



2016-2020 STRATEGY

INNOVATING FOR IMPACT@SCALE

IDH next stage of sustainable supply chain interventions

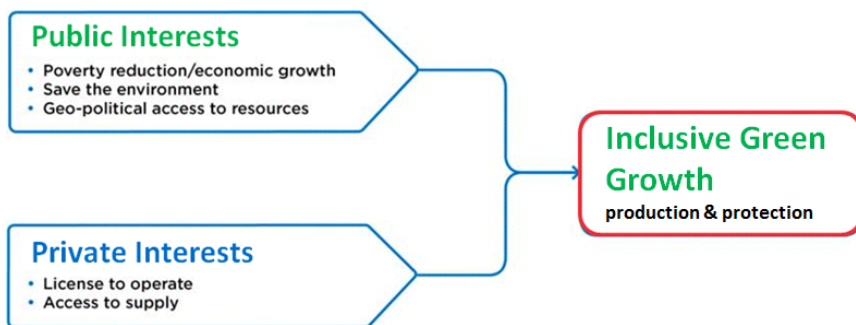
IDH, the Sustainable Trade Initiative

- IDH convenes action oriented coalitions of companies, NGOs, governments, trade unions, financial institutes and universities, to co-invests in sustainable market transformation programs, explores new intervention models that internalize externalities and deliver scalable, self sustaining impact on the Sustainable Development Goals with a focus on: smallholder productivity & livelihoods, gender, nutrition, living wages, deforestation and toxic loading.
- Institutional donors: SECO, DANIDA, Netherlands Ministry of Foreign Affairs
- Over 350 public and private partner organizations
- 11 commodity programs
- 6 landscape programs



Today development cooperation and international trade are no longer viewed as two separate policy domains. The considerable growth and development in emerging economies has contributed to this paradigm shift. In 2011, US trade with Africa was twice the size of all aid to Africa. Between 2000 and 2010, trade between Africa and the rest of the world increased by 200%. From 2015 on, seven of the world's top 10 fastest-growing economies will be African, according to the World Bank. The African Development Bank forecasts average annual growth of over 5% in the next 50 years. Agro commodity production is at the heart of this economic growth.

Combining development cooperation with trade to create inclusive, green growth in both agro-commodities and the manufacturing industry seems the inevitable way forward to produce and protect: elevate millions of smallholders and workers out of poverty, whilst safeguarding the environment.



Over the last ten years these global developments and paradigm shift have fuelled public private partnerships of multinational companies, governments, trade unions and NGOs to jointly address issues that were traditionally 'owned' by the public sector, such as poverty reduction, deforestation, gender inequality and climate change.

Public private partnerships

Public private partnerships can bundle and leverage knowledge, entrepreneurial skills, technological innovation, inputs (finance, human resources), co-financing models and legal authority to create large scale impact.

Increasingly MoUs are signed between public and private partners, with far reaching commitments to sustainably transform international supply chains of companies.

In the cocoa sector, IDH convened a large consortium of chocolate brands, cocoa traders, and NGOs and created an 2008 – 2020 investment agenda for productivity and quality increase, with a commitment to have 80% of Dutch import sustainably certified by 2020.

Identical, international MoUs, with robust sustainable trade and production commitments, were convened by IDH in Flower, Fruits & Vegetables, Soy and Aquaculture sectors to source 100% sustainably.

Private companies

Frontrunner companies have developed responsible sourcing strategies that go far beyond CSR policies, and often beyond the farm gates of their primary producers. Those sourcing strategies are combined with investments that aim to improve livelihoods of farmers and working conditions, addressing social issues and delinking commodity production from environmental damage (e.g. water issues, deforestation, global warming).

For example, the Consumer Goods Forum, a platform of over 200 large companies holding around 5% of global GDP, is committed to delinking palm oil, pulp & paper, soy and beef production from deforestation by

2020.

Also non-western companies like Willmar, PTTN, APP, Amaggi and many others are committing to ambitious sustainable producing and sourcing strategies. In the framework of WEF/Grow Africa companies have committed to 7 billion of private investments into boosting responsible agriculture in Africa.

Civil society

Front running civil society organisations such as WWF, Sociability, Solidaridad, Oxfam, Swisscontact and many others, work with private partners in international supply chains. They "use" supply chains

as vehicles to deliver development services such as training, knowledge, finance, seedlings and other inputs to millions of smallholder farmers in order to improve productivity and quality of their crops and therewith improve livelihoods of farmers.

Voluntary standard organizations such as ASC, UTZ, Rainforest Alliance, FSC, BCI, RSPO, FLO and others set standards for responsible production and certify products (on or of pack) throughout the supply chain. Through their multi-stakeholder standard setting process they add credibility to (ingredients of) the end products of brands.



Jeroen Douglas from RTRS about multi-stakeholder initiatives and the Round Table for Responsible Soy. [\[click to play\]](#)

Other NGOs like SOMO, Oxfam or Greenpeace play a role as watchdogs pushing international companies to use their procurement power to implement better social and environmental production practices.

Governments

Front running western governments, like Switzerland, Sweden, UK, the Netherlands and Denmark are developing policy frameworks in which international trade and developing cooperation are increasingly merged. This paves the way for public private co-investment budgets to accelerate and upscale cost efficient impact on sustainable development goals.



Dutch Minister of Foreign Trade and Development Cooperation talking about the impact of public private partnerships [\[click to play\]](#)

More recently governments of emerging economies such as Brazil, Indonesia and Vietnam and developing

countries like Ethiopia, Kenya, Malawi, Mozambique, Nigeria and Cote D'Ivoire have sought an active role in enabling public private partnerships to invest in inclusive agricultural growth that boosts their economies, amongst others through the World Economic Forum so called "Grow Africa" framework.

In 2013 IDH brought together the Indonesian PT Perkebunan Nusantara III Persero (PTPN III), a government owned refinery, RSPO (Roundtable on Sustainable Palm Oil) and Unilever to sign an MoU to help independent palm oil smallholders in North Sumatra to increase their productivity & quality, access to finance and RSPO certification.

What ten years ago seemed unthinkable is unfolding; large scale front running multinationals are moving beyond legal compliance, exploring ways to solve complex issues, often beyond farm gates, related to poverty, gender and deforestation together with NGOs, governments and financial institutions.

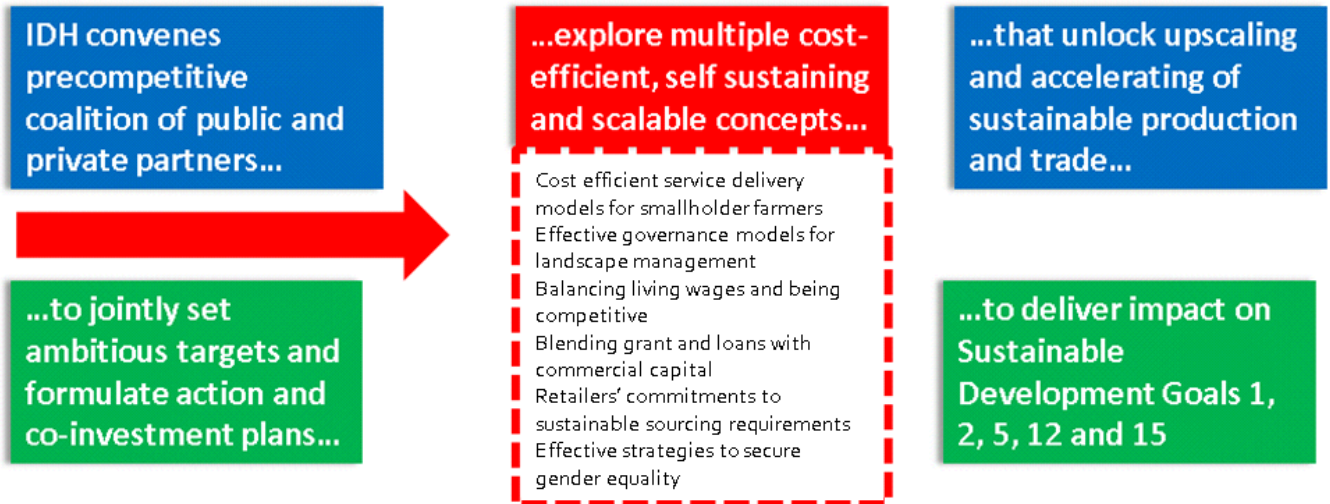
Sustainable production and trade can not scale nor institutionalize without strong involvement of governments in origin countries. They can endorse and support sustainable production with legislative actions and preferential financial services. For the same reasons the involvement of trade unions and producers' organizations in origin countries is vital.



Peter Mbadi of the Kenyan Tea Development Agency (KTDA) about the need for sustainable tea production and trade [\[click to play\]](#)

Staggering challenges

The momentum for public private partnerships and sustainable production and trade is clearly there, but there is still a long way ahead. There are millions of smallholder family farmers living in poverty. Each year between 12 and 15 million ha of topical forests disappear affecting biodiversity and greenhouse gas emissions. Plantations and manufacturing industries fail to provide for decent and safe working conditions nor mitigate issues like gender, living wages, nutrition and child labor.

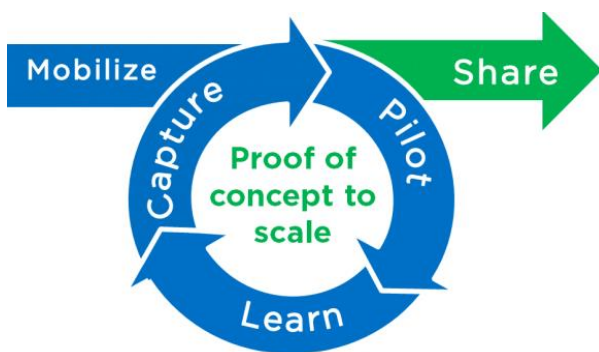


Such interventions can be training in good agricultural practices (GAP); servicing farmers with inputs like seedlings, working capital and finance to improve the quantity and quality of their yields; organizing smallholders in supply sheds; landscape approaches to mitigate issues that go beyond farm gate with large multi-stakeholder groups, etc.

Learning & Innovation:

Together with public and private partners IDH is constantly exploring, prototyping and evaluating cost efficient and effective interventions to deliver concepts that are scalable, internalized by businesses, in an enabling environment of effective public-private collaboration. These innovative concepts will help to unlock the upscaling and accelerating of global sustainable production and trade.

IDH loops its learnings and best practices back into



the programs, validates its analyses through expert consultation and disseminates that knowledge through publications, seminars, fora and presentations to a wider audience to accelerate sustainable market transformation. IDH and its partners will further develop existing intervention mechanisms, prototype new models and

drive for scale to achieve global impact in its 11 commodity programs and six landscapes.



Leveraging the interests of companies; boosting sustainable market demand; convening public and private forces and drive for joint investments will maximize the return on investments in sustainable consumption and production (SDG 12) with deep impact on (e.g.): improved livelihoods of smallholder farmers and increased, decent incomes for workers to help end poverty (SDG1) and promote inclusive and sustainable economic growth (SDG 8), improve gender equality (SDG 5), nutrition (SDG 2) and help to halt deforestation (SDG 15) and toxic loading.

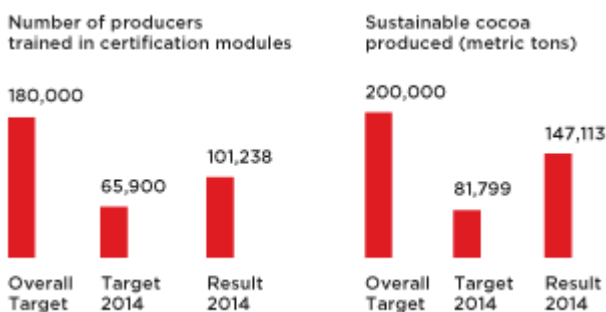


Program developments & results

The core capacity behind IDH's market transformation programs are its partnerships with the private sector, government agencies, civil society organisations, knowledge institutes, sector organisations, trade unions and local communities. The composition and common purpose of these partnerships has been the main driver behind IDH's achievements so far.

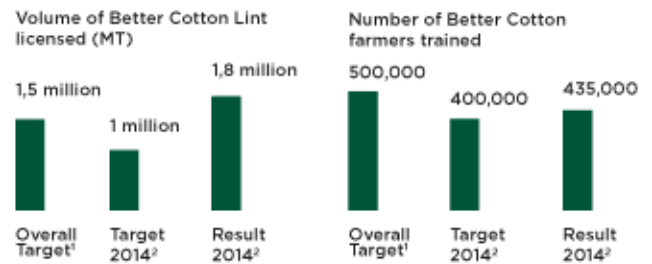


Cocoa. IDH (financially) supported UTZ Certified to build its cocoa sustainability standard and supported the 3 main standards to create a joint training curriculum. This helped to spur a strong market uptake. In 3 years, certification boomed to 12% of global trade, generating annual industry investments of USD 90 M. IDH convened the Dutch industry to commit to 80% sustainable sourcing by 2020. In the cocoa program each IDH euro is leveraged by Euro 2.5 private sector funding. We convened the sector to commit to a productivity package to fight root causes for poverty in the sector. Rehabilitation of cocoa farms and restoration of soil fertility is core. In the program the 14 largest cocoa industry players work together with the government of Cote d'Ivoire and NGOs like Swiss Contact. Initial impact studies conducted in 2013 into the IDH cocoa program indicate a 20-30% yield increase.

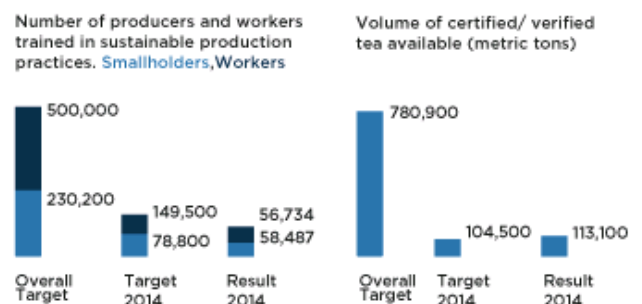


Cotton. IDH convened a group of 10 major retailers and brands to jointly invest in Better Cotton supply at scale. Through these investments in India, Pakistan, China, Mali, Mozambique and Brazil, 165,000 farmers have been trained and licensed along the BCI standards, covering an area of 675,000 ha. 3rd party research provide initial impact findings of 20% yield improvement, 20% decrease in water use, and a significant decrease in use of pesticides. The IDH

metrics on cost-efficiency and supply chain uptake became standard investment parameters, and the program with leading cotton companies has triggered the sector to set up a Better Cotton Investment Vehicle to ramp up investments for reaching 25% of global production in 2020. Benchmarking of BCI with Cotton Made in Africa (CmiA) and Algodao Brasileiro Responsavel (ABR) has enabled massive scaling on the market. In Mozambique as well as Turkey, both government and industry associations are setting BCI standards as national cotton standards.



Tea. The IDH Tea Program has accelerated and scaled the KTDA-Unilever partnership in Kenya. Over 270,000 farmers are now in farmer field schools where they learn to better grow tea, food crops and maintain kitchen gardens for household nutrition and local value creation. Initial impact research shows that tea yields have increased 36% on average, while product quality has improved as well. IDH provided a modest but critical contribution (4% of total investments), funding capacity-building as public good. IDH commenced replicating the Kenyan success in India and East-Africa (Tanzania and Malawi). A portfolio of field projects is set up with all major tea packers and producers and local governments. A platform for multi-stakeholder action led to unprecedented partnerships in the industry, such as the Tata Global Beverages – Unilever cooperation in India (with Solidaridad and ETP) and the ETP-Oxfam wages research program. Brands in the tea industry are now investing in sustainable sourcing, moving beyond certification, aiming to create deep positive impact on farmers and workers livelihoods. In Kenya, 80,000 tons of certified tea was produced and 800 Farmer Field Schools were established.





Coffee. IDH convened a neutral, pre-competitive multi-stakeholder platform with leading roasters that control 30% of global coffee trade. The platform aims for mainstreaming sustainable coffee

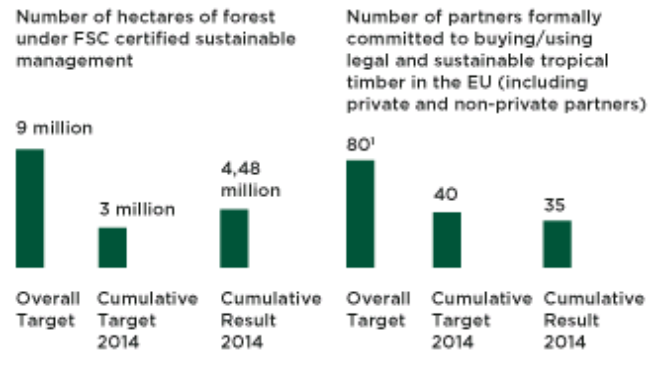
production in partnership with standards and industry platforms. IDH translated the industry's ambitions into a global, national and farmer level action frame.

Engagement was set up with the local authorities in prominent producing countries to merge sustainability and social development objectives with agendas for coffee sector reform. IDH helped organizing a pipeline of over US\$ 60 million of private sector investments in sustainable production and livelihood improvements of 4 million coffee growers and their families. The program is supported by key producing governments (Ethiopia, Vietnam, Brazil, Colombia, etc.) and other major partners (WWF, GIZ, World Economic Forum, etc.). The program has set up 5 National Platforms.



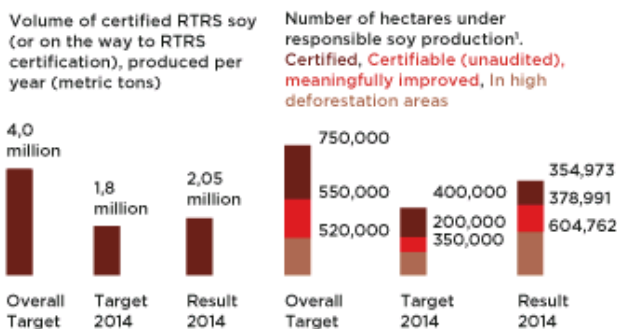
Timber. IDH supported FSC certification of 4,5 M ha of endangered tropical forests in Borneo, the Amazon and Congo Basin, with another 7 M in process of certification. This adds up to over 80% of all Tropical Sustainable Forest Management certified globally.

IDH convened European trade, retail, construction and governments into the European Sustainable Tropical Timber Coalition (EU STTC) to upscale market demand for tropical timber. Through the IDH tropical timber program over 4,5M ha of tropical forest is under SFM and 11% of the EU tropical timber trade is FSC certified.



Soy. IDH supported the RTRS and set up support projects with frontrunner farmers to create significant volumes of RTRS soy. We convened the Dutch and Belgian feed industry to commit to 100% responsibly

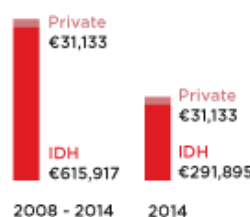
soy by 2015 and co-fund the transition phase. The FEAC and major companies and retailers in Sweden, Denmark, UK and Switzerland committed to 100% responsible soy by 2015. The IDH program is moving towards convening of producers and regional governments in the Mato Grosso to explore landscape solutions (sustainable supply sheds) and to increase demand of committed market players in Europe. Demand in 2015 is over 1 MT.



Palm oil. IDH signed the 1st agreement with the largest Indonesian government-owned palm producer (PTPN III), Unilever and RSPO to start implementing smallholder support programs.

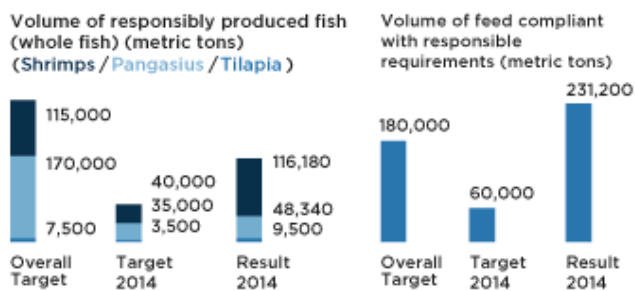
Endorsement from the Consumer Goods Forum (CGF) and the Tropical Forest Alliance (TFA) for IDH's investment proposition was obtained to improve yields and livelihoods of 250,000 smallholders in 3 supply sheds in Indonesia. IDH is initiating the bundled commitments of European Task Forces in Germany, Denmark, France, The Netherlands, Switzerland and Sweden into an MoU to commit to 100% sustainable ESPO certified palm oil by 2020. IDH is leading a traceability working group to provide for cost efficient traceability for palm oil from major supply sheds in Indonesia and Malaysia. Through this initiative, an additional 5 M MT of deforestation-free palm oil will be available in the market.

Financials

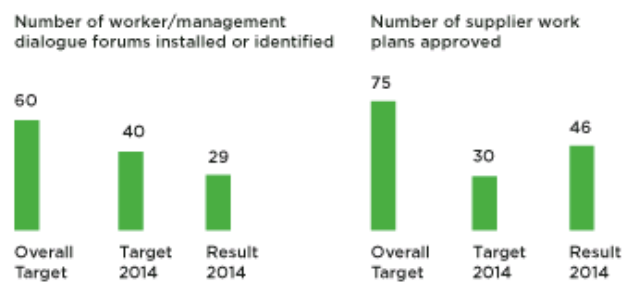




Aquaculture. Together WWF, IDH founded and provided “hands on” support to set up the Aquaculture Stewardship Council (ASC) to mainstream sustainable aquaculture. IDH convened the Dutch retail to commit to 100% ASC-certified farmed fish by 2016. In Vietnam, the world’s leading exporter of pangasius, IDH built a public-private partnership of local producers, processors, SNV, WWF, the Ministry of Fisheries, and European traders. Within 2 years, this coalition succeeded in certifying over 20% of pangasius production in Vietnam (214,000 tons of ASC certified pangasius and 135,000 tons of tilapia). In 2012 IDH, WWF and introduced the ASC label for pangasius and tilapia on the EU markets. From 2013 onwards the Farmers in Transition Fund (FIT), co-funded by the Packard Foundation supports fund mechanism for sustainable shrimp production in Asia.



Electronics. To tackle precarious working conditions and environmental sustainability issues in electronic factories in China, IDH developed with its partners an innovative approach beyond certification. With leading electronic brands HP, Apple, Dell, Philips and Nokia, an improvement program targeting 75 factories was established, impacting over 200,000 factory workers in China. These improvement programs focus on worker-management dialogue capacity and strengthening of the collective bargaining power of workers in supply industries. By addressing the root causes of working pressure, severe working and living conditions of factory workers, the program not only aims to tackle these social sustainability issues but also tackle product returns and staff turnover improving the competitiveness and industry responsiveness.



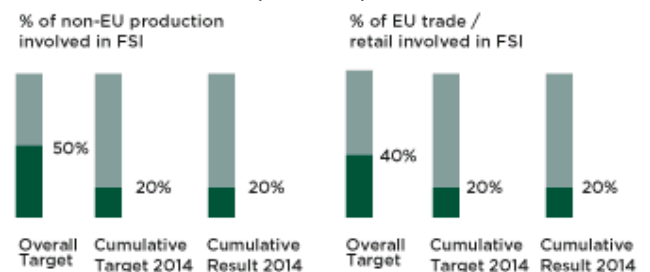
Fresh and Ingredients programs:



Natural stone. In close cooperation with the WGDN, IDH convened a large number of north-western European importers and traders in a sustainability program aimed at tackling social and environmental issues in quarries in India and China. IDH set up the program, created commitment of over 20 major companies and engaged over 100 quarries in India and China. To bring the program to a European level IDH re-launched the program together with the UK implementer TFT who now coordinates the implementation.

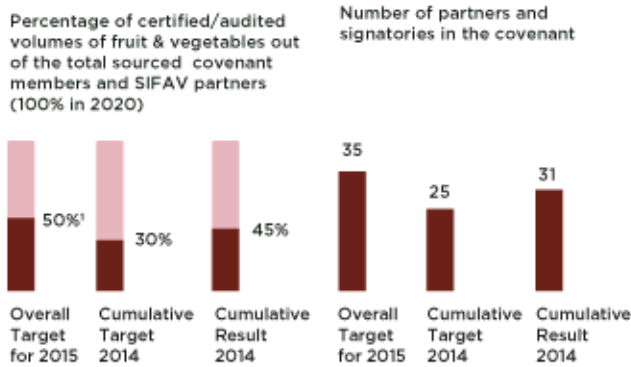


Flowers. IDH convened the Floriculture Sustainability Initiative (FSI) with key international players making up 80% of the market. The FSI members are committed to 90% sustainably produced and internationally traded flowers and plants by 2020. IDH and its partners have developed an equivalency tool for sustainability standards in the sector. And projects are set up to address sustainability issues such as water use and pollution, use of chemicals, working conditions, gender and agricultural efficiency. Currently 10 standards are in the equivalency tool

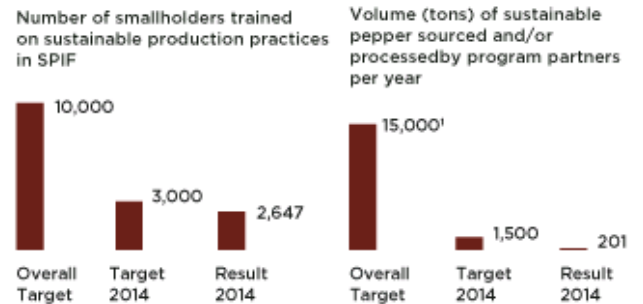




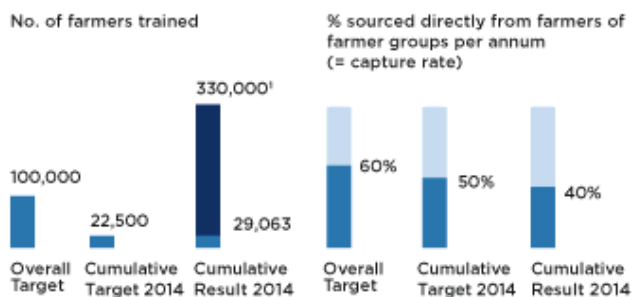
Fruits & vegetables. IDH convened a fast growing coalition of international traders, producers, processors and retailers committing to sourcing/importing targets for sustainable fruits & vegetables: 30% in 2014, 50% in 2015, and 100% in 2020. To this effect IDH facilitated the establishment of a pre-competitive cooperation among companies to tackle hotspots and main sustainability issues in key producer countries. In South Africa and Ethiopia IDH helped to set up pilot programs to transform the horticultural sectors. Recently the largest Swiss and Swedish retailers and banana giants Dole and Chiquita joined the coalition. 12,000 farmers were trained and over 30 partners (including sector leaders such as Dole and Chiquita) have signed the covenant.



Spices. SME companies and IDH built a consortium of major producers, processors, food companies, NGOs and embassies to address sustainability and traceability issues in the spices sector. In cooperation with Rainforest Alliance one sustainability standard was formulated for cost-efficient certification of a range of spices. In 2012 the first shipment of sustainable black pepper hit the market. In 2015 the first sustainable spices were available at the largest retailer in the Netherlands, Albert Heijn.

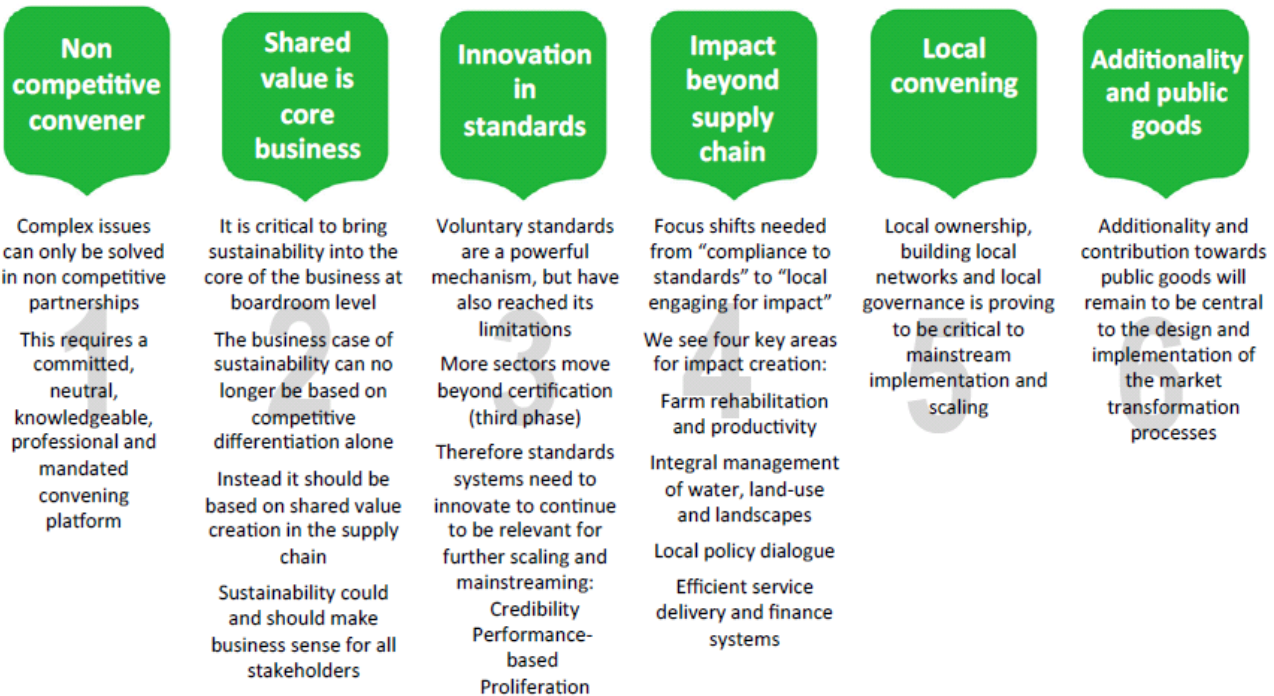


Cashew. As of April 2012, IDH is piloting a innovative models to efficiently and sustainably organise sourcing areas of (newly established) processing facilities. To improve traceability and food safety the pilot program includes both a Management Information System (MIS), as well as 2 field-based projects in Burkina Faso and Cote d' Ivoire. Through this program value is added to the cashew sector in sourcing countries. At the end of 2012 10.000 farmers were included in the program and strategic partnerships were established with both the Bill and Melinda Gates Foundation and GIZ.



Six lessons form the bases of the IDH strategy

Key Insights



These six lessons are the backbone of IDH its 2016 – 2020 strategy.

IDH will continue to operate as a neutral **frontrunner convening facility**, supporting and convening companies to internalise externalities into their business and increase and strengthen the impact of public-private collaborations to create **shared value** as a core business of companies.

The focus will move away from a dominant support to scaling **certification** of (the better of) farmers, towards addressing deep impact/high-hanging fruit (e.g. reaching unorganized farmers, landscape issues, sexual harassment/gender based violence and living wages) impact that goes **beyond supply chains** and through new, by local stakeholders developed, systemic interventions with strong (sourcing) support from our program partners.

In terms of scale and complexity IDH’s role and responsibilities will increase. Frontrunner coalitions will be expanded into critical masses with **local engagement** and increased ownership by local stakeholders in origin countries.

In the next stage of transformation, the IDH core roles will develop along the following lines:

1. Convening market commitments on a pan-European and global level
2. Enhancing local convening and shared value creation
3. From grants to innovative finance
4. Embedding gender in our transformation strategy
5. Learning on deep impact issues and integration into performance measurement
6. Extending partnerships

Each of these strategic lines will be highlighted in more detail in the sections below.

1. Convening market commitments to a broader European and global level

With the support of the Dutch, Danish and Swiss (SECO) governments, European industry and civil society organisations, IDH programs will be built into a pan-European initiative mandated and supported by governments, companies and CSO’s from multiple European countries. That enables IDH to support the

Aid and Trade approach of the economic diplomacy of Europe, driving sustainable market transformation across the continent, leveraging market power of over 450 million consumers. The role of IDH will be to drive and facilitate the expansion of sustainability within the European wholesale and retail markets for sectors like fruits and vegetables, flowers, nuts and spices, and translate these in program that have impact on the Sustainable Development Goals: sustainable consumption and production (SDG 12) and (e.g.): improved livelihoods of smallholder farmers and increased, decent incomes for workers to help end poverty (SDG1) and promote inclusive and sustainable economic growth (SDG 8), improve gender equality (SDG 5), nutrition (SDG 2) and help to halt deforestation (SDG 15) and toxic loading.

The “classical” supply chain approach



IDH and its partners aim to expand global alignment in commodities like coffee, palm oil, tea and cocoa to help create systemic breakthroughs with multiple donors and investors.

In coffee IDH convened a neutral, pre-competitive multi-stakeholder platform with leading roasters that control 30% of global coffee trade. The platform aims for mainstreaming sustainable coffee production and trade in partnership with standards and industry platforms. IDH translated the industry's ambitions into a global, national and farmer level action frame.

An important ally for market transformation is the Consumers Goods Forum (CGF) which aims to delink soy, beef, palm oil and pulp & paper from deforestation, using their collective buying power. IDH aims to bring that ambition to tangible results by large scale adoption in CGF members sourcing behavior and in joined multiple interventions towards deforestation free supply sheds. This will happen in close partnership with local governments, CGF

industry partners, local producers and global NGO's like WRI, Oxfam and WWF.

IDH will actively engage with a number of other EU donors to establish a harmonized donor approach, allowing wider institutional donor engagement for a collective agenda and reporting frame. With future endorsements of key European donors, IDH aims to become a pan-European public-private partnership platform.

2. Enhancing local convening and shared value creation

IDH will expand its capacity to convene local public and private stakeholders around green growth and shared value creation in regions in Africa, Asia and Latin-America. There will be four key agenda's for local convening:

Firstly, (e.g.) through the partnership with Grow Africa IDH aims to orchestrate and catalyse investment programs in local commodity production and value creation in Africa. The potential and committed investments for agro-commodities in Africa are unprecedented. Key to sustainable impact is to combine aid and trade agendas and condition and monitor private sector investments that create public goods with a strong focus on smallholder inclusion (SDG1), deforestation (SDG15) and gender (SDG5).

During the Dutch Economic Mission to Liberia in July 2015, led by Minister Ploumen, Netherlands Minister for Foreign Trade and Development Cooperation, IDH co-organized a round table on green economic growth with (e.g.) Minister of Commerce and Industry of Liberia, Minister Axel Addy, Managing Director of the Forestry Development Authority Hon. Harrison Karnwea Sr. and more than 30 Dutch companies and NGO's.

Ongoing collaboration is taking place on tea (Tanzania, Rwanda and Malawi), Fresh and Ingredients (Benin, Malawi, Tanzania, Ghana, Kenya), cocoa (Nigeria) and cassava (Nigeria, Ghana, Mozambique). In case this needs extensive engagement of IDH, we will opt to develop a commodity program on cassava. Other opportunities are foreseen in aquaculture, palm oil (Liberia) and cotton.

As the Grow Africa network opens doors at highest government level, IDH believes this can strengthen public embedding of its programs. An example is the engagement of the Malawian Minister of Agriculture and the Minister of Finance in our tea program.

Secondly, IDH will catalyse and deepen the collaboration with **local governments and institutions** to create market-responsive and producer centric policies and structures for sustainable production. An example for such next-stage intervention is cocoa where IDH and its partners work closely with local government in Cote d'Ivoire on a fertilizer policy. A second example are the National Platforms in our coffee program in Brazil, Vietnam, Indonesia and Uganda that leverage local sustainability schemes, public extension services and government sectors to boost sustainable production for domestic and export markets.

Thirdly, through combining multiple interventions (traceability, smart land use, supply shed approaches) IDH will help develop locally owned **integrated regional land- and water-use management**. Key elements are land intensification, preferential finance mechanisms, enhancing laws and regulation, and incentives for zero-net deforestation beyond the law. Endorsement from and close cooperation with local authorities is a prerequisite for adopting sustainable landscape approaches that address risks and opportunities beyond farm gates (e.g. water and soil conservation, biodiversity losses, carbon emissions).

In addition IDH, The Forests Dialogue (TFD) and the World Business Council for Sustainable Development (WBCSD) have signed a MoU to collaborate on developing and mainstreaming **sustainable landscape management** approaches that help businesses improve their impact on land, foster ecosystem restoration and deliver on deforestation-free commitments.

An example of such an approach is the program on palm oil in Indonesia, where initiatives for sustainable supply sheds are fostered by IDH aimed to agree joint investments by value chain actors, financial institutions and governments in high-yielding smallholder producers committed to zero-net deforestation, with traceable supply chains to committed off-takers from the Consumer Goods Forum.



Together with the Netherlands Ministry of Foreign Affairs IDH initiated in 2013 the Initiative for Sustainable Landscapes (ISLA) to pilot public private

partnerships for thriving landscapes at scale. Earlier attempts in the past 20 years to create integrated landscape programs often failed by lack of economic rationale and commitment of companies. Addressing these shortcomings in a new approach was one of the reasons why IDH was tasked to co-initiate ISLA. In resource-vulnerable landscapes ISLA convenes relevant public and private stakeholders in the area, and facilitates discussions about potential scenarios and interventions, recognizing costs and benefits for all relevant stakeholders. The program co-finances joint solutions of stakeholders based on a shared vision for inclusive green growth of the landscape. The support of local/national governments is pivotal to the success of ISLA. Also the interest and investment appetite of the private sector and a supportive link to existing IDH programs is key.

ISLA will focus on key landscape issues like: water management, deforestation (SDG 15), toxic loading and small holder empowerment (SGD1). By adopting a PPP landscape approach, competing claims on, and trade-offs between uses of, natural resources can be managed sustainably.

In June 2015 the South-West Mau Forest ISLA program: 'Building our Flourishing Future' was launched. The program leverages the stakes of the tea industry to protect the forests and its micro climate that enables tea production. Amongst others Francis Ole Nkako of the Ministry of Environment, Simeon Hutchinson of Finlays Kenya, Richard Fox of Imirisha Naivasha, Francis Kiragu, of Unilever Tea Kenya, Isaac Ruto, the governor of Bomet county and Paul Chepkwony, the governor of Kericho were at the launch to publicly speak out and support the program.

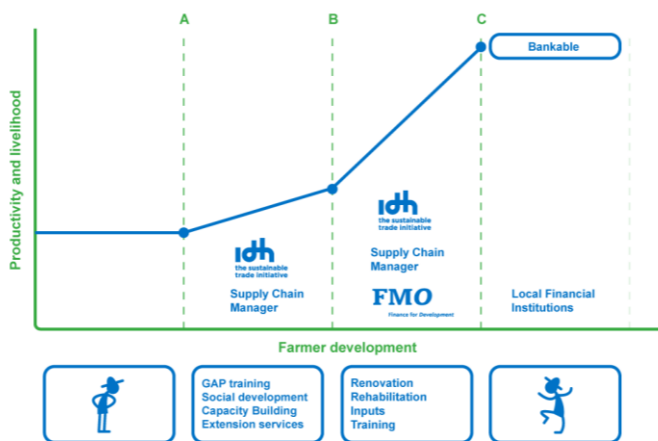
In 2018, the program aims to have established financially viable public private governance models for at least 6 landscapes in Africa, Asia and South America. ISLA will develop proven, replicable knowledge on governance approaches and economic rationales for sustainable landscape management. In various landscapes the opportunity of creating an investment fund will be investigated. The funds will mobilize additional investment by (development, national) banks, donors (e.g. World Bank, IFC, USAID), climate finance and private sector players. This model can later be scaled to other landscapes.

Beyond ISLA, IDH aims to scale the use of the landscape approach to other regions and programs where applicable. The methodology and tools of ISLA will be replicated in an additional 10 landscapes by 2018. The implementation of a landscape approach by IDH will also be done by attracting more funding

from other donors than the Ministry of Foreign Affairs of the Netherlands.

3. from grants to innovative finance

To bring IDH's market transformation programs to scale we need to move from a fully grant driven (i.e. subsidized) to additional **capital investment driven sustainable development** process. This involves finding innovative ways to efficiently leverage private sector investments in origin countries to deliver public goods. IDH aims to create experience and learning of these mechanisms by using a small amount of its funding to reduce risks that will catalyse finance from third parties.



To become commercial farmers operating as self-sustainable entities entrepreneurial smallholders need a full productivity package of agro-inputs, fertilizer and improved seeds and planting materials. Often they also require rehabilitation and/or replanting of their crops to realize the full potential of their farm, and become self-sustainable.

These productivity input and rehabilitation services require a much larger financing facility – being both substantive in amount and cyclical in nature – and markedly beyond the scope of grant funding. GAP training in Africa e.g. costs roughly 100 to 150 euros per farmer but a simple fertilizer composite could be as much as 400 euros per farmer per season, depending on the crop.

The (trading) companies in direct contact with these smallholder, here described as Supply Chain Managers (SCM's) are in many cases, the most suitable principal conduit for delivering services to smallholders, as they have the network, the lowest cost structure, and in the long-term benefit from such investment (increased offtake and better quality crop

with lower reputational risk) and are thus the most willing participant. IDH is also well-positioned as a public good provider in this process as it has built up a reputation with the SCM and has experience in funding the transition of smallholder farmers.

Pivotal for SCMs in moving into this type of engagement with smallholders is their capacity to handle the much higher levels of risks associated with such an investment. Medium-term and longer-term financing requires a risk tolerance beyond the scope of even the largest SCMs. Smallholders typically have no track record on repayment of loans. Still too early for local or international commercial financial institutions due to the risk, IDH has engaged with FMO, the Dutch Development Bank (FMO), to develop ways to support this style of farmer financing. IDH sees a clear opportunity to act as a catalyst for the financial industry as well as the supply chain. Through IDH's supply chain networks and field-level projects, FMO – and other development banks and special purpose funds like GAFSPI, is willing to invest in these projects and the prototyping of this process of farmer upgrading can take place; providing much needed examples of farmer-level financing. By engaging IDH can also ensure a defensible balance between SCM's interest in ppp-investments to secure high quality produce and small holders freedom to negotiate a fair market price.

Phase 2 will involve a parallel process of engaging with local financial institutions in the region. This ensures that ppp loan instruments are not disrupting existing financial market mechanisms and at the same time paves the way for IDH's gradual exit.

Within the actual IDH innovative finance projects, focus will be on 2 specific Impact areas:

- 1) Improve Smallholder Farmer Livelihoods;
- 2) Proof-of-concept of Sustainable & Scalable smallholder farmer financing business models within producer countries

The program aims to target:

- Productivity of smallholder farmers (through access to inputs and other services);
- Profitability of smallholder farmers (improved productivity at a lower cost outlay);
- Improved Bankability of smallholder farmers (developing farmer financial track records coupled with farmer professionalism)

IDH hopes to show success in its Innovate Finance program by meeting the following targets at the end of 2017:

- 1) Catalyzed at least two financial institutions (DFIs or commercial FI's) to engage on a project directly financing (sharing-risk) smallholder farmers (or farmer groups);
- 2) Engaged on three separate projects across IDH's supply chain with financial partners and the supply chain providing finance to smallholder farmers;
- 3) Catalyzed more than USD 30million of direct investments into smallholder farmers or farmer groups (i.e. loose associations or Cooperatives);
- 4) Reached more than 80,000 farmers and providing them with access to finance;
- 5) Built concrete partnerships with at least three financial institutions to engage on sustainable upstream supply chain financing;

The lessons IDH derives from including an innovative finance learning agenda across its programs will be disseminated and used to actively engage other organizations and donors.

4. Embedding gender equality in our transformation strategy

IDH integrates gender equality in its strategies. It started with 3 approaches of providing proof of concept to improve gender equality and empowerment. In **coffee** and **cocoa** IDH is developing prototypes to demonstrate the business case for Family farming in West and East Africa.

In **tea** IDH is developing models and training modules to address sexual harassment of women and gender based violence in East Africa and India. In **cotton** and **apparel** IDH will actively support women

IDH teamed up with Hivos that released the first toolkit to include women and youth in the coffee sector. The toolkit is a joint effort of the Sustainable Coffee Program, Hivos and Agri ProFocus to address inequalities that women and youth in the coffee supply chain experience such as access to trainings, land ownership, inputs and income. These issues demotivate a new generation to stay in coffee farming.

empowerment in India and Vietnam. Equal opportunities, equal labor conditions, empowerment and protecting women against sexual harassment are, or will become important themes in farmer field schools, sourcing strategies and investment plans.

In cotton we are currently improving the share of women farmers and workers by at least 20% through learning events, workshops and farmer field schools. Women will be empowered to be decision makers on and off field while making financial investments. To tackle gender issues effectively, we need to build our knowledge base by seeking cooperation with organizations such as HIVOS and KIT.

5. Learning: bringing impact into core business

To be effective as convener, IDH should be recognised as a knowledgeable partner at senior level in business, government and civil society. We need to pull together the best science and industry know-how, the latest thinking on trends and issues, to inspire better practices across sectors. Also, we need to drive innovation and learning amongst partners to bring impact from concepts to scale, mainstreaming sustainability into the core business. The IDH Learning and Innovation Program is critical to this, in three fundamental ways:

In cotton IDH designed an impact investment dashboard to guide the funding decisions of brands and funders. The indicators and metrics that we developed helped to create a shared language for market transformation between various cotton stakeholders, and are being used for the strategic planning of the Better Cotton Initiative.

Firstly, IDH develops field evidence, sector analyses and business cases to inform strategists and decision-makers in the programs. We design and execute impact studies across sectors to assess and improve the IDH intervention models.

The IDH learning program aims to catalyse collaborations where companies integrate impact metrics into their data management systems in their supply chains, so that evidence of impact and return on investment need no longer be based on ex-post research. We are pioneering this collaboration with 5 industry partners in the cocoa sector, together with the Sustainable Food Lab, IFC and others.

IDH developed country-specific business cases that analyse and identify the opportunities for improving the businesses of coffee farmers, originators and primary processors, whilst improving social and environmental performance. The business cases have been translated into country strategies which guide the public-private dialogue, as well as into the criteria for field level projects funded through the program.

Sustainable intensification of smallholder production	<ul style="list-style-type: none"> • What are step-wise approaches to renovate and intensify smallholder production systems in cocoa, coffee, tea & palm oil? • How to frame intensification in a smallholder context of risk mitigation, diversification and resilience? • How to accommodate loss of farmer income in the transition phase? • How to share risks and upfront costs in the supply chain?
Sustainable land and water management	<ul style="list-style-type: none"> • What's the business case and the drivers for companies to become engaged in sustainability beyond the supply chain? • What are effective models for public-private dialogue and governance of landscape management? • What are models for sustainability monitoring and verification at a landscape level?
Social and environmental externalities	<ul style="list-style-type: none"> • What are the social and environmental costs of key commodities? • How to de-link commodity production from deforestation? • What are business solutions for addressing social issues beyond the supply chain (such as living wages, land rights, access of women to land and resources, nutrition)? • What are best practice models for effective public private collaboration on these issues?
Service delivery models	<ul style="list-style-type: none"> • What are best practices in structuring the delivery of services to smallholder farmers? • What are the drivers for cost-effectiveness and scalability in service delivery models? • What are effective models for rating of farmers in typologies for service targeting?
Innovative finance	<ul style="list-style-type: none"> • How to structure and maximize the public good return from private investments? • How to build up farmer bankability by leveraging their integration into the supply chain? • What are best-in-class governance models for smallholder inclusion in the supply chain? • How to "blend" grants and soft loans with commercial capital for impact investing?

Secondly Learning & Innovation drives innovation and continuous improvement in sector programs. We organize strategic reflection and lead the design and prototyping of next-stage solutions for critical bottlenecks. We work with partners to identify and assess the most significant externalities in a sector, and to develop models and solutions to internalise these into the supply chain business models. As such, learning ensures that IDH programs continue to operate at the forefront of innovation, pushing the frontiers of business-as-usual into ever higher levels of sustainability.

In cocoa IDH is driving a knowledge agenda around cocoa nutrition where we leverage the best scientific knowledge to give guidance to industry on how to advance on these issues on the ground.

In the coming years the ambition is to build out our work in this area and partner with leading organizations (such as Forum of the Future, GAIN, ETP, WUR, IFC and ICI) to create "think-tank dialogues" where sector stakeholders share thought leadership around complex sustainability challenges and actionable pathways. The aim is to create models and solutions through which trade and industry

partners and stakeholders can integrate such impact issues into their sphere of action.

Thirdly, IDH will promote learning in the wider field of supply chain sustainability. IDH focuses on learning-for-impact in its sector programs, which is not immediately visible for the wider field of sustainability. IDH divulgate lessons and insights for the wider community of sustainability and supply chain professionals, through publication of research and good practices and the organization of learning events.

For the coming years IDH aims to organise a number of influential publications. On thematic issues we aim to build a visible profile (see table above).

In tea, working on living wages, the IDH learning team, together with Oxfam, organized field evidence on the issue in order to trigger dialogue and prototyping of solutions in the industry

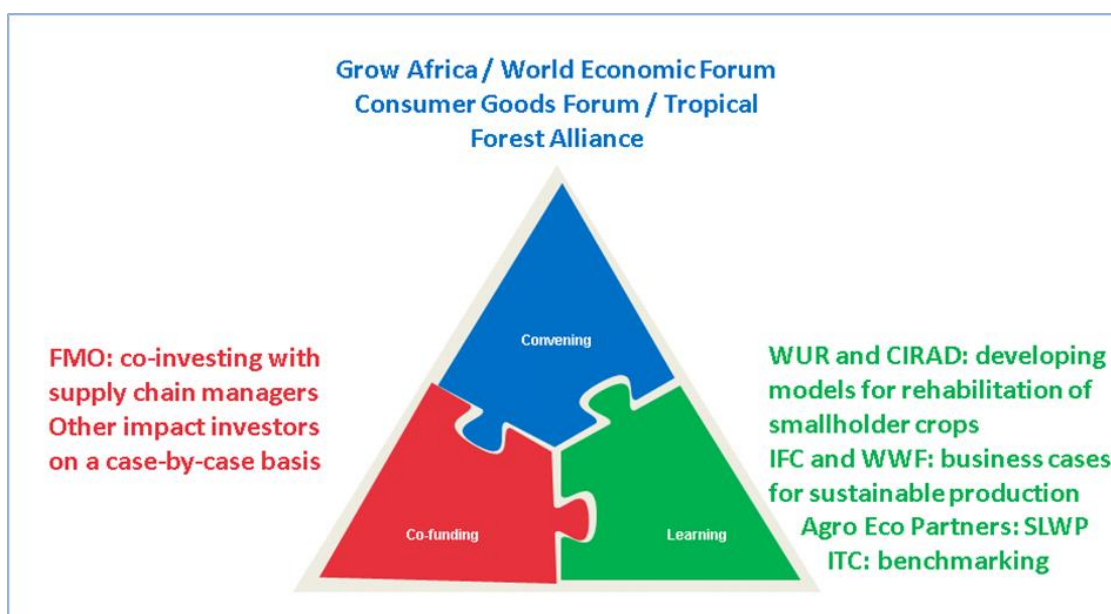
Content-wise, the IDH learning agenda develops continuously in response to the bottlenecks and challenges in the IDH programs. The agenda will therefore continue to develop as we implement, learn and reflect on challenges ahead. A number of key themes are foreseen and will be translated into a strategic learning agenda.

6. Partners

The power of IDH derives fundamentally from the close collaboration with public and private stakeholders. These partnerships go beyond the level of supply chains. In addressing some of the complex, socio-economic dynamics on the ground (e.g.) such as gender IDH clearly needs to partner with NGOs with proper gender expertise. Hence, in the years to come IDH will continue to build on these partnerships in order to increase the scale and impact of its work.

Examples of some other important partnerships are (the full partner list can be found on the cover of this document) :

- **Convening:**
 - Grow Africa / World Economic Forum: for convening investment coalitions for inclusive business development in Africa
 - Tropical Forest Alliance: for convening coalitions in palm oil and soy for delinking commodity production from deforestation
 - OECD for global cooperation and guidelines on what service providers to select.
 - WBCSD for aligning private sector engagement in landscape level approaches
 - ICO and 4CA for global convening of public sector, private sector and CSO's active in the coffee sector
- **Financing:**
 - FMO: for co-investing with supply chain managers in upstream supply chain projects to upgrade smallholder farmer production
 - Other development banks and impact investors: on a case-by-case basis
- **Learning:**
 - WUR and CIRAD: for developing models for rehabilitation of smallholder tree crops (coffee, cocoa, palm oil)
 - IFC and WWF: business cases for sustainable commodity production
 - Agro Eco Partners: for the ISLA program
 - ITC: benchmarking of standard systems
 - Sustainable Food Lab and COSA: development of common indicators and methodologies for performance measurement and impact evaluation
 - HIVOS, Goal and others for gender and nutrition



5 Portfolio strategy and management

To ensure focus on impact in our 2016-2020 interventions, IDH identified clearly what change IDH is after through its supply chain interventions. For each of its programs and for the program portfolio at large IDH has developed upfront definitions of the attribution claims and impact narratives:

- Attribution claims: what is the IDH attribution to lasting changes in the programs?
- Impact narratives: what are the key result chains (output-outcome-impact)?

Portfolio strategy

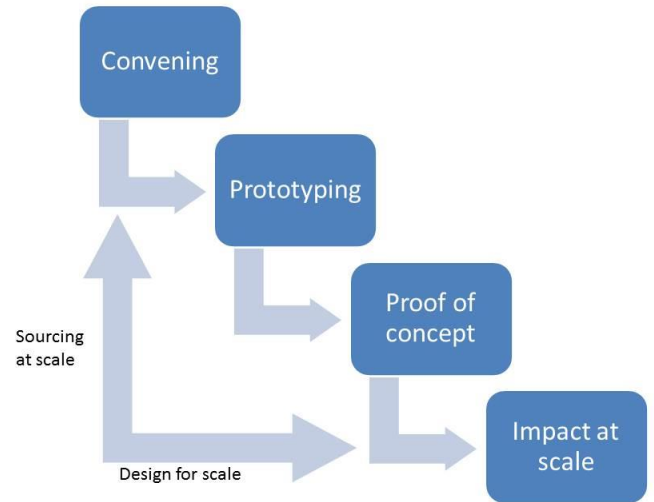
In 2016-2020 the focus is on addressing sustainable consumption and production (SDG 12) with deep (high hanging fruit) impact on (e.g.): improved livelihoods of smallholder farmers and increased, decent incomes for workers to help end poverty (SDG1) and promote inclusive and sustainable economic growth (SDG 8), improve gender equality (SDG 5), nutrition (SDG 2) and help to halt deforestation (SDG 15) and toxic loading. On these challenges, IDH aims to transform business practices and strengthen public-private sector governance, so that these externalities are internalized, thereby fundamentally contributing to positive impact at scale on people and planet supported by viable economic mechanisms.



Impact assessment has shown that many of the current large-scale (often certification-based) interventions have significant shortcomings in addressing the high-hanging fruits. Against that background IDH sees the need for a stronger focus on

developing new **proof of concepts** which can be replicated, either with assistance of IDH, or outside the scope of our program portfolio.

IDH sees a strong role in co-building these approaches, organize learning and critical reflection around it, and identify the scaling (including private sector commitments) mechanism for large-scale roll-out.



By convening the large front running and SME players in a sector and, jointly with them, prototyping solutions and innovations on the ground with economic mechanisms that support self reliance of the systemic change, IDH will develop proof of concept for addressing critical externalities in that sector.

Proof of concept enables impact at scale, and embodies own exit strategy as IDH. Our program aim towards impact at scale, thus we see it a key IDH contribution to the market transformation agenda to deliver documented "proof of concepts" of scalable, innovative systemic approaches which can be adopted and scales by industries to selected SDG challenges thus mitigating the growing threat that industries focus only on scaling producer level certification based models that do not generate the desired impact.

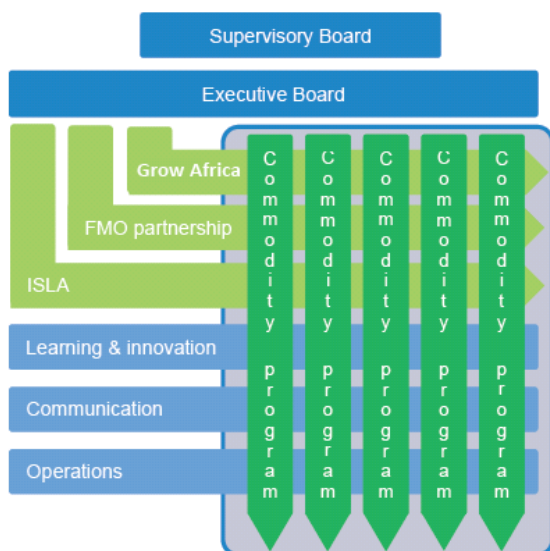
With proof-of-concept we mean proven, scalable private-sector-driven solutions which are internalized by the businesses that we work with, in an enabling environment of effective public-private collaboration and within viable economic mechanisms.

In 2016-2020 we will engage in (approximately) 11 sectors, triggering more than 100 million Euros of private sector investments and a significant increase in sustainable sourcing in 10 sectors. In 9 sectors we

For a robust contribution to market transformation programs, IDH will require funding in the range of Euro 35 - 50 million annually. To realize this ambition IDH needs a solid organizational development strategy, centered on high competency levels of personnel, efficient PME systems and transparent governance structures.

Governance

The Executive Board is responsible for the management of IDH and responsible for the realization of IDH's objectives, strategies, finances and overall policies. The Supervisory Board is charged with supervising the policy of the Executive Board, IDH's general business framework and IDH's performance.



The IDH Governance Code documents principles and practices of IDH's Executive Board, Supervisory Board and the Supervisory Board's Audit-, Remuneration- and Nominations and Impact Committee. The IDH governance framework provides for continuous improvement of processes by incorporating the recommendations made by the Supervisory Board and its various committees as well as IDH's institutional donors and external auditor.

To help harmonize donor agendas IDH created the IDH Donor Committee through which our institutional donors meet twice a year to share policy and program information, establish a platform for ongoing policy dialogue, and to provide input and

comments on Annual Plans and I Reports, before they are up for approval by the Supervisory Board.

All key IDH operational procedures, management and governance regulations are updated and checked on a regular basis and form an integral part of the audit object in conducting the audit on the financial statements of IDH.

To be as transparent and accountable as possible IDH will publish as of 2016 data compliant to the transparency standards of the International Aid Transparency Initiative (IATI).

Corporate structure

IDH's organizational model is as follows:

- Program management (and accountability) lies directly with Program Directors who are members of the Management Team (MT);
- IDH's Operations team, Learning team, Public Affairs team and Communications team are structured to support, advise and control programs;
- "Horizontal" programs (such as ISLA, and Innovative Finance) are structured to support the impact of programs;
- There is a maximum of one management layer between any employee and a MT member.

All MT members report to the Executive Board. The Executive Board is accountable to the Supervisory Board. IDH's focus is on its sector programs as the leading intervention approach.

As IDH will remain a convener and not a "on the ground" project implementer, most of the IDH staff will remain based in Utrecht headquarters.

In origin countries that are important for IDH's interventions, a limited number of local convening staff will be deployed in (e.g.) Indonesia, Vietnam, India, and Kenya and Ivory Coast.

Human Resource Management

A critical success factor of IDH in leading multi-stakeholder interventions is the skill set of the staff. Attracting the right people and growing their capabilities is essential.

Internal training and discussion is pivotal. In the bi-annual "office week" topics like best practices for gender, smallholder inclusion, living wage and deforestation are being discussed with external experts, and trainings are organized.

The staff levels will balance with the program funds spend. The table below provides an overview of the anticipated staff development over the coming years.

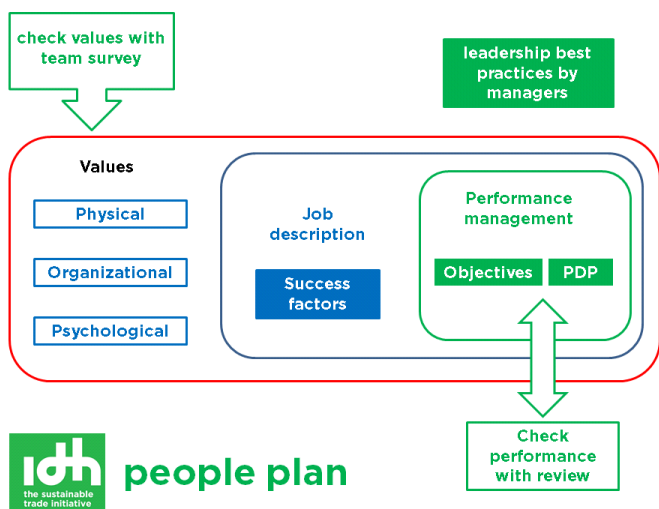
Anticipated staff 2016-2020	
Central MT members	4
Central Support Staff	3
Central Operations	5.5
Learning	5.5
Public Affairs and Communication Staff	6.5
Supply Chain Transformation	24.5
Focused Intervention	15
Local Conveners	9
Total in FTE	73

People management

The IDH performance management process ensures attention, quality and follow-up in reviewing the performance of team members in relation to their job descriptions, including success factors. A line manager (people manager and co-reviewers) conduct the performance appraisals. Objectives and a personal development plans are set annually.

Across different levels within IDH, a capacity building plan is rolled out that focuses on strengthening the most relevant key competencies and knowledge areas of our staff.

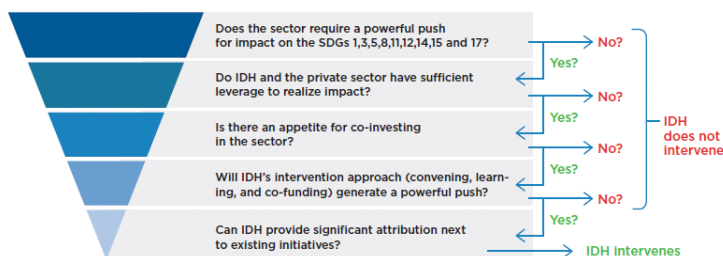
To provide IDH with a regular "mirror" to ascertain whether management and staff "walk the talk" an employee team survey is conducted annually. This survey measures overall satisfaction levels of team members and checks whether the existing team values are still valid and lived.



In 2014 IDH established an Employees Council (Works Council) in line with the Dutch Works Councils Act (*Wet op Ondernemingsraden*). The Employees Council fulfils an important role in decision making and advice on (e.g.) fringe benefits and is a sounding board to the IMT and Executive Board.

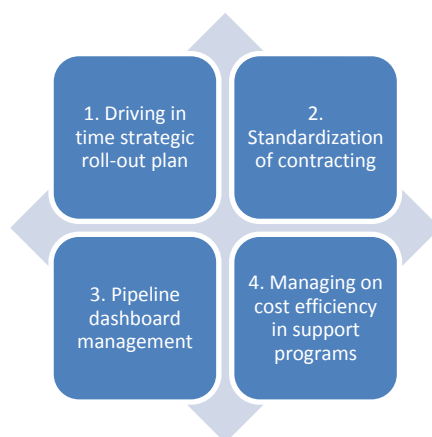
Decision making framework

When deciding on whether or not to start a program, a process of scoping and development takes place. During this process is (also) determined what and IDH's role and attribution can be and what a proportionate level of intervention should be. In the period 2016-2020 IDH will focus on bringing its programs to scale through scalable proof of concepts. If it is nevertheless decided to start a new program, the existing decision making framework is used as a basis (see diagram below).



Control structure

To prepare our control systems for ongoing growth IDH sees the following four key areas of development for managing our workflows:



Strategic roll-out plan is developed in joint effort by program teams and the operations department. Where possible through calls for proposals (including program guidelines, requirements and restrictions) or other tools we harmonize and standardize program proposals, contracts and PME processes.

Customization can only be done in exceptional cases. The EB decides whether or not to move forward.

Financial dashboard (up-to-date reconciled with the financial administration systems) by every program team with solid pipeline prospects, which allows proper planning and **pipeline management**. Financial management will be done from within the program teams by dedicated financial officers.

We actively manage on **cost efficiency** to ensure maximal return on investments of public funds and to be able to move to large scale on-the-ground implementation..

Contract management

The IDH framework for contracting has the following components:

- The strategic direction and intervention logic of the project is captured in a **Call for Proposals** or a ToR document which is shared publically along with an invitation to submit proposals.
- All proposals received are assessed (in general by an independent **Project Assessment Committee** or by a multi stakeholder Steering Group); results are consolidated and documented and the best proposals are selected and proceed to contracting and implementation;
- After an **assessment** of (e.g.) the administrative capacity of the implementing partner, a **contract** is signed. This can be a company, NGO or a consultancy firm. An activity based **work plan with budget and KPIs** is part of the contract, with the mandatory IDH **reporting guidelines**. After approval by relevant IDH officers, and signed by both parties its administered in IDH's financial administration systems.
- An **annual project plan** is drafted (which is the basis for the anticipated expenditures in that year), against which will be reported once or twice a year (depending on the KPI) through Orion (IDH's program management system). The financial report of the project is subject to a **financial audit**, either conducted on local level or on IDH's level.

IDH has the following standard contracts:

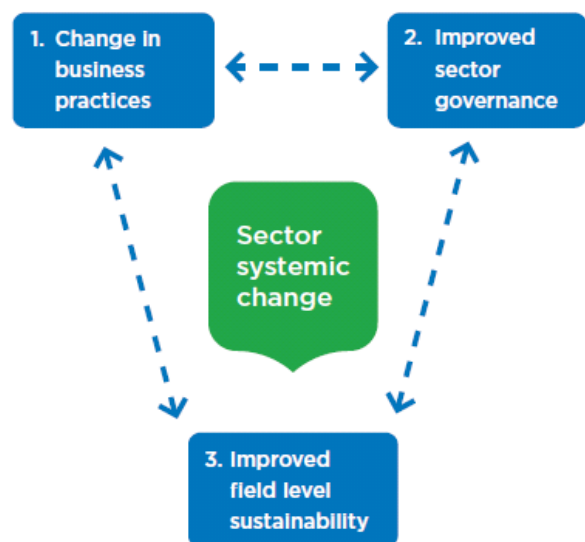
- Memorandum of Understanding / Letter of Intent
- Funding Agreement
- Letter of Assignment
- Cooperation Agreement
- Non-Disclosure Agreement
- Service Agreement

Result Measurement

For monitoring and evaluation, the IDH programs will maintain a strong control framework. This is essential for a multi-commodity, multi-donor, and impact-oriented approach that is IDH's. In order to maintain this strong control framework, IDH has designed a new Result Measurement Framework (RMF) which will be applied to all new projects starting between 2016-2020. The approach and terminology used in the new RMF is based on the Donor Committee for Enterprise Development (DCED) standard of results measurement.

Systemic sector change

IDH overall aim is to contribute to systemic changes i.e. improved incomes and more sustainable production practices as a result of changes in behavior and systems of key actors along the value chain. IDH's targets and Monitoring & Evaluation (M&E) system are structured according to these results areas.



Change in business practices:

- Internalization of sustainability in core business management practices
- Procurement strategy/ structures
- Sustainable production & trade
- Service delivery to producers

Improved sector governance::

- Sector dialogue and coordination
- Investment and resource availability
- Access to services
- Public policy for support and regulation
- Organization of production base

Improved field-level sustainability:

- Economic: yield, profitability, income diversification, household poverty, food security
- Environmental: water management, deforestation, toxic loading
- Social: wages, working conditions, gender equality, child labor, worker empowerment

For each result area, IDH has defined indicators to measure changes on the level of output, outcome and impact. IDH uses the terms key performance indicators (KPIs) and impact indicators, which are defined as follows:

- **Key performance indicators (KPIs)** are related to the results chain at output and outcome level. Output indicators measure changes that are fully attributable to IDH's interventions. Outcome indicators measure a behavioral change. Outcome indicators data will be collected once a year by using balance score cards. Data are collected by implementing partners, IDH itself, or in consultation with relevant stakeholders.
- **Impact indicators** are related to the impact level of the results chain. The impacts indicators contribute to the Sustainable Development Goals (SDGs). The program is accountable of making a plausible contribution. Impact studies are done once in 2-4 years. These studies will be carried out by specialized third parties and fall under the coordination of the IDH Impact committee and M&E team.

For each indicator, IDH created a (program specific) measurement protocol, which provides additional information related to definitions and methodologies for measuring. The protocols will be shared and discussed with IPs.

Reporting

IDH's reporting is based on annual plans, progress reports and annual reports which are required from all IPs and are aggregated into IDH plans and reports to donors. In each September IPs are requested to provide planning detailed activity plans, KPI targets and an activity based budget for the coming year. Aggregated plans are shared with donors and brought to the Supervisory Board for approval.

Annual Plans of IPs are reported on twice a year: through an IP progress report in September

(consolidated in the IDH progress report and discussed by donors and the IDH Supervisory Board) and the IP Annual report in March (consolidated in the IDH Annual Report and discussed by the IDH Supervisory Board and donors in May). In these reports, program costs and deliverables are tracked. Output indicators are measured and reported.

In line with the Articles of Associations and the Governance Code, IDH will compile both an annual plan and a public annual report annually. The IDH Annual Report is accompanied by the IDH Financial Statements, which provide an overview of IDH's financial position. The financial performance of the projects financed by IDH, including the private sector and other donor investments to the projects, is included in these financial statements. All projects are either audited by an independent auditor (in compliance with the IDH IP Audit Protocol) or audited on IDH level.

The financial statements of IDH is being prepared in accordance with the guidelines for annual reporting 640 'Not for profit organizations' of the Dutch Accounting Standards Board.

In addition to the reporting cycle, IDH assesses project performance via other measures in order to provide up-to-date information about the progress, ensure accuracy of information as well as to enhance learning within IDH. The frequency of assessments will depend on the risk, value, reputation of the IP and/or learning value of the project.

On a quarterly basis IDH organizes calls and/or meetings between IDH's project teams and the IPs. These updates are done for projects worth more than EUR 200.000 or for projects that are considered to be high-focus projects.

Key components are:

- Contractually agreed KPI targets
- Project expenditures
- Upcoming events
- Learning opportunities and experiences

In addition, IDH or its partners (other than the IP) will conduct annual field visits which will be documented and shared within IDH. In some cases IDH may also consult experts within the sector to provide insights into current cross cutting issues.

Impact Committee and Impact studies

The IDH Supervisory Board has established an Impact Committee that provides the Supervisory Board with

both solicited and unsolicited advice on measuring and communicating social and environmental impact of IDH programs. In this process donors are actively consulted to align evaluation efforts as much as possible. The Impact Committee reviews IDH's internal reports regarding the impact of its supply chain programs; assesses the impact of the supply chain programs; advises on the measuring methodology and communicating impact; and advises on possible changes in programs strategies to maximize impact of programs.

IDH organizes impact evaluation studies for a selection of its portfolio of programs. This selection represents a proportional part of the total investments and the most common interventions of IDH across its portfolio. In the period 2016-2020, in addition to more general evaluation questions, the focus is on a handful of program Proof of Concepts.

The impact evaluations establish whether the intervention had a welfare effect on individuals, households and communities, and to what extent this effect can be attributed to the IDH program. It will also establish the impacts at sector transformation level (change in business practices and sector governance). It should include both the intended and unintended consequences of its actions. Where possible the studies are based on a difference in difference design comparing before and after changes and intervention and control group differences.

IDH contracts independent third parties which have to assure methodological rigor and independence including the following steps: evaluation design being embedded in the program strategy and result chains, comparison groups serving as the basis for a credible counterfactual, addressing issues of selection bias (the comparison group is drawn from a different population than the treatment group) and contagion (the comparison group is affected by the intervention or a similar intervention by another agency), triangulation of findings and contextualization of the evaluation.

Financial reporting

IDH operates with public resources to achieve public good impact. It is important that IDH stakeholders can trust that IDH acts responsibly and within acceptable standards of risks. IDH complies with high standards of transparency and risk awareness. A risk management framework ensures sufficient levels of risk awareness and control or mitigation of risks as

part of the regular control framework.

Annual reporting cycle	Y	High level overview of all important risks and mitigation activities
MT finance meeting	M	Finance, planning, control and legal compliance risk for programs and IDH organization.
Program review per program	Q	Discussion on strategic themes and flagging of all programmatic operational and reputational risks and mitigation activities.
Program partner assessment	Q	Program partner due diligence using the ICSR framework

The IDH Risk Management Framework classifies risks in the four categories.

Risk Category	Risk	Probability	Impact	Mitigation
External Organization Program Financial, Planning & Control	Risk, Cause and consequences (with direct relations to time, money, quality, reputation).	The chance that the risk occurs (high, medium or low)	Impact that the risk can have if it occurs (high, medium or low)	Most important control measures and actions that are taken

Current risks and mitigation measures

For the coming years the following key risks have been identified and will be under continuous attention of IDH.

Partners and their ICSR

As part of its risk mitigation strategy, IDH has adopted a International Corporate Social Responsibility Policy which entered into force January 1, 2013. This policy aims to outline IDH's strategy for the integration of the OECD guidelines for Multinational Enterprises in its program activities.

OECD guidelines

The OECD guidelines for Multinational Enterprises are a leading tool for defining responsible business practices and identifying related risks in the supply chain. These voluntary principles and standards, together with the ILO conventions on fundamental labor rights and principles provide a framework for IDH's International Corporate Responsibility Policy. IDH is not nor will it be involved in any of the following sectors: weapons and munitions, tobacco, hard liquor, radioactive materials, gambling, casinos and equivalent enterprises.

Risk Category	Risk Description	Probability	Impact	Mitigation Measures
External	International donors move disproportionately away from cash crops to food crops following international food security models.	High	High	Increased donor outreach and mobilizing support from expert on the development benefit of ongoing supporting for cash crops.
External	Eroding support in society (political and NGO's) for any kind of PPP approach with international companies on sustainable sourcing	Low	High	Explain theory of change, impact and funding model IDH better to stakeholders in society
Program risk	IDH not creating sufficient impact versus raised expectations.	Medium	High	Relentless focus of energy and resources to ensure target results and impact; Manage expectations with transparency and communication, stressing the innovative character of IDH approach.
Program	Private partners do not move from CSR to Creating Shared Value – business as usual remains unsustainable practices.	High	High	Assessment and involvement to improve the business case for sustainability, open dialogue with management of companies at board room level.
Organizational	IDH staff in quantity and quality not up to the job.	Medium	High	Ongoing selection to have the "best" people, getting the best out of them with coaching leadership and protecting the current situation that all feel that IDH is a "great place to work"
Financial, P&C risk	Resources in operations for legal and financial control are not sufficient to monitor increasing number of contracts, audit.	Medium	High	Increase staffing in operations (in progress) and even further operational efficiency e.g. through standardization of call for proposals/templates

Leveraging private sector investments

IDH provides co-funding to leverage the private sector investments to accelerate the sustainable supply chain improvements. IDH identifies the following types of private sector investments:

1. Directly by or to the implementing partner
2. Additional investments to the project
3. As part of the innovative finance methodology

IDH will report on all these three elements in its financial report. For an explanation on the requirements, ratios and eligible private sector investments, below a further description is given:

Directly by or to the implementing partner

These are private sector investments that are directly related to the activities as described in the project proposal and which are approved as such together with the approval of the project proposal. It is the implementing partner's responsibility to report on this.

The agreed co-funding ratio is contractually agreed with the partners of the approved project. The total co-funding of IDH for a project should not exceed the contractually agreed ratio on IDH co-funding and the private partner investment to the project. The ratio is calculated over the entire program period. IDH will report in its annual report and financial statements both its contributions to programs as well as the private sector investments and other donor contributions ('program partner contributions').

For 2016 – 2020, IDH will provide co-funding of private sector investments with a minimum ratio of 1 meaning that for every € 1 funded by institutional donors, a private sector investment of at least € 1 is leveraged (unless otherwise agreed upon). This ratio is applicable to the program grants provided by IDH and does not include the requirements on private and other donor contributions in for example the ISLA program.

Financial flow program partner investments

These private sector investments can either be contributed via IDH, directly to the IDH's Implementing Partner (IP's) or directly contributed to the project. If via IDH, IDH will enter into grant agreements with these program partners to secure IDH's exposed liability to the IP's. The investment from (private) program partners can either be contributed in cash or 'in-kind'. IDH has issued IP Guidelines for Planning, Monitoring and Reporting which also include guidance on the general requirement of eligible 'in kind' contributions, for example on tangible and intangible fixed assets, costs for normal business operations with no sustainability additionally and the allowed coordination fee.

When issuing a call for proposals, IDH also issues the criteria and guidelines on eligible private sector investments. These are formulated in line with the program strategy and intervention methodology. During the approval process of the project proposals, the proposal is benchmarked against these requirements. Only those investments that are approved in this project proposal are eligible to count as private sector investments.

Eligible source of private sector investments

Only those investments by the private sector, that are generated within the same commodity supply chain, are eligible to count as private sector investments. For example, grants provided by non-profit/charity foundations like the Ford Foundation or Packard Foundation in a Cocoa project are not considered as private sector investments, but grants by the Levi Strauss Foundation to the Cotton program are considered as eligible private sector investments.

Additional investments

These are private sector investments that are directly related to the objectives of the project, but are not reported to IDH by the contracted implementing partner, but which are directly reported to IDH by the contributor. These types of investments form a direct link with the objectives and the result measurement framework

Innovative Finance – reporting on grants, guarantees and loans

IDH developed an innovative finance program which will be further rolled out in 2016 – 2020.

In this model, various funding tools are required from the wider supply chain actors, investors and development agencies, like grants, innovative finance and outside investments (guarantees, impact investing and local financial markets). Within IDH's mandate, we can use new mechanisms such as conditional grants to catalyze the investments required. The success of these projects can only be seen through the wider investments that are catalyzed by IDH's (conditional) grants. As such, IDH will report and detail on all these three elements.

Grant

By providing co-funding to these projects, IDH is able to negotiate, structure the project and then monitor that sufficient public good impact results are achieved. Furthermore, IDH's funding is catalytic as it subsidizes the up-front project costs of the private sector players making it a viable option for them. IDH will provide co-funding in the form of a grant, with a minimum ratio of 1:1 (private sector).

Catalyzed outside investments

With IDH innovative finance program, the supply chain can co-structure projects focused on input and rehabilitation services to farmers. IDH's guarantees and grants catalyzes impact investors, financial institutions and companies to invest in these projects.

Thus filling the financing gap required for these larger scale projects.

The financial administration and internal control process for IDH's innovative finance program is under the responsibility of the financial institution and IDH will rely on their internal control processes for this. The cooperation agreement between the parties, including IDH, will set out the terms, conditions and guidelines on this.

IDH Supervisory Board

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Corporate Director, Sustainability & HSE, AkzoNobel

Johan van de Gronden

CEO, World Wildlife Fund Netherlands (WNF)

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