

Terms of Reference (ToR)

IDH Farmfit Program

Development of Monitoring, Evaluation and Learning Strategy

October 2019

1. Introduction

Smallholder agriculture is an important generator of rural jobs and incomes and plays a vital role in providing food security in Africa and beyond. Yet, millions of smallholder farmers struggle to live above the poverty line and lack opportunities to invest in their livelihoods. To improve their incomes from farming, they will need to increase their productivity and profitability. That requires investments in their agricultural and business skills, access to inputs, markets and finance. But most farmers do not have sufficient access to these services, as private nor public stakeholders are in the position to deliver those to them. This is caused by private sector players' lack of proven business models to efficiently and effectively organize profitable last-mile delivery of training, agro-inputs and financial services to smallholder farmers.

Additionally, smallholder farmers have very little access to affordable credit. Long term finance (> 1 year) is not available at all (only 2% of needs are covered) to smallholder farmers. As a result, farmers cannot invest in their farms, increase their productivity, their incomes nor improve their livelihoods

This presents a systematic threat to world food production and requires a dramatic market transformation to break this cycle and improve farmer resilience. It requires a change in the way companies and financial institutions do business with farmers and transform their position in global and regional value chains.

To achieve this change, new and investable business models need to be developed for smallholder value chains. Once these business models are proven, companies and financial institutions will start investing in them. At the same time new models need to be tested to de-risk long term farmer financing transactions, which will enable banks and other financial institutions to start lending to smallholder farmers and/or Agri SME's. This requires a new innovative approach to farmer finance is needed, backed by a strong public - private partnership, in which both government as well as international companies take risk and establish a foundation on which financial institutions can finally invest in smallholder finance on a meaningful scale.

Both the development of new sustainable business models as well as de-risking instruments will facilitate the building of a large and diversified portfolio, that will demonstrate that farmer financing can be done in a financially sustainable manner. Once the proof of concept for the sustainability of

new business models and farmer financing has been made, farmer financing will become an investment class that no longer dependent on donor support and the current financing gap can be reduced significantly.

2. IDH Farmfit Program

- **Background**

IDH Sustainable Trade Initiative (“IDH”) accelerates and up-scales sustainable trade by building impact-oriented coalitions of front running 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. We jointly formulate strategic intervention plans with public and private partners and we co-invest with partners in activities that generate public goods.

Over the last decade IDH – the Sustainable Trade Initiative (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. With the support of multiple governments (Dutch, Swiss and Danish) and the Bill & Melinda Gates Foundation, IDH has been able to advance a sophisticated, data-driven and well-tested methodology to analyze smallholder engagement strategies across value chains, sectors and geographies. This methodology, to which we refer as “Service Delivery Models” (SDMs), analyzes supply chain structures for providing services that improve the productivity and profitability of smallholder farmers.

The SDM approach is a powerful model to develop sustainable and bankable business models. However, there are still complications in efforts to find bank financing, for instance because of a (too) high risk perception. A value chain approach that includes financing is eliminating an important constraint. Farmers increase productivity and get access to better quality inputs and equipment at a better price, and at reasonable financing costs.

- **The three pillars**

Building on the SDM approach, IDH developed a program to analyze, design and innovate business models of companies providing services to smallholder farmers in Sub-Saharan Africa, with the aim of creating sustainable and investable business models that have a positive impact of farmer livelihoods. IDH has convened the Bill & Melinda Gates Foundation and the UK Department for International Development to support the establishment of **Farmfit Business Support** and **Farmfit Intelligence**.

To unlock commercial investment into sustainable smallholder agriculture and take promising business innovations to scale, IDH convened four international brands and the Dutch government to build a €100 million de-risking capacity: the IDH **Farmfit Fund**, to be backed by US treasury guarantees. The fund will take high-risk positions in smallholder financing deals, triggering market financiers to

invest in smallholder farmers and achieve a 50% increase in income for 3 million smallholder farmers globally.

The three pillars of Business Support, Intelligences and Fund together make the IDH Farmfit Program.



Farmfit Business Support works with companies to improve their smallholder engagement to enable bigger impact. Using IDH's Service Delivery Model (SDM) methodology, Farmfit Business Support analyzes at least 60 business models of companies providing services to smallholder farmers to gain insight into profits and losses for both the company and the farmers, as well as social and environmental benefits of service delivery.

Using the insights of the analyses, we co-design and co-invest in innovation projects. These technical assistance (TA) projects (39 in total) aim to further improve, innovate or scale the farmer engagement models of the companies, with the ultimate aim of improving the livelihoods of 1,1 million farmers. The TA projects will be monitored at the individual and portfolio level.

Impact targets include (among others) increased farmer income, increased access to finance, and decreased costs of service provision and operational sourcing costs for companies.

With this approach, Farmfit Business Support provides a significant pipeline of investable transactions to the Farmfit Fund, as well as potential other investors.



Farmfit Intelligence shares key insights on how to make smallholder value chains more efficient and effective. Data from individual SDM analyses feeds into a benchmarking database that is analyzed to create aggregate insights and learnings. Such insights and learnings will be captured in knowledge products and disseminated widely. Additionally, an online portal will enable open access to insights from hundreds of businesses engaging with smallholders, supporting partners to innovate on topics like technology and gender.



The Farmfit Fund will provide high risk funding for smallholder and Agri SME finance, following a holistic approach along the value chain and has an impact target of achieving a 50% increase in income for 3 million smallholder farmers globally.

The Fund will be backed by the Dutch Government and international consumer brands with the intention to make food value chains more sustainable and alleviate farmer poverty.

The Fund will lend to value chain actors and local financial institutions, who interact directly with the smallholder farmers and Agri SME's. The Fund will share risks with these companies and at the same time provide a risk buffer for financial institutions that will provide senior loans.

On the level of the farmer a market linkage is created and at the same time financing is provided as part of a broader service offering (quality inputs, training etc.), which also reduces risk. This comprehensive approach is needed in order to significantly lower the barrier for both commercial investors and development banks to lend to smallholder farmers at scale.

In addition to farmer lending, the Fund can take equity positions in Agtech and Fintech companies, on the condition that these investments can benefit smallholders on a large scale, for instance if costs of servicing smallholder farmers can be reduced.

The Fund has a range of instruments at its disposal, depending on the financing need: bridge loan, equity, first loss provision, partial credit guarantee, mezzanine loan, straight loan and subordinated debt.

The three Farmfit pillars offer an integrated proposition, and the different interventions build on each other. A typical engagement starts with an SDM analysis, which may lead to a TA project to improve and/or innovate the company's business model and make it investable. Funding from the Farmfit Fund (or another investor) can come in during or after a TA project, depending on the financing need.

3. Call for Proposals

The Farmfit Program offers a holistic value chain approach to the market by supporting the development of viable business models delivering finance to smallholder farmers.

To support the Farmfit Program, and on the basis of these Terms of Reference, IDH Sustainable Trade Initiative and IDH Farmfit Fund¹ (hereinafter together referred to as "IDH") aims to select a party that can **develop an overall IDH Farmfit Monitoring, Evaluation and Learning (MEL) strategy that consolidates individual MEL strategies for each of the pillars.**

The **overall objective** of the assignment is to align the different pillars of the Farmfit Program and by understanding the different nature of these pillars, provide a tailored solution when developing/improving/operationalizing the monitoring, evaluation and learning frameworks and strategies.

¹ IDH Farmfit Fund B.V. and Stichting IDH Sustainable Trade Initiative are separate legal entities. However, Stichting IDH is 100 % shareholder of IDH Farmfit Fund B.V.

4. Assignment deliverables

Deliverables	Applicable pillars	Comments
IDH Farmfit Monitoring, Evaluation and Learning strategy	<ul style="list-style-type: none"> - Farmfit Program (all three pillars integrated) 	The overall MEL strategy needs to be holistic and covering all elements of the Farmfit Program.
Sub-deliverables	Applicable pillars	Comments
Theory of Change	<ul style="list-style-type: none"> - Farmfit Program (all three pillars integrated); - Farmfit Business Support/Intelligence; - Farmfit Fund 	Building blocks of (draft) ToCs of the program are available; the ToCs need to be (further) developed in line with the IDH guidelines and including assumptions behind the theory. An integrated ToC for all three pillars needs to be additionally developed.
Results Measurement Framework	<ul style="list-style-type: none"> - Farmfit Business Support and Intelligence; - Farmfit Fund 	<p>For all three pillars there is a draft overview of indicators available that needs to be reviewed and expanded.²</p> <p>Alignment and integration of the frameworks and indicators between the pillars is expected where possible³.</p> <p>Indicators agreed upon with donors⁴ need to be incorporated.</p>
Indicators Guidance Manual	<ul style="list-style-type: none"> - Farmfit Business Support and Intelligence; - Farmfit Fund 	<p>Per indicator:</p> <ul style="list-style-type: none"> - Definition - Baseline - Metrics - Target - Data collection and possible tools that can/will be used - Frequency - Responsibility/owner - Measurement guidance
Impact research approach	<ul style="list-style-type: none"> - Farmfit Business Support and Intelligence; - Farmfit Fund 	Development of the approach, including scope, and methodology taking into account the various program activities that may feed into impact research (see below).

² Available drafts will be shared at the start of the assignment.

³ The Farmfit Program will implement standardized indicators (common in the sector) and where applicable and possible, the same indicators (including similar definitions and means of verification) as used for all the pillars.

⁴ UK Department for International Development, Bill & Melinda Gates Foundation and Dutch Ministry of Foreign Affairs.

In addition to the above-mentioned parts of the MEL strategies, there are elements ongoing in the Farmfit Program that feed into MEL. These activities are to be taken into account in development the MEL strategies:

- **Farmfit Business Support & Intelligence**

- **Primary Data Collection:** A (technical) approach to collecting farm level data is being piloted. This data feeds into SDM analyses, but also can be used as baselines for subsequent interventions and thus feed into monitoring activities. The approach allows for longitudinal data collection and is largely standardized, but is scalable and can be extended for monitoring and impact research purposes.
- **SDM database and aggregate insights:** From each individual SDM analysis, performance indicators feed into an SDM database. Within Farmfit Intelligence, this database is managed and analyzed to develop aggregate insights. These analyses and subsequent findings and publications are feeding into the Learning part of the MEL strategy.

- **Farmfit Fund**

- **Environmental and Social Management System (“ESMS”):** The Farmfit Fund has an ESMS in place, of which the Environmental Social Governance (“ESG”) Policy forms an integral part. The Fund will adhere to guiding principles related to: labor and working conditions, farmer resilience, protection and autonomy, women empowerment, food security, climate protection, opportunities for youth, financing innovation to reduce costs and increase sale. The Farmfit Fund will target its investments to be compliant, on the long term, with, a.o., IFC Performance Standards, SMART Campaign Principles, NDPE⁵ Principles and ILO standards.
- The Farmfit Fund will hire an ESG Officer (Q4 2019), who will be responsible for appraising the environmental, social and governance (ESG) impacts and risks of the (potential) investments of the Fund against the requirements of the ESMS.
- Pending the outcome on the pilot on primary data collection by Farmfit Business Support & Intelligence, the Farmfit Fund is considering implementing a similar technical approach for monitoring and impact research purposes.
- **Internal Due Diligence:** An internal due diligence will be thoroughly performed by resources within the fund mostly by the ESG officer (specialist). Depending on the complexity and categorization of the potential investment, due diligence can be a desk review, site visit or might require a full scale environmental and social impact assessment (ESIA).
- **External Due Diligence:** For high risk investments (as defined in the ESMS), the ESG specialist will appoint an external consultant to undertake a Due Diligence process.

⁵ No Deforestation, No Development of Peat, No Exploitation Principles

5. Consultant profile

For this assignment, IDH is looking for a consultancy specialized in design of MEL strategies for development work in the agriculture sector.

The consultancy is expected to have extensive experience in:

- Development of MEL frameworks:
 - That address public and private donor requirements; and
 - For impact investment funds.
- Operationalization MEL in various agricultural value chains as well as with various stakeholders, e.g. private sector, INGOs, financial service providers, mobile network operators, development finance institutions, etc.
- Designing impact research approaches.

The consultancy is expected to have a strong understanding of:

- Smallholder farming systems and economics in Sub-Saharan Africa;
- Private sector engagement with smallholders and the feasibility and limitations of data collection on farmer and company level;
- Impact Investment Funds.

6. Proposal guidelines, procedure and timeline

• Proposal guidelines

IDH is asking consultants to prepare a proposal (max. 5 pages, excl. CVs and samples of work) in which it is explained how the consultant will organize its engagement and team to contribute to the objectives as explained above.

In the proposal, please provide the following:

- A succinct, well-documented approach, including required involvement of the Farmfit Program team throughout the engagement;
- Clear description of the project team, relevant experience of team members and time allocation per team member;
- Financial proposal in line with recommended approach, subdivided by a price quotation for Farmfit Business Support & Intelligence and the Farmfit Fund;
- References and sample of previous work.

• Procedure

The procedure will be as follows:

- Inviting consultancies to submit full proposals based on the ToR.
- Evaluation of the proposals by an evaluation committee consisting of IDH Farmfit Program members. The evaluation committee will evaluate the proposals on the basis of exclusion and selection criteria as published in these Terms of Reference.

- A potential teleconference session with shortlisted candidates to provide clarification and answer questions prior to final selection.
- Decision on selection of consultancy.
- Inception meeting with the selected consultancy.

- **Timeline**

Activity	Timeline
Publication of this ToR	Friday 11 October 2019
Deadline for submission of proposals ⁶	Friday 25 October 2019
Selection of Consultant	Friday 1 November 2019
Contracting and start of Assignment	Friday 8 November 2019
Issuance of draft MEL strategy including sub-deliverables	Friday 6 December 2019
Discussing and finalizing of draft MEL strategy	
Final delivery and end date of assignment	Friday 31 January 2019

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

7. Selection criteria

- **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;

⁶ Proposals submitted after the deadline will be returned and will not be considered in the tender procedure.

- 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 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, 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).

- **Selection criteria**

The proposal will be assessed based on the following selection criteria:

Component		Criteria	Grading
1	Proposal	The extent to which the proposal meets the required quality of services: <ul style="list-style-type: none"> - Quality of the proposed approach - Time-efficiency 	1-5
2	Track Record in MEL Framework Development	The extent to which the consultant presents the required level of expertise and knowledge: <ul style="list-style-type: none"> - Meeting the consultant profile - Team composition and track record of the consultants. 	1-5
3	Track Record in Impact Investment Funds' M&E	The extent to which the consultant presents the required level of expertise and knowledge: <ul style="list-style-type: none"> - Team composition and track record of the consultants. 	1-5
4	Budget	Best price for the proposed level of quality	1-5

Scoring and weighing for each component: The evaluation committee will unanimously score each component by assigning scores from 1 to 5, 5 representing optimal performance on the component and 1 representing extremely poor performance on the respective component. Each component will be weighed equally.

8. Confidentiality

The Tenderer will ensure that all its contacts with IDH, with regards to the tender, during the tender procedure take place exclusively in writing by e-mail to Barbara Visser (visser@idhtrade.org) and/or Gerben de Witte (dewitte@idhtrade.org). 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 the person 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.

9. Proposal submission and contact details

IDH reserves the right to update, change, extend, postpone, withdraw or suspend the Terms of Reference, this tender, or any decision with regard 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, 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.

Consultants are invited to submit their proposals via email by Friday 25th of October 2019 to:

Barbara Visser

Senior Manager Operations and Risk, Farmfit Fund

E: visser@idhtrade.org

Gerben de Witte

Operations Manager, Farmfit Business Support and Intelligence

E: dewitte@idhtrade.org