

The Construction of Nested Markets: The Case of Public Procurement

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Public Procurement: The Power of Purchase

- In 2003, the volume of global public sector procurement reached \$ 3.2 trillion – 8% of the worldwide GDP (OECD)
 - USA: federal agencies award contracts worth over \$ 300 billion annually
 - EU: public procurement represents ca. 16% of the total GDP
 - In both developed and developing countries, public procurement amounts to between 15-30% of national GDP

Public Procurement: The Power of Purchase

- Public procurement could be the most powerful expression of a Green State
- History of public procurement as a story of untapped potential
 - Balancing tensions between competing socio-economic objectives, national economic interests and global competition

Public Procurement: The Power of Purchase

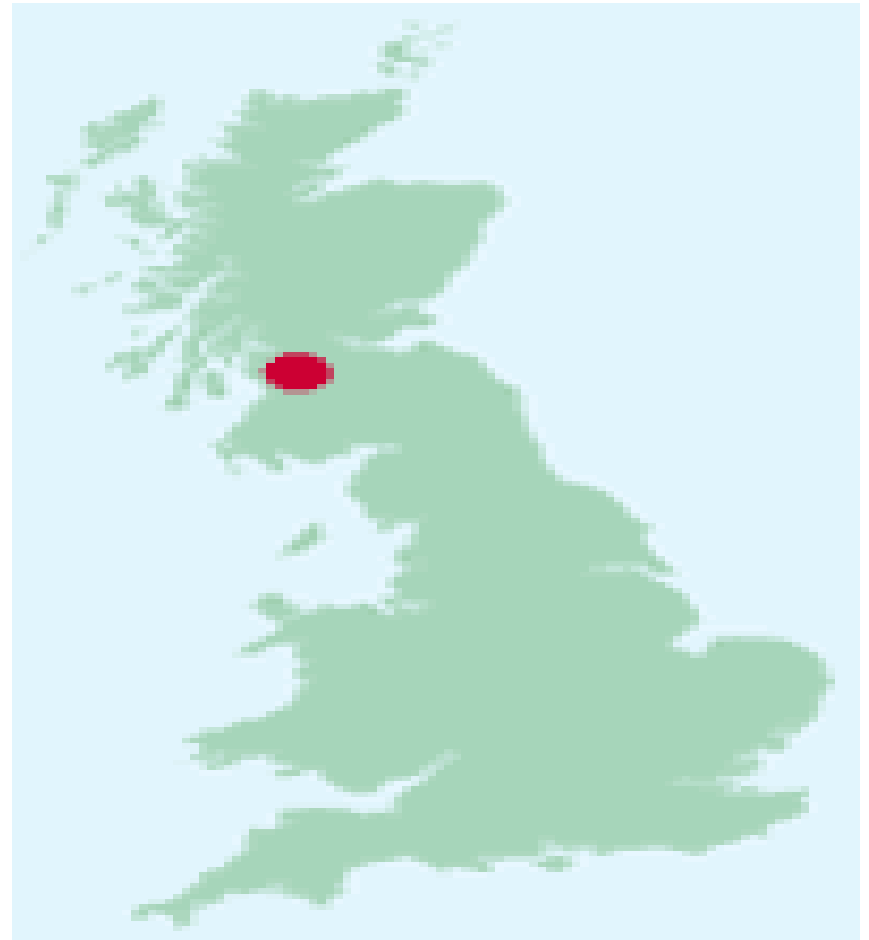
- Alternative strategies and nested public markets appear at the sub-national level
 - Devolution “allows experimentation and provides a context where sub-national units can act to address issues that are not yet ‘mature’ on the national scene” (Meadowcroft, 2007)
 - It is in the devolved administrations and more peripheral rural regions that there is a perceived need, and at least some potential, for political and social mobilization that may lead to a more radical reconfiguration of agricultural and rural resources (Marsden and Sonnino, 2008)

Sustainable Public Procurement and its Barriers: the Case of the UK

- Progressive deterioration of the school meal service since the 1980s
 - Abolition of nutritional standards
 - *Compulsory Competitive Tendering* (CCT) as a market-driven regulatory regime that spawned a cost-cutting culture (Morgan and Sonnino, 2008)
 - Lower quality school food
 - Loss of kitchen infrastructure in schools
 - Reduction in the numbers and skill levels of catering staff

School Food and Nested Markets: The Case of East Ayrshire

- Deprived rural county of 120,000
- Far-sighted council working in the spirit of 'joined-up thinking'
- Goal of “environmental stewardship, connecting children with food and with where the food comes from” (R. Gourlay, Head of Catering)



School Food and Nested Markets: The Case of East Ayrshire



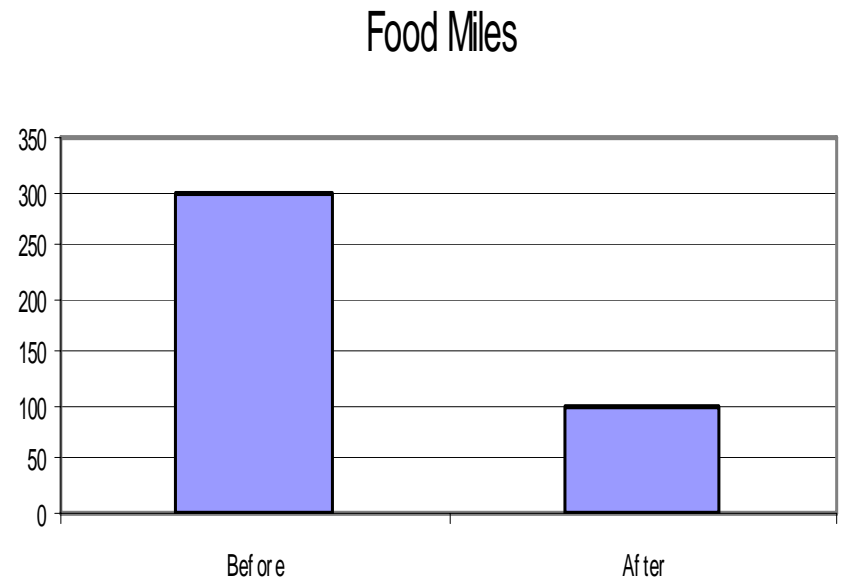
- Strict “straightness” guidelines for class 1 vegetables made more flexible to attract organic suppliers
- Products broken into 9 lots to attract local producers
- Four innovative “quality” award criteria
 - Ability to supply to deadlines
 - Quality and range of foodstuffs
 - Food handling arrangements and facilities
 - Use of resources

School Food and Nested Markets: The Case of East Ayrshire

- Contracts awarded to 2 local wholesalers and 5 local producers
 - 50% of the ingredients utilized are organic
 - 70% are locally sourced
 - 90% of the food served is unprocessed
- Multiplier effect of £ 160,000/12 schools on local economy

The Nature of East Ayrshire's Nested Market

- Environmental dimension
 - Food miles reduced by 70%
 - Less packaging waste
 - Organic and local sourcing have helped the Council to save almost £ 100,000 in environmental costs



The Nature of East Ayrshire's Nested Market

- Socio-cultural dimension
 - Improving children's eating habits and knowledge
 - Breaking down misconceptions on the scope for procuring local food
 - Increased users' satisfaction
 - 67% of children think that school meals taste better
 - 77% of parents believe that the scheme is a good use of the Council's money
- Social Return on Investment Index of 6.19

Common Pool Resources: The Shared Vision

- *I like the school [market], because [...] if you educate them to good eating, then it starts to affect the whole structure of the economy. Later on, when they grow up and they have children, it gets passed on.*



Common Pool Resources: The Shared Vision

- *The business we do with East Ayrshire is very important to us in terms of dealing with a local customer, we don't want to lose that customer [...]. We need to look over each other. Children are the future of any company. Children are the future.*



School Food and Nested Markets: The Case of Rome

- Italy is the only country with a national law supporting sustainable food procurement
 - Finance Law 488 (1999):
To guarantee the promotion of organic agricultural production of 'quality' food products, public institutions that operate school and hospital canteens will provide in the daily diet the use of organic, typical and traditional products as well as those from denominated areas, taking into account the guidelines and other recommendations of the National Institute of Nutrition

School Food and Nested Markets: The Case of Rome



- 150,000 meals supplied every day
- 92% of the meals cooked in the schools
- Incremental procurement approach since 2001
 - Award criteria designed to create an “economy of quality” (Sonnino, 2009)

	2004-2007 AWARD CRITERIA	Points
A	Price	51
B	Improving and restoring canteens, kitchens and furniture	17
C	PDO and PGI products (meat and cured meats) offered in addition to those required by the tender	9
D	Organization of training courses and informational campaigns	8
E	Organizational features of the service	4
F	Use exclusively of products from "bio-dedicated" food chains	4
G	Organic products offered in addition to those required by the tender	4
H	Fair Trade products	2

School Food and Nested Markets: The Case of Rome



- **2007-2012 tender**
 - School meals and social inclusion
 - Unutilized foods and leftovers to charity associations and animal shelters
 - Incentives to source products from social cooperatives
 - School meals and environmental sustainability
 - Recycling, low-impact detergents, bio-degradable plates
 - “Guaranteed freshness”

School Food and Nested Markets: The Case of Rome

- Today:
 - 67.5% of the food is organic
 - 44% of the food comes from 'bio-dedicated' food chains
 - 26% of the food is local
 - 14% of the food is Fair Trade
 - 2% of the food comes from social cooperatives



Common Pool Resources: The Shared Vision

There is no real development without social quality [...] No single action can meet its objectives unless it takes place within a context in which the priority is [...] a strong sense of community, a type of development that becomes real because the level of social inclusion increases -- Walter Veltroni, ex-Mayor of Rome, 2006



Public Procurement and Nested Markets: Some Conclusions

- Sustainable school food markets are socially created
- A visionary individual, supported by the local Council, creates a shared vision – the Common Pool Resources
- The vision is operationalized through a set of shared rules
- The nested market ...
 - Benefits both producers and consumers
 - It is scarce and renewable
 - It transcends spatial fetishism to connect different kinds of sustainable markets

Public Procurement and Nested Markets: Some Final Reflections

- From nested markets to nested economies?
- What if the shared vision/CPR comes under threat – as it is happening in Rome?
- How do we politically embed the sustainability gains associated with the emergence of nested markets?