

## Terms of Reference – Analysis of role of middlemen in achieving sustainable coffee supply chains

June 27, 2019

### 1. Introduction

80% Of coffee production world wide is produced by smallholders. Small amounts of coffee produced are aggregated in the chain to reach sufficient levels for processing and later exporting. There are several ways in which this aggregation takes place: via cooperatives and farmer groups, via direct sourcing, or via local traders, collectors and processors – also called middlemen.

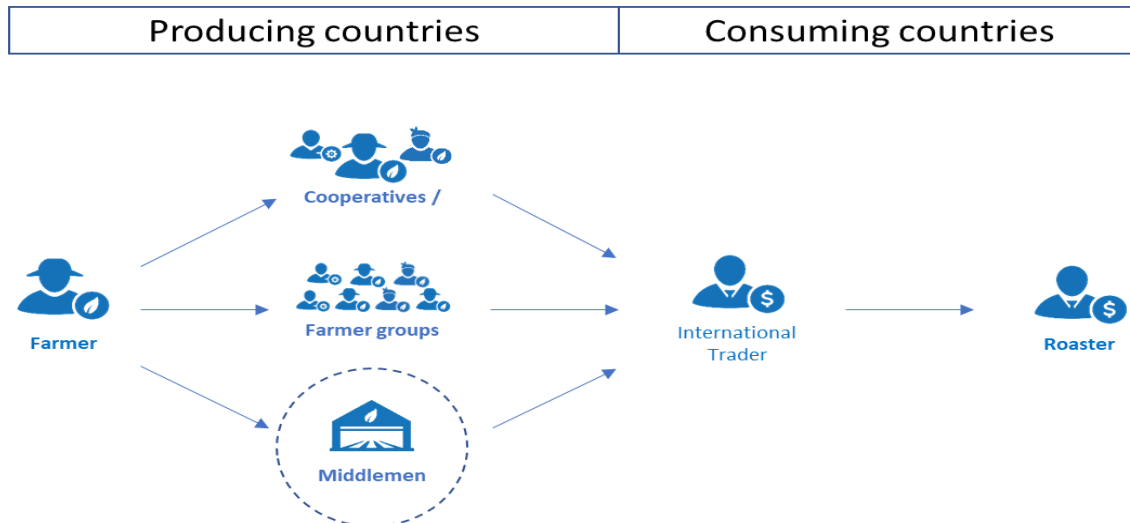


Figure 1: The position of middlemen in the coffee supply chain

While “sustainably sourced” coffee is often through tighter, more direct value chains, a large proportion of conventional coffee is traded via middlemen. The conventional value chains are mostly loose, non-transparent and complex. In many countries, there is not just one middleman in between a farmer and an international trader, but several middlemen who offer a variety of services. It is currently unclear how much coffee is being sourced by them, how their roles vary in the supply chain and what opportunities exist to make sourcing models that utilize middlemen more beneficial to suppliers and buyers alike, and therefore, more sustainable. To this end, IDH would like to better understand the role of middlemen in the coffee value chain in different parts of the world, understand their value proposition in those areas in addition to the challenges and gaps from a supply chain integration perspective, and to scope the opportunity to invest in middlemen given their embeddedness in the conventional coffee trade.

On basis of these Terms of Reference IDH aims to select a consultant (individual, company or consortium) that develops and delivers a report on the role of middlemen in the coffee supply chain with a specific regional focus on **each of** Vietnam, Indonesia, Uganda and Colombia, and with a focus on the opportunities for investment in middlemen as a means to promote sustainability among coffee value chains where middlemen are ubiquitous and essential actors.

The report should at least address the following:

- What are the different supply chain models that include middlemen?
- What is the role of the middlemen in these supply chains with regards to trading coffee?

- What is the nature of relationships built by middlemen with farmers and off takers and under which circumstances do middlemen thrive/ prosper?
- What are the gaps and challenges related to the role middlemen play in coffee value chains?
- Where is the opportunity for IDH to improve supply chains that utilize middlemen, assuming they will remain active participants in those sourcing models?
- Can middlemen play a role in coffee sourcing models that don't accrue immediate financial gains to them? OR how can they be involved in social or environmentally responsible activities?

IDH reserves the right to update, change, extend, postpone, withdraw or suspend the Terms of Reference, this tender, or any decision with regards to the selection or contract award. IDH is not obliged in this tender procedure to make a contract award decision or to conclude a contract with a participant. IDH reserves the right to suspend or annul the Tender Procedure at any moment in time.

Participants cannot claim compensation from IDH or any affiliated persons or entities, in any way, in case any of the afore-mentioned situations occur.

By handing in a proposal, participants accept all terms and reservations made in these Terms of Reference, and subsequent information and documentation in this tender procedure.

## **2. Objectives**

The overall objective of this project/study is to gain insight into the role of middlemen in the current coffee supply chain and scope the potential for investment by IDH in including middlemen in sustainable sourcing models in coffee. The final report should provide an overview of the role of middlemen in different coffee supply chains in the world, the potential impact to be made at farm-level by involving middlemen, and concrete recommendations and challenges for investment opportunities for IDH to invest in middlemen in the coffee sector.

The consultant is expected to conduct desk research and to interview stakeholders to meet the overall objective of reporting on the role of middlemen in coffee. Existing results from literature and stakeholder consultation should be taken into consideration.

The consultant is expected to take the following actions to deliver the overall objective:

1. Mapping the different supply chain structures with middlemen and scoping how large a part of the total coffee trade is traded via those supply chains:
  - Position of middlemen in the chain
  - Size via volume of coffee traded and # of farmers reached via the middlemen
  - Power build up in the chain – who has the decision to decide on selling and buying of what coffee?
  - # actors in the chain between farmer and international trader
2. Mapping of the role of middlemen in the different supply chains
  - How much is traded via the middlemen?
  - What other services do middlemen provide – f.e. provision of input or credit?
  - What is the value proposition of the middlemen vis-à-vis other supply chain actors (farmers and off-takers)?

- Ensure clarity on the “chain” of middlemen – f.e. emphasizing differences and similarities between farmer-focused middlemen and exporter-focused middlemen, and identifying those with more direct links to both farmers and buyers
- 3. An assessment of the role and behaviour of finance related to middlemen, for example:
  - Origination of capital for middlemen and associated interest rates
  - Average volume of on-lending per client and Interest rates charged by middlemen
  - Dependency of middlemen on capital with indication of risk
  - Mapping of financial flows
- 4. An assessment of the opportunities, challenges and gaps of including middlemen in a sustainable coffee supply chain in terms of:
  - Knowledge
  - Financing
  - Loyalty to buyers
  - Other
- 5. A segmentation of middlemen into archetypes by country to understand how middlemen might be differentiated and the general proportions of each type
- 6. Scoping the opportunity for IDH to invest in middlemen; including:
  - Recommendations for concrete next steps and investments
  - Recommendations how to fill the knowledge gaps
  - Showcasing successful examples

The consultant is expected to communicate results in a clear and appealing manner developing formats that can be regularly updated.

### 3. Deliverables

Specific deliverables are as follows:

Deliverables of project
A mapping of the different supply chain models including (archetypes of) middlemen in coffee and their value proposition vis-à-vis the other supply chain actors.
An overview of the gaps and challenges and in working with middlemen for sustainable sourcing models in coffee
Understand the investments needed and opportunities across different countries / approaches
Scoping the potential impact that can be made by including middlemen in sustainability interventions in coffee

This ToR will be published June 2019 with the aim to hire a consultant who can provide the above noted deliverables by November 2019.

### 4. Proposal guidelines

In the proposal, please provide the following:

- a) A succinct, well-documented approach and methodology demonstrating how the consultant(s) intends to conduct the assignment, along with likely sources of data. This part of the proposal shall not be longer than 5 pages in Word or 10 slides in Power Point.
- b) The workplan that outlines detailed activities and deliveries with clear timelines.
- c) A clear overview of how the outcomes will be presented.
- d) Inclusion of a budget with a break-down of man days/rate per consultant and estimated travel costs
- e) Clear description of the project team, relevant experience of team members and time allocation per team member.

- f) Statement of experience (only experience from the suggested team members is relevant).

## 5. Selection criteria & procedure

### Grounds for exclusion

1. Tenderers shall be excluded from participation in a procurement procedure if:
  - a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
  - b) they or persons having powers of representation, decision-making or control over them have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;
  - c) they have been guilty of grave professional misconduct proven by any means which the IDH can justify;
  - d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established, or with those of the Netherlands or those of the country where the contract is to be performed;
  - e) they or persons having powers of representation, decision making of control over them have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organization, money laundering or any other illegal activity, where such illegal activity is detrimental to the MFA's financial interests.

Tenderers must confirm in writing that they are not in one of the situations as listed above.

2. Tenderers shall not make use of child labor or forced labor and/or practice discrimination and they shall respect the right to freedom of association and the right to organize and engage in collective bargaining, in accordance with the core conventions of the International Labor Organization (ILO).

### Consultant/Consultancy profile

For this assignment we expect a consultant (individual, company or consortium) who brings the following assets/experiences:

- Extensive experience in the coffee sector: strong understanding of the actors and their sourcing models.
- Understanding of and ability to capture, analyse and structure the role of middlemen in the coffee supply chain in different parts of the world, power dynamics in those chains and the different enabling environments and to formulate recommendations for the coffee sector based on this analysis.
- Experience with local value chain trading systems and their link to global supply chain.
- Neutral and trusted.
- Suitable communication skills and experience.
- Appropriate cost-effective budget.

### Procedure

The procedure will be as follows:

- Inviting interested consultants to present a full proposal based on the ToR.
- Evaluation of the proposals by an evaluation committee consisting of Jenny Kwan (Program Director Coffee IDH), Ashlee Tuttleman (Program Manager Coffee IDH) and Tessa

Meulensteen (Program Officer Coffee IDH). IDH reserves the right to involve further members of their staff in the evaluation of the proposals if indicated. The evaluation committee will evaluate the proposals on the basis of the exclusion, selection and award criteria as published in these Terms of Reference.

- Decision on selection of the consultant.
- Inception meeting with the selected consultant.
- Contracting with the selected consultant.

Tender process	Timeline
Terms of Reference published	26 June 2019
Terms of Reference Q&A calls <a href="https://idh.zoom.us/j/6681850393">https://idh.zoom.us/j/6681850393</a>	2 July and 9 July 14.00-15.00 CEST
Deadline for submission of proposals*	12 July 2019
Selection of consultant	19 July 2019
Expected awarding of contract to successful consultant	2 August 2019

\* Please submit the proposal to [meulensteen@idhtrade.org](mailto:meulensteen@idhtrade.org). Proposals submitted after the deadline will be returned and will not be considered in the tender procedure.

\* *There will be 2 calls open to all interested parties where questions can be asked. These will be recorded and made available on the website until the deadline for submission. Unfortunately, due to time constraints, calls or emails outside of these time slots will not be possible.*

IDH on behalf of the evaluation committee will reject offers if any illegal or corrupt practices have taken place in connection with the award or the tender procedure.

## 6. Evaluation Method

All the applications received will be reviewed by the evaluation committee on the basis of the criteria in the ToR. A final decision will be made after maximum 4 weeks to award the contract to the participant who best meets all the criteria specified.

## 7. Confidentiality

The participant will ensure that all its contacts with IDH with regards to the Tender, during the tender procedure take place exclusively via 2 open zoom calls scheduled on 2<sup>nd</sup> and 9<sup>th</sup> July 2018 14.00-15.00 CEST. The Tenderer is thus explicitly prohibited, to prevent discrimination of the other Tenderers and to ensure the diligence of the procedure, to have any contact whatsoever regarding the tender with any other persons of IDH than in the calls stated in the first sentence of this paragraph.

The documents provided by or on behalf of IDH will be handled with confidentiality. The Tenderer will also impose a duty of confidentiality on any parties that it engages. Any breach of the duty of confidentiality by the Tenderer or its engaged third parties will give IDH grounds for exclusion of the Tenderer, without requiring any prior written or verbal warning.

All information, documents and other requested or provided data submitted by the Tenderers will be handled with due care and confidentiality by IDH. The provided information will after evaluation by IDH be filed as confidential. The provided information will not be returned to the Tenderer.

## 8. Contact information

Jenny Kwan [Kwan@idhtrade.org](mailto:Kwan@idhtrade.org); Ashlee Tuttleman [tuttleman@idhtrade.org](mailto:tuttleman@idhtrade.org); Tessa Meulensteen [meulensteen@idhtrade.org](mailto:meulensteen@idhtrade.org)