

## TERMS OF REFERENCE

### RESEARCH ON SMALLHOLDER COFFEE FARMER INCOME DIVERSIFICATION AND RESILIENCE

#### 1. Background

##### **About IDH**

IDH Sustainable Trade Initiative accelerates and up-scales sustainable trade by building impact-oriented coalitions of companies, civil society, governments, knowledge institutions and other stakeholders in several commodity sectors. We convene the interests, strengths and knowledge of public and private partners in sustainability commodity programs that aim to mainstream international and domestic commodity markets. Over the last decade IDH has successfully developed a strong market-based approach to smallholder value chain development, mostly focused on commodities that are internationally traded like cotton, coffee, tea, cocoa, flowers, fruits and vegetables. In these sectors IDH supports private sector to develop supply chain structures for providing services that improve the productivity and profitability of smallholder. Building on the proven approach of service delivery models (SDM), these supply chain structures are sustainable, investable, innovative and are capable of bringing a positive impact on all supply chain players.

##### **IDH in Coffee**

IDH brings coffee farmers, roasters, brands, standard organizations and governments together in a global network to build on each other's strength, align strategies, share best practices and pilot new methodologies to make coffee farming profitable, environmentally friendly and climate resilient. By aligning forces and sharing learnings from pilots, IDH can bring sustainable coffee production cost-effectively to scale, and improve the livelihoods of millions of coffee farmers worldwide.

IDH is developing a new strategy for coffee aiming at supporting smallholder farmers to close the living income gaps, become more climate resilient and contribute to mitigation of climate change.

##### **Towards a Living Income for Coffee Farmers**

Like many farmers across the coffee sector, many east African coffee farmers and their families live well below recognized living income benchmarks. The long-term price of coffee in the futures market has remained roughly the same for the last 47 years, resulting in a significant decrease in farmers' purchasing power. The majority of Kenyan and Uganda smallholder coffee farmers live under the poverty line and together they represent over 10% of global smallholder farmers. Coffee production in Kenya decreased by 60% in the last 20 years, mainly due to poor management, low productivity and price volatility. The situation is not so different in Uganda. 99% of Ugandan coffee is produced by 1.2 million smallholder coffee farmers who face frequent market, price and climate shocks.

Most coffee farming families in both countries grow staples and farm other produce for additional income and consumption. Various studies show that smallholders who combine coffee and multiple farms systems for food and cash production generate higher staple yields and higher incomes overall across all farm sizes and poverty levels. Yet smallholder families lack access to quality services (input supplies, technical support, credit and other financial services, marketing support, etc.) that will help them to increase benefits of their diversified farming system. Without access to quality services, farmers have limited tools and knowledge to make informed long-term decisions for their business and do not adequately invest in their farms.

The impact of climate change exacerbates this problem. Rising temperatures, more extreme weather and worsening disease and pest problems have significantly reduced the yields and increased the costs of production for coffee and other farm systems. Decades of poor farming methods have led to soil degradation through the loss of organic matter and erosion. This leads to lower farm productivity and increasing production costs. Loss of organic matter results in reduced water holding capacity of soils which exacerbates the effects of drought periods which are becoming more frequent with climate change.

### **Service Delivery Models for Blending Coffee and Multiple Farm Systems**

To contribute to improved income and resilience of smallholder coffee farming families in Kenya and Uganda, IDH, through its proven and data driven service delivery model (SDM) approach, intends to work with partners in the coffee sector to develop a robust proof of concept for blending coffee-specific services with services for other non-coffee farm products. IDH will work with the existing marketing and service delivery structures such as cooperatives and coffee exporters in Kenya; and exporters in Uganda coffee supply chain, who are already delivering services to farmers for multiple farm systems or are willing to develop and invest in SDMs that blend coffee specific services with services for multiple farms systems. These SDMs will deliver comprehensive services for improving productivity, incomes and building healthy and climate -resilient farm systems. They will incorporate or enhance services that promote farm biodiversity, improve soil health, support nutrients recycling, agroforestry and other regenerative agriculture practices that contribute to farm systems that result in “putting in more than we are taking out.”

## **2. Terms of Reference for the Multi-Tiered Research on Smallholder Coffee Farmers Resilience**

To support the prototyping of service delivery models that offer blended services for diversified farm systems, IDH has conceptualized a multi-year program on coffee income diversification and resilience in Kenya and Uganda. As an integral part of program design and partners convening, IDH is currently engaged in a learning process through research studies and partners/stakeholder consultations. Through this process, IDH seeks to deepen insights and learning about opportunities in smallholder farming systems and coffee service delivery ecosystems for building and enhancing farmers’ income and climate resilience.

IDH, on the basis of this TOR, seeks to recruit a research or consulting organization to carry out a comprehensive, multi-layered research study in Kenya and Uganda. The research objectives will be accomplished through a three-tier research design and from multiple and varied coffee growing communities/clusters, as described in the following sections.

### **Tier 1 - Farmer Survey**

The objective of the farmer survey is to collect and analyze data on the current diversification practices of coffee farmers, their attitude towards products other than coffee, and the market systems available to and utilized by farmers for production and sale of products other than coffee. The consultant is expected to collect and analyze data through primary research. Anticipated results from this activity include:

- a. An overview of the coffee farming household socio- economics.
- b. Evidence of surplus crops, livestock products, timber and non-timber forest products used for income, not only home consumption.

- c. Evidence of which of these non-coffee products provide or could provide decent profits for farmers.
- d. Analysis of contribution to farmer income and cash flow from products other than coffee
- e. Insights into market system opportunities and challenges
- f. Insights into market actors and their services to farmers
- g. Regional differences in farmer behavior and attitudes
- h. Regional differences in service delivery for non-coffee products
- i. Risks associated with market systems and farmer behavior and attitude
- j. Recommendations for market systems research on maximum 5 non-coffee products per country

A set of questions relevant to tiers 1 and 2 of this research is detailed in Annex 1. IDH expects these questions to be answered through a combination of farmer surveys and market systems analysis.

### Research Geography

This research will be carried out in selected coffee growing communities drawn from the following districts in Kenya and Uganda. For the purpose of this research a coffee growing community consists of between 3000-10000 farmers. The specific coffee growing communities will be shared with the successful consultant at the contracting stage.

#### Kenya

	County	Sub County	Number of coffee communities
1.	Bungoma	Sirisia	1
2.	Kirinyaga	Kirinyaga East	1
3.	Embu	Embu East	1
4.	Muranga	Kangema	1
5.	Nandi	Tinderet	1
6.	Machakos	Kangundo	1
7.	Kericho	Kipkelion	1

#### Uganda

	District	Number of coffee communities
1.	Bushenyi	1
2.	Greater Mbale	1
3.	Greater Masaka	2
4.	Kasese	1
5.	Mityana	1

## **Tier 2 - Market Systems Analysis**

Based on the results and recommendations from the farmer survey, the consultant will conduct research and analysis on up to 5 additional farm-based income sources for coffee farmers, per country. The consultant is expected to combine primary and secondary research.

Anticipated results from this activity include:

- a. Mapping of supply chain structures and major actors, from inputs to (in-country) end-markets
- b. Assessments of the market systems performance and key influencing factors
- c. Key risks and opportunities for the income source from the farmer perspective
- d. Key risks and opportunities for private sector investments
- e. Recommendations for coffee cooperative and/or exporter for investment, service delivery and/or collaboration with other market actors.

Annex 1 provides further insight for the subject matter IDH anticipates will be embedded in the research and analysis of the market systems analysis.

## **Tier 3 - Regenerative Farm Systems**

The goal of this research is to identify practical opportunities to combine increased net farm income and “Regenerative Agriculture practices” for farmers with coffee-based farming systems in Uganda and Kenya. In the absence of a single definition that covers all interpretations of Regenerative Agriculture, the focus should be on the most common aspects emphasized as being part of Regenerative Agriculture: (a) improving overall soil health; (b) restoration of degraded soils (particularly in relation to increasing organic matter content); and (c) a balanced use or no use of agro-chemicals. The consultant is expected to utilize secondary data – from IDH and beyond – to deliver the following results:

- a. Identify best practices in regenerative agriculture that are suitable for the sustainable diversification of coffee-based farming systems in Uganda and Kenya, noting opportunities and challenges specific to the farming communities and market systems covered in tiers 1 and 2.
- b. Based on results embedded in Tiers 1 and 2, provide insights about farmer attitude, knowledge and capacity to adopt such regenerative agricultural practices.
- c. Identify the business case for additional services and/or service providers necessary to enable regenerative agriculture approaches as part of service delivery
- d. Identify trade-offs and/or risks (if any) related to farmers shifting to a more diversified and regenerative agriculture farming system, for both farmers and coffee cooperatives and exporters
- e. Inclusion of essential strategies on-farm for climate change mitigation that may or may not be considered part of a regenerative agriculture approach.

## **Timeline**

Given the tight timelines that IDH is working with, the expected turn-around for each tier of the research will be quite short. IDH will give priority to consultants’ proposals that can demonstrate how the research objectives will be achieved quickly without compromising the quality of outputs and deliverables of the research.

## **3. Request for Proposals**

We invite interested and qualified research and consulting entities to submit proposals for this research study. We accept proposals from consortia.

## Technical proposal

The technical proposal will include the following information

- Profile of the research company or consultancy firm and its relevant work in East Africa.
- Approach and methodology demonstrating how the consultant intends to conduct the assignment and tasks, along with likely sources of data, duration and order of each task.
- Ways of working with IDH, including agreements on milestones, validation of research and analysis, and final recommendations.
- Statement of experience, highlighting expertise related to core tasks. More weight will be given to local experience. The consultant is requested to list the most relevant references, to maximum of 5 in total (for all team members together).
- Clear description of the project team and their deployment for the tasks.
- CV of each member of the team should be included as annex.

The technical team should consist of the following expertise;

### Team Leader

- The team leader must have a strong research background from any of the following themes: Sustainable agriculture, Climate change in agriculture (productivity improvement, adaptation, mitigation) Soil health, Smallholder farm income diversification.
- Proven experience in smallholder farmers coffee income resilience, farm intensification is an advantage
- Solid experience in leading similar assignments in East Africa.
- A minimum of a master's degree in Soil Sciences, Climate change in agriculture, Agriculture Production.

### Market Systems Expert – will have the following qualifications

- A strong background and experience in agribusiness or agriculture market systems development in East Africa.
- A minimum of a master's degree in Agricultural Economics, Agribusiness Management, economics, Business Management.
- Experience in business analysis from a consulting background is an advantage.

### Research Expert

The consulting team will have an expert in research design and execution, with proven experience in designing and executing primary research studies involving smallholder farmers in East Africa.

## Financial Proposal

The financial proposal will provide the following

- An activity-based budget for the research study. Showing professional fees per activities and tasks under each tier.
- Breakdown of the disbursements.
- All applicable taxes (VAT and withholding taxes) shall be included. If the financial proposal is silent on taxes, IDH shall assume that these are inclusive.

The budget will be in euro. Financial proposal shall be valid for a period of 90 days from the date of bid closure. The consultant must include a copy of the most recent audited accounts.

### **COVID-19 Safeguarding and Contingency Planning**

As IDH we have a duty of care to minimize the risk of all infectious diseases spreading in course of carrying out our work. We continue to monitor the guidance being released from globally recognized authorities such as the WHO, the Dutch Health institute and from Governments in countries where we work to ensure that they are incorporated into our responses and policies. It is our hope that the COVID-19 pandemic will be brought under control soon. There is likelihood however that this research assignment or part of it, would have to be carried out within a period of low or residual risk of exposure and spread of COVID-19.

In addition, it is likely that in-person data collection and meetings could become difficult to impossible, depending on the country response to the pandemic, the level of comfort of communities, the operational demands of companies, and IDH and the consultants' organizational policies.

The consultant must include in their proposal the measures they will put in place for safeguarding staff, consultants, communities, service providers and the client from the risk of exposure and spread of COVID-19. The consultant should also provide a clear contingency plan for primary data collection from farming communities and market actors, whose engagement in this process is crucial.

### **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 those of the country where the contract is to be performed;
  - e. they or persons having powers of representation, decision making or 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.

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).

#### 4. Deliverables

The final deliverable should be delivered within 16 weeks of signing the contract.

	Research Tier	Deliverables
1	Inception report	The consultant is expected to submit an inception report on how the three tiers of the research study will be carried out from their point of view with detailed description of the methodology, work plan and engagement with IDH.
2	Tier 1: Farm Survey	Slide deck summarizing survey results and analysis, with preference for data visualization when/where relevant. This will be delivered on completion of the 1 tier research and before commencement tier 2
3	Tier 2: Market Systems Analysis	A report on the market systems analysis of the selected non-coffee supply chains with preference for data visualization when/where relevant. Slide deck is preferred.
4	Tier 3: Regenerative Farm Systems	A report on regenerative farm systems of diversified coffee farms with preference for data visualization when/where relevant. Slide deck is preferred.
5	Validation Workshop(s)	The consultant will receive feedback from IDH and potentially additional stakeholders, and is expected to incorporate these into the final report.
6	Final Report	The final report should be a slide deck with a summary of the research results from tiers 1, 2 and 3. This should include data and market system visualizations.

#### 5. Submission Instructions

Last day for submission is **Wednesday May 6, 2020**. Please email your proposal to Mary Wahura at **wahura@idhtrade.org**. IDH will hold a one-hour pre-proposal session on 29 April 14.00- 15.00 hours, EAT, by zoom. Interested consultants are encouraged to submit all questions and send request for the zoom link by email by 27th April.

## Annex 1: Multi-Farm systems questions set

1. Non coffee farm products
  - a. Which (non-coffee products are grown and traded by coffee farmers now?
  - b. Are there other non-coffee product opportunities that coffee farmers can integrate in their intercropping or multi-farm systems? Consider high value crops like mango, avocado and vanilla.
  - c. What are the regional differences among farmers; i.e. where are these different crops grown?
  - d. Which have overlapping systems and inputs with coffee? E.g. banana is good for intercropping, others might use the same fertilizer, etc.
  - e. What are the risks associated with each of these non-coffee products?
  - f. If not covered above, what could the role of timber be, and for which tree types?
2. **Economics/trade**
  - a. What are the market trends for these non-coffee products?
  - b. How and where do the supply chains function? On how, e.g. tight vs loose, structured vs informal, etc. On where, key bulking and trade points, where (geographically) in the country these points exist, etc.
  - c. Who are the traders along the chain? What are their company profiles (size, single or multiple products scale/reach)?
  - d. What is the final destination for these products (local consumption like beans, regional trade like maize, export for further processing and consumption like vanilla, etc.)? What impact does that have on price and risk for producers?
  - e. Which input providers and/or service providers (e.g. transport, storage) serve which non coffee products
  - f. What are the supply chain risks associated with different actors in the chain?
  - g. Where are the major overlaps and/or opportunities for synergies with coffee companies?
  - h. How might available services be assessed in terms of quality, reliability, affordability and physical accessibility?
3. **Farmer knowledge and behaviour**
  - a. Which non coffee farm products are farmers most familiar with and how does that vary by region within each country?
  - b. What are farmer's impressions of different the products and how willing are they to diversify into new ones? What's driving that?
  - c. What are the risks associated with multi-farm systems and/or intercropping and mixed farming, for the farmer?
  - d. What combination of non-coffee products, based on regional differences, is economically viable for farmers? Is there an ideal mix?
  - e. Which farm products make sense from a cashflow perspective? In other words, when do farmers have a cash flow shortage and are, they looking for alternative sources of income?
  - f. Which non coffee products are crucial for the food security and nutrition of the households? Are there certain crops that will be prioritized by farmers?
  - g. Which product are mostly produced by female farmers / in which products and activities are female farmers involved?
  - h. What role does technology play in engaging young farmers in coffee and other products on coffee production?



