Terms of Reference

Developing the Verified Sourcing Areas: Committed End-Buyer Pillar

1. Background

IDH The Sustainable Trade Initiative is a Foundation convening companies, CSOs, governments and others in public-private partnerships. Through its partnerships, IDH aims to drive sustainability from niche to norm in mainstream markets, delivering impact on the Sustainable Development Goals. We focus on creating positive impact on deforestation, living incomes and living wages, working conditions and gender.

Today, sustainability commitments are topping the agendas of supply chain actors. Traders, processors, consumer-facing companies, producers and governments all have made commitments on sustainable production of commodities such as soy, palm oil, rubber, and beef. Yet no efficient and inexpensive option currently exists to guarantee supply of commodities that fulfil these commitments at scale. The Verified Sourcing Area model offers a new instrument for this, but more details are needed to present end buyers with a view of what the VSA model would look like for them once operational.

This assignment focuses on Verified Sourcing Areas (VSAs), the new sustainable sourcing mechanism currently being developed by IDH and its partners. More information on VSAs can be found at www.verifiedsourcingareas.org. This assignment is particularly aimed at the third Pillar of the VSA Concept: Committed End-Buyers.

2. Scope and objective of this assignment

The objective of this assignment is to lay out the rules of the game for Committed End-Buyers. This includes the conditions for an End-Buyer to become a Committed End-Buyer, claims to be derived from the VSA model, as well as the instruments to channel sustainability funds from Committed End-Buyers to areas of choice. To do so, first the underlying business case for End-Buyers needs to be analysed.

Questions that will need to be answered and issues that need to be explored and developed in this assignment revolve around:

1) **Analysing the VSA Business Case for End-Buyers -** Local and multinational End-Buyers have all different needs and priorities, often depending on whether they are main stream buyers or sustainability front runners. They also have different options when it comes to pursuing sustainability in their supply chains. This part of the assignment is to analyse the business case for End-Buyers to engage in VSAs. Questions that need to be answered, for different categories of End-Buyers, include:

   a) What makes VSAs attractive to them, what are the expected benefits? This would include not only delivering on sustainability commitments, but also lower risks in their supply chain, stronger partnerships on the ground, quality of produce etc.

   b) How would they see value for money in VSAs? How would they use VSAs compared to other sustainability actions such as commodity certifications or direct engagement on the ground by themselves?

   c) What claims would they want to derive from the VSA model?

   d) What are the challenges for them adopt the VSA Concept?

2) **Exploring the different level of claims that Committed End-Buyers can/need to be able to derive from the VSA model** - Sustainability claims can range from controlled claims and assured claims, to just marketing claims. In the VSA vision, it is the End-Buyer deriving (commercial) value from its sustainability efforts in and around its own supply chain ensuring the long-term involvement in creating impact in the VSA Jurisdiction of choice. This part of the exercise is to develop levels of claims that could be made linked to the business case for different categories of end buyers.

3) **Developing the conditions for End-Buyers to become Committed End-Buyers** - Based on the business case linked to different levels of claims, the next step is to translate this into the conditions that End-Buyers need to meet in order to participate in the VSA model and thereby become "committed". A number of conditions/ commitments have already been envisaged, including direct financial support to a Compact or a certain type of preferential sourcing commitment. These conditions and others need to be further elaborated and analysed against criteria such as feasibility (how likely are End Buyers to commit to these) and level of impact on the ground in the Compact.

4) **Exploring the possibilities of introducing preferential sourcing schemes for sourcing from VSA Readiness pilots and ultimately VSAs** - The vision of the VSA Concept sees the Committed End-Buyer sourcing from their preferred VSAs, even shifting its sourcing to the VSAs of its choice. Linking to point 3, an underlying question is how realistic it is for End-Buyers to be switching sourcing from one area to another (VSA) area and what it will take to switch.

In addition to the general development of the Third Pillar of the VSA, three accompanying (explainer) documents will need to be developed:

1. A document aimed at the VSA Global Steering Committee and partners at global level. This document will need to:
    a. Show the business case for companies to start engaging with VSAs, in terms of benefits and comparison to other sustainability actions, for different types of companies
    b. Outline the (different) claims that End-Buyers want to derive from the VSA concept (type of claim, place, audience)
    c. Outline the different Commitments that companies could make under the VSA model, analysed for potential uptake by different types of companies.
    d. Link the different Claims to the different Commitments that companies can make, ensuring that this is in line with the VSA model
2. A roadmap for End-Buyers to start working towards becoming Committed End-Buyers,
3. A slide deck for introducing the rules for the transition towards becoming Committed End-Buyers to a wide audience of market participants that includes also the conditions to be recognised as "Committed".

These documents must have the ability to function as part of a VSA global concept handbook.

3. Deliverables and timeline

Below is the timeline for this assignment with deliverables:

Timeline	
What	**When**
Kick-off meeting	13 May 2019
Regular updates with IDH team and VSA Working Group	Every 2 weeks
1st draft of the documents with findings of the End-Buyer mapping, the claims overviews and Committed End-Buyer conditions for IDH and the VSA Working Group	20 June 2019
Workshop to discuss 1st drafts of above-mentioned documents	27 June 2019
2nd draft of the documents with findings of the End-Buyer mapping, the claims overviews and Committed End-Buyer conditions for IDH and the VSA Working Group	12 July 2019
Final draft of the documents with findings of the End-Buyer mapping, the claims overviews and Committed End-Buyer conditions for IDH and the VSA Working Group	1 August 2019
Final version of all mentioned documents and accompanying explainer documents for IDH and VSA Global Steering Committee	23 August 2019

4. Method of work

The consultant is expected to carry out this work through (online) interviews with relevant stakeholders and desk research. One workshop with VSA Global Steering Committee Members or the dedicated Working Group is foreseen in the first weeks of this assignment.

5. Consultant profile

For this assignment, IDH is looking for an independent and credible consultant (team) with the following profile:

Experience	Experience working with End Buyers, Multinational and Local Sustainability Frontrunners as well as mainstream market actors in the deforestation risk commodity supply chains Experience with engaging different types of stakeholders in both public and private sectors Experience in developing supply chain models
People	Strong analytical skills Extensive network in the deforestation risk commodity supply chain world Good English verbal and written skills A track record of similar work and previous working experience

6. Proposal Submission and contact details

Please send a proposal, including a proposed initial approach, timeline and budget, before **May 8, 2019** to Willem Klaassens via klaassens@idhtrade.org. Any inquiries can also be directed to this email address.