

Redistribution or Market Concentration? Assessing UMKM Participation in Indonesia's Free Nutritious Meals Program

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Abstract

Public expenditure on large-scale social programs can generate significant secondary economic effects, particularly for micro, small, and medium enterprises (UMKM). Indonesia's Free Nutritious Meals Program creates substantial demand for food products and services, potentially providing new markets for local enterprises. However, procurement systems may also favor suppliers with greater financial, administrative, and logistical capacity, creating risks of market concentration. This study examines whether the program functions as an inclusive redistributive mechanism for UMKM or unintentionally reinforces concentration within the food-supply market. The research employs a qualitative institutional analysis of procurement rules, supplier requirements, implementation mechanisms, and barriers to UMKM participation. Secondary socioeconomic evidence is used to identify structural constraints affecting small suppliers, including access to capital, certification, production capacity, logistics, and compliance requirements. The study develops an economic justice framework that evaluates participation not merely through the number of contracted suppliers but through the distribution of economic opportunities across different categories of enterprises. The study argues that the redistributive potential of the program depends on institutional arrangements governing market access. Inclusive procurement policies, simplified compliance mechanisms, and capacity-building interventions may be necessary to ensure that public spending benefits smaller economic actors. The study contributes to research on social procurement and inclusive economic development in emerging economies.

[Pengeluaran publik untuk program sosial berskala besar dapat menghasilkan efek ekonomi sekunder yang signifikan, khususnya bagi usaha mikro, kecil, dan menengah (UMKM). Program Makan Gratis Bergizi Indonesia menciptakan permintaan yang besar untuk produk dan layanan pangan, berpotensi menyediakan pasar baru bagi usaha lokal. Namun, sistem pengadaan juga dapat menguntungkan pemasok dengan kapasitas keuangan,

administrasi, dan logistik yang lebih besar, sehingga menimbulkan risiko konsentrasi pasar. Studi ini meneliti apakah program tersebut berfungsi sebagai mekanisme redistribusi inklusif bagi UMKM atau secara tidak sengaja memperkuat konsentrasi di dalam pasar pasokan pangan. Penelitian ini menggunakan analisis institusional kualitatif terhadap aturan pengadaan, persyaratan pemasok, mekanisme implementasi, dan hambatan partisipasi UMKM. Bukti sosioekonomi sekunder digunakan untuk mengidentifikasi kendala struktural yang memengaruhi pemasok kecil, termasuk akses ke modal, sertifikasi, kapasitas produksi, logistik, dan persyaratan kepatuhan. Studi ini mengembangkan kerangka kerja keadilan ekonomi yang mengevaluasi partisipasi tidak hanya melalui jumlah pemasok yang dikontrak tetapi melalui distribusi peluang ekonomi di berbagai kategori usaha. Studi ini berpendapat bahwa potensi redistribusi program tersebut bergantung pada pengaturan kelembagaan yang mengatur akses pasar. Kebijakan pengadaan inklusif, mekanisme kepatuhan yang disederhanakan, dan intervensi peningkatan kapasitas mungkin diperlukan untuk memastikan bahwa pengeluaran publik bermanfaat bagi pelaku ekonomi yang lebih kecil. Studi ini berkontribusi pada penelitian tentang pengadaan sosial dan pembangunan ekonomi inklusif di negara-negara berkembang.]

Keywords: UMKM, public procurement, market concentration, economic redistribution, food policy

Introduction

Public procurement is no longer understood exclusively as an administrative mechanism for obtaining goods and services at the lowest feasible cost. Governments increasingly use procurement to pursue broader economic, social, environmental, and innovation objectives. Because procurement converts public budgets into market demand, the design of procurement systems influences which firms obtain access to public markets and consequently how public expenditure is distributed across the economy. The OECD emphasizes that government contracts can strengthen small and medium enterprises (SMEs), but also identifies contract size, administrative complexity, financial requirements, and information asymmetries as significant barriers to SME participation (OECD 2018). Public procurement can therefore operate in two directions. It can broaden economic opportunity by opening markets to smaller firms, or it can reinforce market concentration when large contracts and complex compliance requirements favor established suppliers. The distinction is particularly important for food programs because public demand is repetitive, geographically distributed, and connected to agricultural and local service economies. MBG should consequently be examined not only as a nutrition program but also as a potentially significant instrument of economic distribution.

Indonesia's MBG provides an unusually important institutional setting for this question. Presidential Regulation No. 83 of 2024 established the National Nutrition Agency (Badan Gizi Nasional, BGN) as the institution responsible for national nutrition fulfillment (Indonesia 2024). Presidential Regulation No. 115 of 2025 subsequently established a more specific governance framework for MBG, explicitly covering program implementation, monitoring, supervision, evaluation, reporting, financing, and procurement of goods and services (Indonesia 2025). The procurement dimension is significant because BGN's purchasing decisions can determine how the program's large expenditure flows through the economy. Indonesia already possesses a broader public-procurement policy framework intended to expand opportunities for micro and small enterprises and cooperatives. Presidential policy has required government spending to prioritize domestic products and has established a target of at least 40 percent of goods and services expenditure for micro enterprises, small enterprises, and cooperatives (Indonesia 2022). LKPP also maintains a specific dataset monitoring ministries, agencies, and local governments that realize the 40 percent procurement target (LKPP 2026). MBG therefore enters an existing policy environment in which procurement has already been assigned a redistributive function.

The economic rationale for SME participation is especially relevant in Indonesia because UMKM occupy a central position in the national economic structure. Law No. 20 of 2008 identifies micro, small, and medium enterprises as an integral component of the people-centered economy and explicitly associates their empowerment with economic growth, income distribution, employment creation, and poverty reduction (Indonesia 2008). This legal orientation means that government purchasing from UMKM is not simply a matter of business preference. It can be interpreted as part of a broader economic-development strategy. However, procurement policy cannot assume that the existence of a formal preference automatically produces inclusive outcomes. A small enterprise may technically qualify but lack working capital, logistics, food-safety certification, production volume, or administrative capacity. Conversely, a nominally local supplier may function primarily as an intermediary purchasing products from larger external firms. The relevant question is therefore whether MBG creates substantive market access for UMKM or merely formal eligibility. This distinction is fundamental for evaluating whether public expenditure produces redistribution or concentration.

International evidence provides reasons for both optimism and caution. Public food procurement can connect government demand with local agricultural producers and small food enterprises, generating economic, social, nutritional, and environmental benefits (FAO, Alliance of Bioversity International and CIAT, and UFRGS 2021). Research on Brazil provides particularly strong evidence that procurement can produce measurable productive effects. Casagrande, Emanuel, and Freitas (2024) find that participation in Brazil's Food Acquisition Program increased family farmers' production value by 13.1 percent, with particularly pronounced effects among smaller and lower-income producers. Such evidence

demonstrates that public procurement can function as a demand-side development instrument rather than merely a purchasing mechanism. Yet the benefits are not automatic. Fonseca et al. (2025) show that family-farmer participation in Brazil's school feeding procurement depends significantly on local state capacity, technical assistance, financing, and formalization. The lesson for MBG is clear: procurement expenditure can generate inclusive growth only when institutional arrangements enable smaller economic actors to convert public demand into sustainable market participation.

The literature on SMEs and public procurement reaches a similar conclusion. Loader (2007) argues that SMEs encounter structural disadvantages in public procurement because procurement systems are frequently designed around the capabilities of larger organizations. Uyarra et al. (2014) demonstrate that public procurement can stimulate innovation but that supplier-side barriers can prevent firms from benefiting from government demand. Flynn and Davis (2017) further show that SME participation and success in public procurement are shaped by the interaction between organizational capabilities and procurement characteristics. A comparative study of Canada, Hungary, and Italy similarly finds that firm size, financial and human resources, and prior experience influence SME involvement in public procurement (Albano et al. 2019). More recent research shows that barriers are interconnected rather than isolated: contract size, administrative burdens, qualification requirements, and information constraints can reinforce one another (Cao et al. 2024). These findings indicate that assessing MBG through the number of UMKM suppliers alone would provide an incomplete account of economic inclusion.

The literature also identifies an important tension between inclusion and competition. Public procurement policies that deliberately reserve opportunities for smaller firms can broaden participation, but poorly designed preferences may reduce competitive pressure or increase transaction costs. Conversely, centralized procurement can produce administrative economies of scale but may increase supplier concentration and create barriers for SMEs. OECD research warns that large-volume centralized purchasing can disproportionately favor large suppliers and potentially restrict market entry (OECD 2018; OECD 2025a). Competition policy therefore becomes directly relevant to social procurement. High concentration, predictable demand, repeated procurement, and limited market entry can create conditions conducive to collusion and market allocation (OECD 2025b). This does not mean that MBG procurement is necessarily concentrated or collusive; rather, it means that the program's scale requires competition-sensitive procurement design. The redistributive objective cannot be separated from the competitive structure through which public contracts are allocated.

Previous research on public food procurement provides further evidence that intermediary structures matter. Gait6n-Cremaschi et al. (2022) demonstrate that public procurement from family farming is embedded in networks involving producers, public agencies, intermediaries, and other organizations. Network

structure can facilitate coordination but may also create trade-offs involving centralization, diversity, and access. FAO guidance similarly emphasizes that inclusive procurement requires institutional arrangements that allow smallholder farmers and vulnerable producers to compete while preserving transparency and value for money (Brooks, Commandeur, and Vera 2014). The Home-Grown School Feeding approach explicitly connects institutional demand with local producers and community businesses because regular public demand can strengthen local agricultural markets (FAO 2025). Evidence from WFP evaluations across multiple countries also shows that local and regional procurement can be integrated into school feeding systems, although outcomes depend on implementation capacity and market conditions (WFP 2024; WFP 2025). These studies suggest that MBG should be analyzed as part of a broader international debate about how public food expenditure can reshape supplier markets.

Despite this growing literature, a significant research gap remains concerning Indonesia's MBG. Existing research on public procurement has primarily examined mature procurement systems, while research on public food procurement has focused substantially on school feeding and agricultural programs in Latin America, Africa, and other contexts. MBG differs because it is a newly institutionalized, exceptionally large-scale national intervention whose procurement architecture is still evolving. The relevant analytical problem is therefore prospective and institutional: which features of procurement design could broaden UMKM participation, and which could generate concentration? This study addresses that gap by asking three questions. First, what institutional characteristics of MBG procurement shape UMKM access to public markets? Second, what mechanisms could cause public demand to become concentrated among larger suppliers? Third, what procurement arrangements could simultaneously promote UMKM inclusion, competition, food safety, and operational reliability? The objective is not to estimate the causal impact of MBG on UMKM income but to identify the institutional mechanisms through which such effects are likely to emerge.

Methodologically, this article uses qualitative institutional policy analysis and structured documentary analysis. Primary sources consist of Indonesian legislation, official procurement policy, BGN institutional documents, and publicly available procurement statistics. Secondary evidence is drawn from peer-reviewed research and authoritative publications by OECD, FAO, and WFP concerning SME procurement, public food procurement, competition, and local supply chains. The analytical framework contains four dimensions: access, capacity, competition, and value retention. Access concerns whether UMKM can identify and enter procurement opportunities. Capacity concerns financial, technical, administrative, logistical, and food-safety requirements. Competition concerns supplier diversity, contract concentration, and barriers to entry. Value retention concerns whether procurement expenditure reaches local producers and enterprises rather than being captured disproportionately by intermediaries or large firms. This framework allows the article to distinguish formal participation from substantive economic

redistribution. It also reflects a limitation: without comprehensive transaction-level MBG data, the article evaluates institutional risks and opportunities rather than claiming observed national market outcomes.

The article conceptualizes the relationship between redistribution and concentration through the notion of procurement-mediated redistribution. Public expenditure initially enters the economy through government purchasing, after which its distribution depends on supplier selection and supply-chain structure. If procurement is accessible to diverse UMKM and connected to local producers, expenditure can diffuse through local economies and strengthen productive capacity. If contracts are aggregated and repeatedly awarded to a small number of well-capitalized suppliers, the same expenditure may generate economic concentration. The distributive outcome is therefore not determined solely by the size of the public budget. It depends on institutional architecture. This perspective builds on social procurement scholarship, which recognizes procurement as a policy instrument for achieving objectives beyond price and immediate purchasing efficiency (McCrudden 2007; Thai 2009; Arrowsmith 2010). The central argument is that MBG's economic effects should be evaluated through the structure of market access created by its procurement system.

UMKM Participation and the Redistributive Potential of MBG

The first mechanism through which MBG can generate economic redistribution is the creation of predictable demand for food and related services. Public demand differs from ordinary consumer demand because it is institutional, recurrent, and potentially large enough to influence supplier investment decisions. When government purchasing is predictable, producers may increase production, improve quality, invest in equipment, or formalize their operations to meet institutional requirements. Evidence from Brazil provides a strong illustration: family farmers participating in a public food procurement program experienced a 13.1 percent increase in production value, with particularly strong effects among smaller and lower-income producers (Casagrande, Emanuel, and Freitas 2024). FAO likewise identifies public food procurement as a mechanism capable of linking institutional demand with local smallholder farmers and small food enterprises (FAO, Alliance of Bioversity International and CIAT, and UFRGS 2021). MBG therefore has the potential to function as an economic-development mechanism because it can transform public expenditure into recurring market opportunities. The critical issue is whether UMKM are positioned to access that demand.

Indonesia's existing procurement framework provides a favorable legal foundation for such participation. The national policy framework has explicitly encouraged government expenditure on micro enterprises, small enterprises, and cooperatives, including the 40 percent target established through Presidential Instruction No. 2 of 2022 (Indonesia 2022). LKPP has institutionalized monitoring of whether government entities realize at least this share of procurement spending

for UMKK, demonstrating that SME-oriented procurement is already embedded within Indonesia's procurement governance rather than being an entirely new policy concept (LKPP 2026). MBG can therefore potentially reinforce an established procurement policy direction. However, the existence of a national target does not establish that MBG procurement is automatically inclusive. A percentage target may be satisfied through relatively large "small" enterprises, intermediaries, or contracts with limited local value retention. Evaluation must therefore move beyond aggregate expenditure shares and examine who actually participates, what they supply, how much value they retain, and whether procurement generates durable productive capacity.

The first major barrier is contract accessibility. OECD research consistently identifies contract size as a major obstacle to SME participation because large contracts require financial, technical, logistical, and administrative capabilities that smaller firms may not possess (OECD 2018). Evidence from the European and Canadian contexts similarly demonstrates that SMEs can be disadvantaged by large contracts, limited resources, and procurement procedures designed around larger suppliers (Albano et al. 2019). The problem is particularly relevant to MBG because food provision involves simultaneous requirements for volume, timing, quality, safety, and logistics. If these requirements are bundled into very large contracts, the resulting procurement structure may favor firms with substantial working capital and established distribution networks. The government may achieve apparent administrative efficiency, but the economic consequence could be supplier concentration. Contract design must therefore balance operational economies of scale against the risk that procurement volume itself becomes a barrier to entry.

Contract fragmentation can mitigate this problem, but fragmentation should not be understood as automatically superior. Dividing procurement into smaller lots can make contracts more accessible to SMEs, but excessive fragmentation may increase administrative costs, complicate quality control, and create coordination risks. OECD competition guidance recommends understanding supplier markets before aggregating procurement and considering lots where appropriate, particularly when large contracts could exclude SMEs or create long-term concentration (OECD 2025a). The appropriate approach for MBG is therefore strategic modularization. Food commodities, meal preparation, logistics, and ancillary services need not necessarily be procured from one supplier. Different modules can be allocated to enterprises with different capabilities while maintaining common standards. This structure can preserve the benefits of specialization while reducing the likelihood that one supplier controls multiple stages of the value chain. The objective should not be maximum fragmentation but sufficient diversification to preserve contestability and meaningful UMKK participation.

Information asymmetry represents another barrier. Small firms may lack information about procurement opportunities, technical specifications, procurement calendars, or the documentation required to participate. OECD

research identifies poor information, administrative burdens, and difficulty understanding procurement procedures as persistent barriers to SME access (OECD 2018). Loader (2007) similarly emphasizes the role of procurement practices and buyer perceptions in shaping SME access. These barriers can be particularly severe for microenterprises that lack dedicated administrative staff. Digital procurement platforms can improve transparency, but digitization alone does not guarantee substantive access. If tender documents remain complex or opportunities are communicated without sufficient preparation time, the informational advantage of larger firms may persist. MBG should therefore combine digital transparency with supplier outreach, standardized documentation, procurement assistance, and advance publication of procurement plans. Information should be treated as a productive input that determines whether nominal market openness becomes actual participation.

The redistributive potential of UMKM participation also depends on whether public contracts generate capabilities rather than merely temporary revenue. Public procurement can provide firms with predictable demand, improve their reputation, stimulate innovation, and create opportunities to develop new products and services. Saastamoinen, Reijonen, and Tammi (2018) find that public procurement can be associated with SME innovation performance, particularly when firms possess inter-organizational networks. Public contracts may therefore create spillover benefits beyond the immediate contract value. However, these effects require firms to have sufficient internal and external capabilities to respond to public demand. If MBG contracts are structured primarily around price and short-term delivery, the program may create little incentive for productive upgrading. Procurement criteria should therefore consider quality, reliability, nutrition, sustainability, local sourcing, and supplier-development potential where legally and operationally appropriate.

From UMKM Inclusion to Market Concentration: The Structural Risks

The principal risk of concentration arises when procurement scale becomes disproportionately advantageous to large suppliers. Large firms typically possess greater access to credit, warehouses, transport networks, professional procurement staff, compliance systems, and working capital. These capabilities reduce the marginal cost of participating in tenders and enable firms to absorb temporary payment delays or unexpected logistical expenses. Small firms, by contrast, may face binding liquidity constraints. Public procurement can therefore reproduce pre-existing market inequalities even when procurement rules are formally neutral. OECD research identifies disproportionate financial and technical requirements as barriers to SME participation, while studies of SME procurement demonstrate that organizational resources and experience affect procurement success (OECD 2018; Albano et al. 2019). For MBG, this suggests that concentration may emerge not because policymakers intentionally exclude UMKM but because procurement

requirements interact with unequal firm capabilities. The relevant policy question is consequently whether requirements are proportionate to actual procurement risk.

The concentration problem is intensified by predictable and repetitive demand. OECD competition guidance identifies high market concentration, limited market entry, predictable demand, and repetitive bidding as factors that can facilitate anti-competitive conduct (OECD 2025b). Again, this does not imply that MBG procurement is collusive. It means that a large, repeated government purchasing program creates a market structure requiring active competition monitoring. If the same suppliers repeatedly win contracts in the same geographic areas, procurement authorities should examine whether the pattern reflects superior performance, genuine economies of scale, weak competition, barriers to entry, or potentially anti-competitive behavior. Supplier concentration should therefore become a routine procurement indicator. OECD procurement-performance frameworks already identify supplier concentration and the number of responsive bids as useful indicators of procurement competition (OECD 2020). MBG can adapt these indicators to assess whether its procurement ecosystem remains contestable over time.

Centralization presents a related trade-off. Centralized procurement can improve bargaining power, standardization, administrative efficiency, and quality control. However, when purchasing volumes become very large, centralized arrangements may favor established suppliers and discourage smaller firms from entering the market. OECD evidence warns that centralized purchasing can increase concentration and create barriers for SMEs when large volumes disproportionately benefit large suppliers (OECD 2018; OECD 2025c). MBG should therefore distinguish between standardization of standards and centralization of supply. Nutritional specifications, food-safety requirements, reporting standards, and monitoring procedures can be standardized nationally without necessarily requiring all procurement to be concentrated in a small number of suppliers. A decentralized or modular supply structure can coexist with national standards. This distinction is especially important in Indonesia because agricultural production, logistics, and enterprise capabilities vary considerably across regions.

Another concentration mechanism operates through subcontracting and intermediaries. Large firms may win the primary contract while smaller local businesses perform lower-value activities as subcontractors. This arrangement can expand nominal UMKM involvement without substantially redistributing procurement value. The distinction between direct and indirect participation is therefore critical. Gait6n-Cremaschi et al. (2022) show that intermediary networks can play enabling roles in public food procurement, but network structures also generate trade-offs involving centralization and diversity. A large supplier may genuinely create local economic opportunities through subcontracting, but the distributive effect depends on contractual terms, payment practices, and the share of value transferred to local actors. MBG monitoring should consequently identify both the prime contractor and relevant subcontractors or local producer

organizations where feasible. Otherwise, official procurement statistics may overstate the degree of economic inclusion.

The role of intermediaries is not inherently negative. In fragmented agricultural markets, aggregation is often necessary because individual farmers cannot meet the volume, quality, timing, or documentation requirements of institutional buyers. FAO's work on inclusive procurement recognizes the importance of producer organizations and appropriate intermediary structures in connecting small producers with institutional demand (Brooks, Commandeur, and Vera 2014). The policy objective should therefore be to distinguish productive intermediation from rent-extracting intermediation. A cooperative that aggregates products, provides quality control, logistics, financing, and market coordination can reduce transaction costs and strengthen farmer participation. An intermediary that merely controls access to government contracts while transferring little value to producers may instead reinforce dependency. Procurement monitoring should therefore examine intermediary functions, margins, payment terms, and producer relationships rather than treating all intermediaries as equivalent.

Certification and food-safety requirements present a particularly complex concentration risk. Large-scale meal provision legitimately requires stringent safety controls because failures can affect substantial numbers of beneficiaries. Lowering food-safety standards to increase UMKM participation would therefore be inappropriate. The more defensible policy response is to reduce unnecessary compliance costs while maintaining substantive safety standards. FAO guidance on inclusive procurement emphasizes that procurement can be targeted toward vulnerable producer categories without sacrificing transparency and fairness, provided that procurement authorities adapt procedures and strengthen supplier capacity (Brooks, Commandeur, and Vera 2014). For MBG, this could involve technical assistance, shared testing facilities, cooperative certification systems, standardized food-safety training, and common processing infrastructure. Such interventions would convert compliance from a barrier into a capability-building mechanism.

Payment conditions can also reinforce concentration. Smaller suppliers usually have less capacity to finance operations while waiting for government payment. Slow payment therefore affects UMKM more severely than large suppliers. OECD evidence identifies payment cycles among the recurrent challenges faced by SMEs in public procurement (OECD 2018). The consequence is potentially cumulative: firms with strong liquidity can continue competing, while smaller firms withdraw after experiencing repeated cash-flow difficulties. Over time, procurement may become increasingly concentrated even without changes to formal eligibility rules. MBG should therefore monitor payment performance by supplier category and procurement unit. Timely payment should be treated not merely as an administrative obligation but as a competition policy instrument. If government contracts systematically favor suppliers capable of financing long payment cycles, the state effectively transfers a financial advantage to larger firms.

Designing MBG Procurement for Competition and Economic Redistribution

The preceding analysis suggests that MBG requires a procurement model capable of simultaneously pursuing inclusion and competition. These objectives should not be treated as mutually exclusive. OECD research explicitly identifies SME access as compatible with open competition, equal treatment, and inclusive growth when procurement barriers are proportionate and unnecessary administrative burdens are removed (OECD 2018). FAO likewise argues that inclusive food procurement can connect public demand with vulnerable producers while preserving transparency and value for money (Brooks, Commandeur, and Vera 2014). The appropriate policy approach is therefore not unconditional preference for UMKM but competitive inclusion. Under this model, government identifies barriers that unnecessarily exclude smaller suppliers while retaining requirements that are justified by safety, quality, continuity, and fiscal accountability. Procurement justice does not mean that every UMKM must receive a contract. It means that capable UMKM should have a realistic opportunity to compete and that procurement architecture should not systematically privilege large suppliers.

The first reform should involve systematic market analysis before contract design. Procurement authorities should map potential suppliers, production capacity, logistics infrastructure, financial capabilities, and existing concentration before determining contract size. OECD competition guidance specifically recommends understanding supplier markets before deciding whether procurement should be aggregated or divided into lots (OECD 2025a). This approach is particularly appropriate for MBG because supplier markets will differ substantially across Indonesian regions. A procurement model suitable for a major metropolitan area may be inappropriate for a rural district with dispersed agricultural producers. Market analysis can identify where direct procurement from UMKM is feasible, where cooperative aggregation is necessary, and where regional suppliers are required because local production is insufficient. Such differentiation would be more consistent with evidence showing that local institutional capacity and regional characteristics influence the success of family-farmer procurement (Fonseca et al. 2025).

The second reform should be the systematic use of appropriately designed lots. Lotting can create entry points for smaller suppliers without eliminating the operational advantages of coordinated procurement. For example, food commodities could be divided by geographic area or commodity category, while meal preparation and specialized logistics could be separately organized. OECD guidance recommends considering contract lots when large contracts would otherwise exclude SMEs, while simultaneously warning that lotting must be designed with competition conditions in mind (OECD 2025a). MBG should therefore avoid both extremes: a single national or regional contract that excludes

smaller suppliers, and excessive fragmentation that creates inefficient or vulnerable supply chains. The correct principle is functional and geographic proportionality. Contract size should reflect the actual productive and logistical capacity of the relevant supplier market.

Third, MBG should strengthen collective participation through cooperatives, farmer organizations, and BUMDes where individual UMKM or farmers cannot satisfy procurement requirements independently. Collective procurement can solve the fundamental scale problem by aggregating supply while retaining local ownership. Evidence from public food procurement demonstrates that producer organizations and networks can connect fragmented producers with institutional demand (Gait n-Cremaschi et al. 2022). Yet collective structures require governance safeguards. Contracts should specify pricing, payment schedules, quality responsibilities, and producer-level obligations transparently. Where public purchasing generates significant margins, members should be able to understand how those margins are distributed. This is important because aggregation can either strengthen bargaining power or create a new layer of dependency. The policy objective should therefore be to develop transparent aggregation institutions capable of reducing transaction costs while ensuring that economic benefits reach participating producers.

Fourth, the government should introduce supplier-development measures linked directly to procurement opportunities. Financial constraints, technical capacity, administrative capability, and certification requirements are not simply firm-level deficiencies; they can become structural barriers created by procurement design. Fonseca et al. (2025) demonstrate that technical assistance and financing improve family-farmer participation in public procurement. Similarly, SME research indicates that organizational networks and public contracts can contribute to capability development and innovation (Saastamoinen, Reijonen, and Tammi 2018). MBG can therefore connect procurement policy with business-development policy. Training in food safety, accounting, digital procurement, packaging, logistics, and contract management should be targeted toward potential suppliers rather than provided independently from actual market opportunities. Such a system would make capacity building economically meaningful because firms could immediately apply new capabilities to institutional demand.

Fifth, procurement evaluation should incorporate supplier concentration indicators. The number of UMKM suppliers is insufficient because participation can coexist with substantial concentration of procurement value. OECD procurement-performance guidance identifies supplier concentration as an indicator of the extent to which a small group of suppliers accounts for a large share of procurement expenditure (OECD 2020). MBG should therefore monitor at least five indicators: supplier count by firm size, procurement value by firm size, concentration of contract value among the largest suppliers, number of responsive bids, and supplier turnover across procurement cycles. Where data permit, an adapted Herfindahl-Hirschman Index could measure supplier concentration within geographic and

commodity markets. Such monitoring would allow policymakers to distinguish legitimate economies of scale from persistent exclusionary concentration.

Sixth, transparency should extend beyond contract awards to the structure of supply chains. Public disclosure should ideally identify contracting entities, contract values, procurement categories, geographic sourcing, and payment performance. Where legally and administratively feasible, monitoring should also identify subcontracting and producer-organization participation. Transparency is important because concentrated procurement can be difficult to detect when the official contracting entity does not reveal the underlying supplier network. OECD guidance emphasizes the value of procurement data standardization and cooperation between procurement and competition authorities for identifying competition problems (OECD 2025b). For MBG, procurement transparency should therefore serve two functions simultaneously: accountability for public expenditure and diagnosis of market structure.

Seventh, competition authorities should be integrated into MBG procurement governance. The scale and predictability of MBG demand create legitimate reasons for monitoring bid patterns, supplier rotation, geographic allocation, and repeated single-bid procedures. OECD's 2025 guidelines identify market allocation, bid rotation, bid suppression, and cover bidding as forms of bid rigging and recommend systematic attention to procurement markets where concentration and repetitive demand create facilitating conditions (OECD 2025b). The recommendation does not imply that MBG currently exhibits these practices. Rather, a large national program should be designed so that potential competition risks can be identified early. Procurement and competition institutions should therefore establish data-sharing mechanisms and red-flag monitoring. This would strengthen both economic inclusion and value for money because concentrated markets can reduce competitive pressure even when no illegal conduct is present.

Finally, MBG should adopt a broader concept of procurement performance. Conventional procurement evaluation emphasizes whether goods were delivered on time, within budget, and according to specification. These remain essential criteria, but a large social program should also assess whether public expenditure strengthens the economic ecosystem in which it operates. A proposed UMKM Procurement Inclusion Framework could evaluate five dimensions: market access, supplier diversity, productive capability, local value retention, and competitive intensity. Such an approach would transform UMKM participation from a symbolic policy objective into a measurable governance outcome. The framework is consistent with the broader understanding of public food procurement as a tool that can influence food production, food markets, nutrition, and local development simultaneously (FAO, Alliance of Bioversity International and CIAT, and UFRGS 2021). MBG should therefore be evaluated not simply by how much food it purchases but by how its purchasing power shapes the structure of opportunity.

Conclusion

The analysis demonstrates that MBG possesses genuine redistributive potential but that this potential is not guaranteed by the program's scale or by formal policies favoring UMKM. Public purchasing can generate new markets, improve productive capacity, and create stable demand for smaller enterprises, as demonstrated by international evidence from public food procurement and family-farmer programs (Casagrande, Emanuel, and Freitas 2024; FAO, Alliance of Bioversity International and CIAT, and UFRGS 2021). At the same time, large contracts, disproportionate financial and technical requirements, administrative complexity, weak information access, and delayed payments can systematically favor larger suppliers (OECD 2018; Cao et al. 2024). The central distributive issue is therefore institutional. MBG can redistribute economic opportunities when procurement architecture enables diverse firms and producer organizations to access public markets. It can contribute to concentration when scale, compliance, and liquidity requirements make market access effectively available only to well-capitalized suppliers. The distinction between redistribution and concentration must consequently be evaluated through procurement structure rather than aggregate spending alone.

The principal policy implication is that MBG should pursue competitive inclusion rather than simple UMKM preference. Strategic contract lotting, supplier-market analysis, transparent producer aggregation, targeted capacity building, prompt payment, supplier-concentration monitoring, and cooperation between procurement and competition authorities can increase the probability that public expenditure produces broadly distributed economic benefits. Importantly, inclusion should not require weakening food-safety or accountability standards; instead, public institutions should invest in the capabilities that allow smaller suppliers to meet legitimate requirements. Future research should test these institutional propositions through transaction-level MBG procurement data, supplier surveys, contract-level concentration measures, and longitudinal analysis of UMKM performance. Such research could establish whether MBG produces measurable increases in UMKM revenue, employment, investment, productivity, and local value retention. Until such evidence becomes available, the strongest conclusion is conditional: MBG should be regarded as a potentially powerful redistributive procurement system whose ultimate economic consequences will depend on whether its institutional design creates genuinely contestable markets or permits public purchasing power to become concentrated among a relatively small group of suppliers.

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