition and educational achievements⁴⁴ (Sidaner, Balaban and Burlandy, 2012).

Case studies conducted before the introduction of Law No. 11.947/2009 to analyse the impact of local procurement in school feeding (particularly by voluntary use of PAA by municipalities to complement PNAE) showed that PNAE had a positive impact on the quality and variety of the menu, and its acceptability and consumption by students. It also influenced school attendance, educational achievements and child health (Ortega, Jesus and Só, 2006; Turpin, 2009; Grisa *et al.*, 2011; Triches and Schneider, 2012).

As regards other impacts of the programme, and in particular, on the economy and life of family farm producers, the few existing demonstrate some similar impacts to those of PAA.

Strengthening and development of collective organizations

Because of the similarities in IPPs, including preference for access through collective actions, plus PNAE's exacting requirements, it is possible to predict PNAE's ability to stimulate improvement of

⁴⁴ Among these are the papers on the NUTRE project that analyse the inclusion of family farmers to school feeding in the São Paulo region (Corá and Belik, 2012a, 2012b).

the managerial and organizational capabilities of family farm formal organizations as well as promote the creation of others.

Souza (2012) states that both PAA and PNAE stimulated the organization of producers within the NUTRE project (which analysed the inclusion of family farm products in school feeding in São Paulo) by prioritizing access through formal organizations. A significant number of organizations that access the programme in São Paulo were created recently or re-elaborated to meet the opportunities offered by the institutional market.

According to a case study in Minas Gerais, PNAE also contributed to tax regularization of formal organizations (cooperatives and associations). Of the 78 organizations analysed (60 associations and 18 cooperatives), 72 were able to issue some kind of tax invoice. A significant number (48) were also able to issue an electronic tax invoice, which is currently obligatory for participation in PNAE (Santos, Evangelista and Oliveira, 2012). As stated, difficulty in issuing tax invoices is one of the main challenges of the programme and one of the three exceptions recognized by law for non-compliance with the 30 percent regulation.

An interesting hypothesis was put forward in the IPC and WFP study (2013) where, recognizing the role played by formal organizations in promoting smallholder access in PAA, the authors attempted to verify whether the municipalities with PAA experience were more likely to have purchased from smallholder farmers using PNAE in the first year of implementation of the new regulation. They maintained that PAA family farmers and organizations, which had previously sold their produce through PAA (and, therefore, may have benefited from its impact, improving their capabilities and managerial skills) could be better prepared to accommodate the frequency and more demanding quality requirements of the school feeding procurement process.⁴⁵

Using data from the MDS Social Information Matrix, the authors determined that the municipalities where PAA was being implemented in 2009 were 12 percentage points more likely to have used PNAE resources to buy from smallholder farmers in 2010. Repeating the experiment for the 2011 and 2012 period, they again found this positive result, although the difference decreases from almost 13 to ten percentage points (IPC and WFP, 2013).

Similar research was carried out by the NUTRE project. Of the 24 family farm organizations studied in the São Paulo region that were PNAE suppliers, only two were not previously suppliers of PAA (Vannuchi and Reinach, 2012).

In fact, the lack of PAA, as already mentioned, was assessed by the implementing agencies as one of the main restrictions for reaching the 30 percent of purchase from family farm producers.

Other Impacts

Many of the assessed impacts of PAA can also be envisaged for PNAE because of their similarity, particularly the guarantee of a stable demand, market price and payment. Impacts include, for example, the increase and diversification of family farm production estimated by the NUTRE project in São Paulo, resulting from the concrete possibility of farmers selling their products and having a price guarantee offered by this new market (Souza, 2012).

Nevertheless, studies are still needed to assess PNAE achievements and its effective impact on the lives and economy of Brazilian family farm producers.

⁴⁵ Santos, Evangelista and Oliveira (2012) suggest that while PAA has led to the creation of a significant number of associations in the Minas Gerais region, PNAE may require it to adopt a more structured type of organization because of its own more exacting requirements. See Chapter 5 regarding the legal structure of farmers' organizations.

10. CONCLUDING REMARKS AND RECOMMENDATIONS

The Brazilian experience with IPPs represents a valuable resource for enhancing knowledge about such programmes. The innovative and successful interchange between family farming and food security policies; its significant achievements, both in numbers of beneficiaries and resources invested; and strategies adopted to overcome some of the constraints faced over more than ten years; constitutes valuable elements for a comparative analysis and for learning lessons that may be relevant for the implementation and improvement of similar initiatives in other countries.

This study aims, therefore, to present and analyse the Brazilian experience and the two IPPs that already serve as a model for similar undertakings elsewhere in Latin America and Africa. Two specific strategies distinguish the study from those previously written on the topic. First, it adopts a comparative perspective, analysing the experiences of both PAA and PNAE concomitantly in order to comprehend and confront the similarities and diversities of the programmes and maximize the learning experience. Second, the analysis also views the IPPs from a legal perspective. Since a proper legal framework is considered indispensable for the institution and effectiveness of IPPs in any context, the study analyses the Brazilian legal enabling environment and its role and challenges in the success of the programmes and in the access of family farm producers to institutional markets.

As a result of these analyses, several recommendations have been elaborated that are considered valuable in the development and improvement of similar initiatives in other countries.

- *Development of a procurement procedure that takes the idiosyncrasies of family farming into consideration and overcomes the limitations imposed by the general rules on public procurement and the traditional bidding process.* The Brazilian case demonstrates that the formalities of the procurement procedure for public purchases (imposed by law in most countries) were an important obstacle to be overcome in order to implement the programmes and procure food directly from smallholders. The recognition of a new procurement procedure was, therefore, of fundamental importance. This procedure may take different forms and there is no single model to be adopted. It may encompass a public call, a sales proposal and a contract, etc. It must, nevertheless, be adapted to the necessities and capabilities of family farm producers and, in this sense, be a “smallholder friendly” procedure.
- *Development of a unified legal definition of family farming at national level.* A law that establishes unified parameters for defining family farm producers is of great importance. It contributes to the strength of the institutionalization of family farming, enabling and strengthening coordination between it and other policies. It also plays a key role in guaranteeing that these policies reach the right recipients, and in analysing their results and impacts. It is therefore advisable to adopt a legal definition of family farming and family farm producers for other countries interested in the implementation of similar programmes. The parameters used may vary and be adjusted to the national context and its specificities.
- *Development of a proper legal form for the organizational structure of formalized collective action.* The Brazilian case indicates that collective actions can be a good instrument to allow smallholder producers to access IPPs. It has been shown that formalized collective action is key instrument for producers to upgrade, access other markets and achieve high outcomes. However, an inadequate legal form of formalized collective action may be an obstacle in these aims. It is advisable, therefore, the development of a proper legal model to regulate the organizational structure of family farming groups. This can be done by improving and updating the legislation of traditional legal forms (such as cooperatives), but also by developing new models, based on organizational or also contractual arrangements, which are less bureaucratic and more adapted to the requirements of family farm producers.
- *Adapt tax and sanitary legislation to the programmes and to family farm producers.* The Brazilian case demonstrates that, even if indirectly, an inadequate taxation and sanitary legislation and/or its inappropriate application may hinder access of producers to the programmes. Impossibilities

in benefiting from the *Simples nacional* taxation system, difficulties in issuing tax invoices, inadequacy of sanitary requirements – moulded to the characteristics of large food producers – represented important bottlenecks for the access of producers to IPPs. Therefore, IPPs need to be considered in a wider legislative context and regulations adapted properly for IPPs effective implementation.

- *Development of a technical assistance and rural extension programme linked to IPPs, including not only production, but also managerial and marketing aspects.* The Brazilian case and the literature show that the lack of proper ATER services can constitute an important bottleneck for the access of smallholder producers to market and as well as to IPPs. Often the poorest and most vulnerable producers lack the necessary production, managerial and marketing skills to comply with the quality, quantity and other requirements of the supply. For IPPs to be effective, it is recommended that an ATER programme be created that is directly linked to and coordinated with IPPs and tailored to the specificities of IPP and family farm producers. It may include not only aspects related to the production process but also those of management and market. Brazil developed an interesting initiative in this sense (*Mais Gestão*), but its effectiveness and results have still to be tested.
- *Establishment of a system for monitoring and evaluating IPPs.* Continuous monitoring and evaluation (M&E) of IPPs is vital and highly recommended. It is fundamental for allowing national stakeholders, programme coordinators and managers (as well as the international community) to have a precise idea about the programme's extent, impacts and results. M&E is key also to identifying challenges and enabling timely implementation of the necessary measures to overcome these constraints and improve programmes.

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ANNEXES

Annex 1: Legal documents consulted

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Law No. 8.666 of 21 June 1993 (regulating the bidding process and public administration contracts)

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FNDE Resolution No. 26/2013

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MERCOSUR Resolution No. 25/07 (Global Management Challenge – GMC)

EU Directive 2004/18/EC

Annex 2: Key informants interviewed

Name	Affiliation	Title
Vania Mara Moreira dos Santos	Guardians of Nature Institute (ING) – NGO	President
Solange Radaelli	Agency of Agrarian Development and Rural Extension (AGRAER), Mato Grosso do Sul	Manager of rural development
Rosimeire Laureto	National Supply Company	Operations analyst