



# Annual Report 2016

Building business  
cases for impact  
on global goals





Ministry of Foreign Affairs



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
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Swiss Confederation

Federal Department of Economic Affairs,  
Education and Research EAER  
**State Secretariat for Economic Affairs SECO**

**DANIDA**

# IDH, the Sustainable Trade Initiative

The statutory name of the foundation is Stichting IDH Sustainable Trade Initiative (CC reg. 53521129). It has its registered office in the municipality of Utrecht, the Netherlands. The foundation's objectives are to promote sustainability in the main international trade chains. It aims to reinforce public-private consortiums that operate in those international chains in order to create positive impact and value (from an economic, social and environmental perspective) in developing countries and emerging markets. The foundation does not have a profit agenda.

To achieve these objectives IDH:

- a) Convenes result-oriented coalitions of companies, NGOs, trade unions and governments towards joint visions and program agenda's for sustainable trade;
- b) Co-finances programs to improve sustainability of supply chains, leveraging market finance and generating proofs of concept for replication and scaling by the actors in the commodity supply chains;
- c) Produces and distributes learnings from important innovations, challenges and experiences in these programs.

The foundation is led by an Executive Board which is appointed by the Supervisory Board. The Executive Board represents the foundation, and currently comprises Mr. Joost Oorthuizen and Mr. Steven Collet.

The supervision of the Executive Board's policy and of the foundation's general course of business has been assigned to the Supervisory Board. The Supervisory Board consists of at least seven people, who have an affinity for sustainable trade, general administrative qualities, independence, support for the objectives and statutes of the foundation, and a wide range of expertise, skills and (international) backgrounds.

Furthermore, a team of program managers, and departments of Operations, Public Affairs, Communication, Learning & Innovation, and Innovative Finance make up the IDH organization. During the course of 2016, IDH employed an average of 60.4 FTEs (2015: 51.7 FTEs).

# Report of the Supervisory Board

The context for sustainable development is gradually changing. The adoption of the Sustainable Development Goals (SDGs) and the COP 21 carbon reduction agreements provide businesses, governments and civil society with a clear compass for their 2030 pathway.

The Supervisory Board is convinced that the SDGs are realistic, pragmatic and achievable. However, their objectives will not be achieved easily. They will require ever stronger partnerships between the public and private sector, as well as an integrated approach to generate economic, environmental and social impact simultaneously.

This requires the private sector to progress towards the next maturity level: from integrating sustainability programs into their businesses to transforming their businesses to contribute to inclusive growth and shared value.

The Supervisory Board is glad to see that IDH has successfully concluded its first strategy phase and has started implementing the next phase of interventions, focusing on prototyping sustainable business models for impact at scale on five cross-program themes: smallholder livelihoods, mitigation of deforestation, living wage and improved working conditions, responsible agrochemical management, and gender equality and empowerment.

We welcome the changing focus from productivity towards profitability of smallholder farmers. Fueled by the innovative finance agenda which calls for economic viability of sustainable growth models IDH's interventions are increasingly designed to create return on investment for both companies and smallholder farmers. Cost efficiency and being investable are becoming important parameters for future investment decisions of IDH in its commodity and landscape programs. This will also create a higher return on impact per euro for the donors of IDH.

We have appreciated the leadership of the IDH Executive Board on pioneering an integrated approach to agriculture and forestation. The classical dilemma between food, feed or fuel is gradually moving to a positive agenda on smart agriculture, landscaping and reforestation. IDH has strengthened its convening role through building more and stronger coalitions with local governments as well as local communities and companies that are not connected to international supply chains, but which are

vital to address social and environmental issues in the landscapes. Connecting these sustainable sourcing areas to international supply chains will create a global commodity market with companies that reward and invest through innovative finance deals in such “safe” sourcing areas to meet their sustainability and/or zero net deforestation targets.

In 2016, the Supervisory Board met three times, while the Audit Committee convened four times, and the Impact Committee and Remunerations and Nomination Committee met twice each. The Supervisory Board approved the 2015 Annual Report, including the Annual Accounts and the 2017 Annual Plan. It discussed progress in program implementation and gave direction to IDH’s funding strategy and security and crisis response policy.

The Audit Committee advised the Supervisory Board on the 2015 Financial Accounts and the Auditor’s Board Report and Management Letter. It reviewed the IDH Whistle Blower Policy, the decision to abort the ORION management information system, and country operations in Vietnam and Indonesia. The Audit Committee also supported IDH in structuring the investment program with Norway to delink production from deforestation. The Impact Committee advised IDH on its impact measurement approach, including the first assessment for the 2016-2020 evaluation, that was contracted to a consortium of Wageningen University and Research Centre and KPMG.

The Remunerations and Nomination Committee supported the Supervisory Board by assessing the performance of the Executive Board and setting performance targets for 2017, resulting in discharge by the Supervisory Board of the EB’s 2016 responsibilities, and decision on remuneration of the EB. Members of the Supervisory Board met with the Donor Committee and the Employee Council of IDH. Finally, the Supervisory Board started our discussion on the IDH strategy beyond 2020 and agreed to take these conversations further in 2017.

The Supervisory Board would like to take this opportunity to wholeheartedly thank Ted van der Put for his work as Executive Board member of IDH. With his passion for sustainability, his CEO-level network and continuous drive for impact, he has played a critical role in the development of IDH in its early years. At the same time, we welcomed Steven Collet who we nominated as new Executive Board member starting January 2017. We are confident that his strong organizational and strategic management skills will benefit IDH and will especially help the operational department of IDH to excel. In an agile, innovative, front-running organization like IDH, this department is an essential part of successful program implementation.

As part of the Supervisory Board cycle of appointment and resignation, we have implemented changes in the composition of the Supervisory Board in 2016. Supervisory Board members Johan van de Gronden and Kiki Stierner stepped down after five years of much appreciated support. Meanwhile, Kirsten Schuyt, Director WWF Netherlands, and Ignacio Gavilan, Director Environmental Sustainability of the Consumer Goods Forum, joined our Board.

We want to thank the Dutch MoFA, DANIDA, SECO and NICFI for their continued support, and we look forward to further our cooperation in the years to come.

We look forward to continuing to provide guidance, support, supervision and encouragement in working with the Executive Board and staff, and we are excited to be part of the challenging IDH journey towards a more sustainable society.

On behalf of the Supervisory Board,

Andre Veneman



Chair of the Supervisory Board

June 1, 2017

# Report of the IDH Executive Board

## Initial implementation of new strategy

2016 was the first year of implementation of our 2016-2020 strategic plan, aiming to develop, test, and help scale innovative systemic solutions for sustainable trade, which contribute to the Sustainable Development Goals (SDGs). It was also the last year of the first funding phase (2008 through mid-2016). IDH has implemented most activities according to plan, delivering on the key KPIs in our 2016 Annual Plan.

Also in 2016 we managed to leverage substantial private-sector funding in our programs. We spent €34.9 million on impact-driven programs (including €1.4 million other income), leveraging an additional €8.7 million from other donors, plus €50.8 million from private-sector partners. We are on track with fundraising, which is shifting from a focus on core funding towards program funding from governments and private foundations, as leverage for increasing private-sector buy-in to sustainable development. All in all, IDH is well positioned to deliver on its strategy.

We see sustainable production and trade increasingly becoming core business at front-running companies. To enable implementation at scale, interventions that deliver impact must be economically viable, cost-efficient, and profitable both for (small-scale) farmers and for companies and service providers.

To accelerate prototyping such replicable and scalable models, IDH identified five cross-sector and cross-geographic impact themes:



**Inclusive business models and smallholder farmers' livelihood improvements**



**Mitigation of deforestation**



**Living wage and improved working conditions**



**Responsible agrochemical management**



**Gender equality and empowerment**

These are core challenges for sustainable trade, and are at central to both the SDGs and the global climate change commitments. We appointed impact leaders to design strategic and robust learning trajectories to scale and accelerate our learning, which will help us develop economically viable models that can deliver mainstream impact.

To provide insights into how IDH prototypes these models in public-private coalitions, we included five narratives in this annual report, each giving insight into our convening, co-financing and learning & innovation roles. We reported on the initial results in these impact areas, too.

Cost-efficiency is an important element in our strategy. It adds to the economic viability of our interventions, and delivers high return on investment for our donors. Our service delivery model work in cocoa and coffee creates an excellent basis for reducing inefficiencies through customizing services to the real needs of farmers (input, training and finance) rather than delivering a one-size-fits-all solution. Aligning public and private extension services, such as cotton in Mozambique and coffee in Tanzania, brings down implementation costs significantly. Benchmarking and aligning voluntary standards, like in our fresh & ingredients program, lowers procurement costs, creating a stronger market for sustainable produce.

One of the goals of our innovative finance program is to bring return on donor investments up a level.

## Adding value in Innovative Finance

2016 was a breakthrough year for our work in innovative finance. We developed a ground-breaking smallholder finance deal in Côte d'Ivoire with leading chocolate manufacturers, IFC and local financial institutions. It currently provides 100,000 cocoa farmers with finance to obtain productivity packages that can improve their income, intensify their land use and improve nutrition. We built a pipeline with promising blended finance projects in different sectors and jurisdictional areas that will potentially increase return on investment considerably compared to traditional grant financing.

The progress we made in this area gave our new funder Norway's International Climate and Forest Initiative (NICFI) the trust to ask us to submit a program proposal for delinking deforestation from commodity production. We have made good progress during the inception year of this program, developing inclusive public-private

green growth plans in jurisdictions with deforestation policies in Indonesia, Brazil and Liberia. This is planned to continue over the next years, aiming at making these landscapes eligible for investments through a de-risking fund, that is being incorporated by IDH as part of the NICFI program. This fund was announced in early 2017 at WEF Davos and is being set up separate from IDH.

### Full integration of landscape approach

In 2016, IDH continued integrating the Initiative for Sustainable Landscapes (ISLA) into our commodity program portfolio. This has resulted in a stronger connection between global market convening of supply chains on the one hand, and local convening of public and private partners on the other, to sustainably manage landscapes. Subsequently, this connection makes way for sustainably managed landscapes becoming the preferential “safe” sourcing areas for CGF member companies (and others) that have made zero net deforestation commitments towards 2020. This will strengthen the forest policies of countries like Indonesia, Liberia, and Brazil – countries that are the focus of our landscape program with Norway that kicked off at the end of 2016, inspired by and fully aligned with ISLA.

### Solid conclusion of first phase

We concluded the first subsidy ruling of the Dutch Foreign Ministry that has been so fundamental to our work. This resulted in a First Phase Summary Report with valuable learnings and practitioner’s perspectives, building on IDH’s impact reports of 2013 and the 2014 third-party (IOB) evaluation. We are proud to have received an unqualified audit opinion for our portfolio of 1,300 projects, leveraging €162 million in private-sector funding for public good impact. The average ratio of IDH to private-sector funding has increased from 0.6 in 2010 (when we partnered with 67 companies) to 2.0 in 2015 (working with 450 partners).

In 2016, we commissioned Wageningen University & Research (WUR) and KPMG to assess our targets and measurement framework. They will also conduct an independent third-party impact evaluation of our strategy. This has resulted in increased visibility and thought leadership of our learning program, both internally and externally. An external version of this evaluation will be available in June 2017.

### Core achievements in 2016

In addition to the core achievements already mentioned in this executive summary, there have been some other important highlights:

#### Smallholder inclusion

- In cocoa, we partnered with IFC, Conseil Café Cocoa and the cocoa industry through blended finance to

develop a program for capacity building and investments into the bankability of 100,000 farmers and their cooperatives.

- In tea, we concluded our successful Farmer Field School program with the KTDA in Kenya; we will continue this methodology in Tanzania, Burundi and Rwanda.
- In coffee, cocoa and cashew, we partnered with the Bill and Melinda Gates Foundation for research into the business models of their partners in Africa, and for development for an SDM Innovation Lab.
- As part of our fresh and ingredients program, we launched a Vanilla Initiative to improve the livelihoods of tens of thousands of small-scale vanilla farmers in Madagascar.

#### Mitigation of deforestation

- We are extending our partnership with the Norwegian government (NICFI) for an ambitious multi-year landscape program in Indonesia, Liberia and Brazil.
- In our landscape and soy program in Brazil, we are supporting the implementation of the state-driven Production Protection Inclusion (PPI) partnership in Mato Grosso to work towards zero net deforestation in a coalition of soy and beef producers, local government and civil society. Against an overall rise in deforestation in Brazil in 2016, Mato Grosso is the only state with a slight decrease.
- We made significant progress in linking responsible production of soy to EU market demand in partnership with FEFAC and Fedoil.
- In our palm oil/landscape programs, we signed an ambitious Green Growth Plan with the governor of South Sumatra at the end of 2015. In 2016, a similar agreement with the governor of West-Kalimantan followed, to secure political support for our palm oil/zero net deforestation programs.
- In the same province, we are running a project with 40,000 hectares of palm oil concessions, of which 10,000 hectares are set aside as HCVA. The government is recognizing these areas, and we are prototyping the possibilities to add value to the forests.
- In Jambi in South Sumatra, we built a program to certify 10,000 smallholder farmers against RSPO standards, and we are prototyping solutions to the issues of overlapping land concessions.
- With Bumitama, an Indonesian palm oil plantation company, we are developing wildlife corridors between concessions, so animals can freely move from one forest area to another.
- In Liberia, we started an ambitious community outreach program to co-organize a community palm oil outgrower scheme together with the Liberian Forest Authority and GVL, a Norwegian palm oil company.



- In Kenya, we organized several tree-planting meetings, and are developing strategies to restore the community-wildlife balance in the region.

#### Living wage and improved working conditions

- In tea, we built the first ever collective bargaining agreement in the tea sector in Malawi, resulting in a 20% wage increase and meal fortification (adding to the living wage) in an unprecedented public-private coalition that aims to revitalize the Malawian tea sector by 2020.
- We are building wage policies in many of our Fresh & Ingredients programs
- We played a strong convening role after the Danwatch report on slavery-like working conditions in the Brazilian coffee sector.
- In apparel, our Race to the Top program is improving working conditions in the manufacturing industry in Vietnam.

#### Responsible agrochemical management

- In Vietnam, we strengthened the governance of agrochemical management by establishing and co-chairing a national agrochemical taskforce. We were empowered by the provincial authorities to assess the current management system and support its improvement through our field-level projects.
- In India, we launched the Sustainable Grape Initiative. We continued addressing agrochemical use in spices through the Sustainable Spices Initiative India, over five field-level projects, and the Better Cotton Initiative, as cotton is one of the most pesticide-intensive crops.
- In Ethiopia, we launched two field-level projects aimed at reducing the use of pesticides in cut flowers.
- In aquaculture, we steered the program towards addressing disease control (by far the largest challenge in the sector), which leads to the use of products that are often harmful to the health, economy and environment of producers.

#### Gender equality and empowerment

- Conceptualization of gender is a key impact theme for IDH in 2016-2020.
- In tea, we partnered with Unilever to replicate their experiences in addressing gender-based violence on tea plantations in Kenya across sectors.
- In coffee in Sumatra, we are rolling out a farmer training extension service using a “Gender Action Learning for Sustainability at Scale” methodology.

#### Building operational excellence

In 2016, we strengthened operational management. We drove further reforms in our finance, legal and human resource management, both in policies and staffing, taking into account the increasing complexities that result from

more donor diversity and new realities on the ground because of our landscape work. These reforms include an efficiency drive in contracting, and a new safety and security policy and crisis response protocol.

We decided to discontinue the implementation of our ORION contract management system, concluding that it hasn't brought the efficiencies expected, and would require continued investments without having the benefits of proven technology. We documented our lessons learned and translated them into requirements set for a more modular, phased approach towards improved management information in 2017.

In the meantime, we complied with IATI reporting transparency requirements, which we will fulfil every six months from now on.

A new corporate website was launched in mid-2016, integrating our landscapes and sector programs into one digital platform. This allows for interactive prototyping through online fora, and creating automatically generated overviews based on sector level, country level, intervention type or impact area. The new IDH website also allows for content to be published by our overseas teams in their preferred language (like Bahasa in Indonesia, Portuguese in Brazil, or French in Côte d'Ivoire) in support of our increasing local convening role.

A new office space in Utrecht had to be rented and developed, as we could not continue our sublease at the Nieuwekade. Substantial capacity had to be mobilized in preparation for the move to our new office over the Christmas holidays.

#### Methodological considerations

The annual report accounts for the plan of the reporting year at corporate and program levels. The achievements are reported against key performance indicators (KPIs). For each KPI, the 2016 results are compared to the planned targets for the year. Deviations in reaching these KPI targets are explained as clearly as possible in each of the program chapters. The results presented in terms of KPIs are to a large extent based on information that IDH obtained through its implementing partners. The same goes for reporting on the planned activities, which underpin the results. The role of IDH in obtaining the results has been highlighted by concrete examples per sector program. As our activities in 2016 relate to both our first phase funding and our current 2016-2020 strategy, it is indicated in footnotes where this has influenced our KPIs.

By the end of 2016, a summary report was published providing the cumulative KPI results covering the period of IDH's first phase of funding from 2008 through mid-2016. This was done primarily by consolidating and validating the results that were incorporated in the annual reports that were published during this period.

### Internal control and financial monitoring

The financial statements ("jaarrekening") in this report have been subject to an audit by Mazars. The auditor's report has been discussed between Mazars and the Audit Committee of the Supervisory Board. To maintain compliance with our policy on financial transparency, the Executive Board of IDH conducts regular reviews of IDH's financial situation. This includes: 1) all spending compared to budget and forecast; 2) contract pipeline monitoring; and 3) reviewing of risks. A summary of these discussions is also presented to the Supervisory Board, and the annual report is published on our website.

IDH does not trade in financial derivatives. Payments are based on implementation contracts. IDH only works with reputable organizations and conducts a thorough partner assessment. On approval of the annual plan, IDH can request funds from its institutional donors.

IDH receives funding and contracts in several currencies, and therefore is subject to currency exposure. In 2016, the result of the currency exposure was an exchange rate gain of €134,000 due to a significantly weaker US dollar during 2016 and a smaller US dollar portfolio. In the previous year, we experienced a €400,000 loss. Hedging of our currency exposure is not allowed by IDH's institutional donors, and IDH has implemented mitigation measures which are documented in IDH's Treasury Policy.

### Risk management

At a strategic level, we identified several risks and mitigation activities, which are summarized below. In the second half of 2017, we will update our risk management framework, including both standard risks as per audit protocol, and risks that are specific to our organization. The Supervisory Board will be involved in defining the risks and assessing the risk management framework.

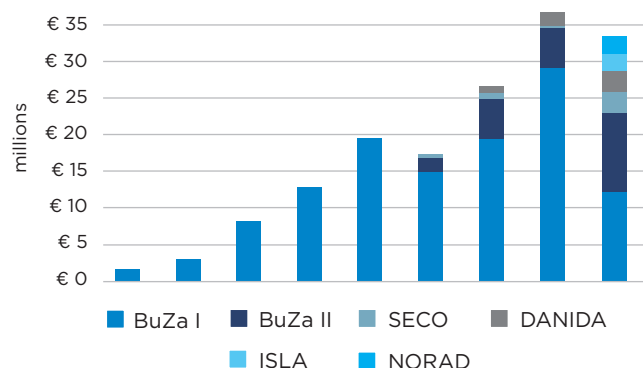
Risks	Mitigating action undertaken
<b>Tension between need for funding and speed of spending affects quality of intervention programs which can undermine credibility of IDH with funders.</b>	Intensification of our pipeline resulted in much higher and more predictable spending in the past two years than before. The guiding management principle here is that spending pressure is never an excuse for lowering contractual ambitions for impact. Expectation is that also for the coming years we will be able to build a pipeline of good projects, with the work in landscapes maturing.
<b>Staffing not up the required level (both quantitative and qualitative) in relation to IDH ambitions.</b>	Recruitment of new talent and IDH's staff training program are tuned to ensure the quality required to match our ambitions. Future leadership potential is key in the selection and development of senior-level positions.
<b>Balancing act to ensure responsible overhead levels.</b>	Measures are taken to warrant sustainable overhead levels, including staff to program ratios and flexibility in contracting.
<b>Reputation of IDH seriously harmed by program or partner calamities.</b>	Formal and informal continuous risk management processes. Crisis Response Protocol includes reputational risk. No serious issues to report in 2016.
<b>Decrease in political support from lead donors affects short-term funding.</b>	Management and Supervisory Board attention to successfully maintaining good levels of support from current institutional donors, collectively reflected in the donor meeting set-up as well as in one-on-one meetings. Both donor meetings and one-on-one meetings are subject to realities in which it is difficult to gain political support, as the amount of funding available from our institutional donors is dependent on the political situation. New fundraising strategy focusses on raising additional funding beyond current donor commitments and has already resulted in a broadening of the donor base.
<b>Risk of corruption in program implementation</b>	Contracting is subject to a partner assessment, including assessment of corruption risks. In addition, project audits limit corruption risks. All contracting is done in Utrecht, not in our country operations where corruptions risks are generally higher.



## Financial developments 2016

In 2016, IDH received institutional funding from the Dutch Ministry of Foreign Affairs, the Swiss State Secretariat for Economic Affairs and the Danish Ministry of Foreign Affairs. In addition, we have received program funding for our landscapes programs from the Dutch Ministry of Foreign Affairs, the Norwegian Agency for Development Cooperation (NORAD), and the Bill and Melinda Gates Foundation. As the graph below demonstrates, the donor base has further broadened, contributing to the continuity of the organization.

### Contributions



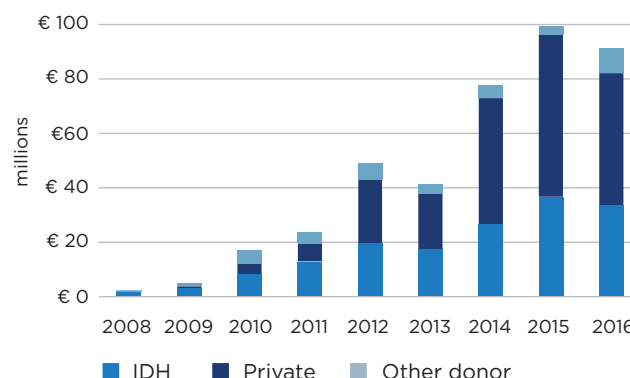
With the public contributions, IDH received funds from private partners either via IDH or directly to projects that IDH implemented. Total expenditures amounted to €94.4 million.

With actuals of € 26.2 mln. the IDH program contributions was lower than budgeted (€ 29.1 mln). This is mainly due to a budget neutral extension that was agreed for the ISLA program with spreading the available budget. A small part the underspending is the consequence of the start of a new strategy phase mid 2016. In October donors were already informed of the revised forecast for 2016.

IDH leveraged twice the amount it spent from public funding with private-sector contributions that have been audited and verified. This leverage ratio is similar to last

year, and is part of a trend towards increased private-sector contributions, as the graph below shows.

### IDH and private/other contributions



The Dutch Ministry of Foreign Affairs as major institutional donor has provided a formal guarantee to safeguard IDH's future liabilities entered into in line with the subsidy ruling in case it would need to terminate its grant. For this reason, IDH does not form equity, and consequently solvency is not a relevant financial KPI for IDH. Based on contracts with institutional donors, cash flow is secured and aligned with expenditures. At year-end 2016, the current ratio (current assets: short-term liabilities excluding appropriated funds) was 1.8 (2015: 1.6).

IDH's result in 2016 was nil (2015: nil), due to the fact that income is matched with expenditures during the year. We refer to the accounting principles as included in the financial statements.

The risks described in the risk management section could impact the financial situation of the organization as they could result in declining confidence in the organization and donors therefore pulling. This is why of careful risk management and prudent contracting to implementing partners, subject to continued donor commitments, are so important.

The following table indicates the key financial figures for 2016 and 2015. In addition, a budget comparison is included in Annex 1 of the financial statements.

<i>amounts in millions of Euros</i>	actual 2016	actual 2015
<b>Program Contributions:</b>		
Private partners – via IDH	1.3	3.5
Private partners – directly to project	50.8	56.2*
<i>Total private partners</i>	<i>52.1</i>	<i>59.7</i>
Other donors – via IDH	0.05	0.8
Other donors – directly to project	8.75	2.3*
<i>Total other donors</i>	<i>8.8</i>	<i>3.1</i>
IDH	26.2	29.4
<b>Total Program Contributions</b>	<b>87.1</b>	<b>92.2</b>
<b>IDH Expenditures:</b>		
IDH Program Contributions	26.2	29.4
IDH contribution on behalf of private partners	1.3	3.5
IDH contribution on behalf of other donors	0.05	0.8
<b>Total IDH Program Contributions</b>	<b>27.6</b>	<b>33.8</b>
Learning, Innovation and Impact	1.5	1.5
Support and outreach	1.3	1.3
<b>Total Program Related Costs</b>	<b>2.8</b>	<b>2.8</b>
Congress and communication	0.4	0.2
Personnel	2.9	2.9
Organization	1.3	1.0
<b>Total IDH organizational expenditures</b>	<b>4.6</b>	<b>4.1</b>
Financial income and expenses	-0.1	0.3
<b>Total Fin income/expenses</b>	<b>-0.1</b>	<b>0.3</b>
<b>Total IDH Expenditures (incl. contributions via IDH)</b>	<b>34.9</b>	<b>41.0</b>
<b>Total partner contributions directly to project</b>	<b>59.5</b>	<b>58.5</b>
<b>Total incl. Partner Contributions</b>	<b>94.4</b>	<b>99.5</b>
Ratio program contributions IDH: private (target 2016-2020 1:1)	1 : 2	1 : 2

\*Partner contributions for 2015 have been corrected according to actual contributions directly to projects.

## Outlook 2017

Key priorities in our 2017 Annual Plan include:

1. Strengthening our convening work at national and regional level in particular. We will facilitate supply chain actors, governments and CSOs to conclude actionable, sustainable land-use compacts in half of the landscapes in which IDH is active. We foresee equally powerful local compacts becoming effective for transforming the coffee, apparel and aquaculture sectors in our program countries. At global level, we will deepen partnerships with industry associations that can integrate innovations started by IDH (e.g. in cotton, coffee or cocoa), and enter new partnerships with transformational potential (e.g. a retail board).
2. Developing thought leadership and convening power around our impact themes, aiming at the industry incorporating them into their businesses. They also form the heart of IDH's learning agenda, to which gender has been added. IDH considers better understanding and integration of gender considerations in our work to be key to enhancing impact. Proofs of concept have been defined for each impact theme. In 2017, we will start measuring them.
3. Moving beyond a grant-driven to a financially-driven sustainable development program, to bring IDH's market transformation program to scale. With Norway, IDH has developed a proof of concept for curbing deforestation through global market finance, linked to locally convened production-protection compacts. This will be tested through a joint partnership, including the launch in 2017 of a global investment fund to delink agri-commodity production from deforestation.
4. Extending and deepening our donor base. This requires us to strengthen the relationship with institutional donors, find two new funding sources for larger funding, and develop the fundraising capacities of key staff for targeted program fundraising. In mid-2017, we will assess fundraising prospects to

reconsider program and staffing levels beyond 2018 if needed.

5. Further aligning our back-office operations to our focus on testing, prototyping, and scaling interventions that change business practices in a lasting way. By further strengthening the service delivery modelling, benchmarking of cost items and return on investment will better inform decision making.
6. Strengthening our team, with new leadership positions in finance and operations. We will drive a comprehensive agenda to further strengthen and future-proof IDH, including solidifying our operations in countries with substantial programmes, and improving our supporting IT systems, which will be the main corporate investment for next year.

We are extremely proud of our global team for their great performance in 2016. A special word of thanks goes to Ted van der Put, who resigned from the Executive Board at the end of 2016 after almost seven years of co-leading IDH. Without him, IDH would not be the solid partner of choice that it is for public-private partnerships in many value chains, including aquaculture, coffee, and apparel. Steven Collet is his successor as Operational Director and member of the Executive Board since January 1, 2017.

We would also like to thank our program partners for their ongoing trust and contribution, and for working with us on our programs. Delivering real, on-the-ground impact at scale can only be done if we join forces.

We would like to conclude by thanking the IDH Supervisory Board members and our donor partners for their impressive commitment to supporting IDH's mission, and for being strategic and constructive sparring partners.

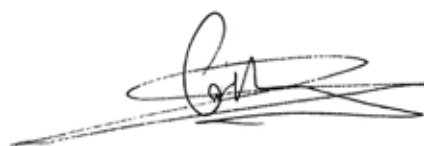
We look forward to continue driving sustainability from niche to norm together!

Joost Oorthuizen



Chairman Executive Board

Steven Collet

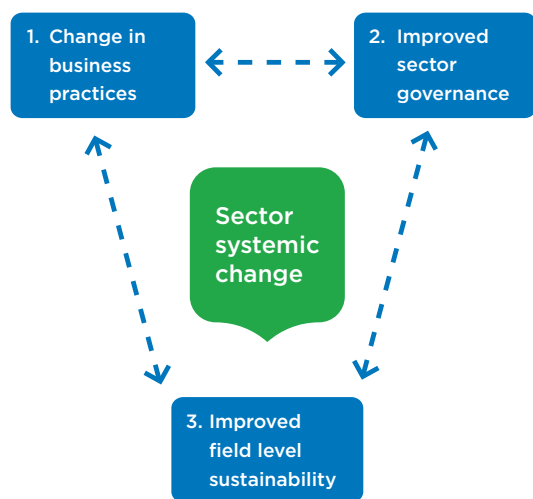


Member Executive Board

June 1, 2017

# Methodology

IDH aims for systemic change through changing business practices, improving sector governance, and improving field-level sustainability. In our theory of change, these three areas are interlinked, and must be addressed in parallel in order to effect systemic change that makes a substantial contribution to the Sustainable Development Goals (SDGs).



1. Change in business practices: This is the change of behavior at corporate level of the main business actors in the value chain, towards more sustainable business practices in relation to that value chain.
2. Improved sector governance: This is the change in sector agencies and sector institutions (systems, capacities, policies, rules and regulations) to manage the sector in a sustainable way (to be profitable, resilient, environmentally and socially sound, and to address market access, market power, reputation and price volatility) at local and international levels.
3. Improved field-level sustainability: This relates to sustainability impacts at the level of producers, workers and producer communities, as well as their livelihoods, including their economic situation, their social wellbeing, and the sustainability of their natural resource base.

In every commodity program, these three results areas are key to making impact. They are captured in Key Performance Indicators (KPIs) that are measured at project and program level through our Result Measurement Framework. Impact is measured according to five SDG-related impact themes that have been defined in IDH's 2016-2020 strategy as key for sustainable trade: smallholder livelihoods, mitigation of deforestation, living wage and improved working conditions, responsible

agrochemical management, and gender equality and empowerment. IDH has defined impact claims that will be assessed through a third-party evaluation by Wageningen University and KPMG.

The next section of this Annual Report describes how we aim to drive impact in these five areas by highlighting concrete examples.

In the program chapters, we report on progress against planned activities, in view of our 2020 impact claims. Here, we assess progress on our KPIs at output and outcome level. The program chapters also highlight key achievements on changing business practices and sector governance in our commodity and landscape programs.

For each KPI in this report, the 2016 results are compared against the planned targets for the year. Deviations in reaching these KPI targets are explained as clearly as possible in each of the program chapters. The results presented in terms of KPIs are to a large extent based on information that IDH obtained through its implementing partners. The same goes for reporting on the planned activities, which underpin the results. The role of IDH in obtaining these results is highlighted by concrete examples per sector program. As our activities in 2016 relate to both our first phase funding and our current 2016-2020 strategy, there are comments at the end of the KPI section to indicate where this has influenced our KPIs. At the end of 2016, a summary report was published to provide the cumulative KPI results covering the period of IDH's first phase of funding from 2008 through mid-2016. This was done primarily by consolidating and validating the results that were incorporated in the annual reports that were published during this period.

Finally, with the start of our new program strategy, we introduced the IDH Result Measurement Framework (RMF) replacing the previous Monitoring & Evaluation (M&E) system of IDH's programs. The RMF will be applied to all new projects during 2016-2020 (phased in during 2015). Our new RMF strengthens and replaces certain KPIs to better capture the progress in our programs. As a result, some KPIs – mainly applying to changes in business practices and improved sector governance – do not have a baseline on which to report, due to changes in the measurement guidance protocols. The RMF is based on the standard for measuring results in private-sector development that is formulated by the Donor Committee for Enterprise Development (DCED). However, as endorsed by the Impact Committee and Supervisory Board, we do not aim to fully comply with every aspect of the standard but merely use it as guidance to structure and continuously improve the monitoring and evaluation process at IDH. This structured approach allows IDH to improve the impact measurements of its programs and the quality of reporting to its donors.

# Contents

<b>Stories of impact</b>	<b>14</b>
Inclusive business models and smallholder farmers' livelihood improvements	15
Mitigation of deforestation	21
Living wage and improved working conditions	26
Responsible agrochemical management	31
Gender equality and empowerment	36
 <b>Sectors</b>	 <b>40</b>
Cocoa	41
Tea	50
Aquaculture	61
Coffee	71
Cotton	85
Fresh & Ingredients	96
Apparel	107
Tropical Timber	116
Palm Oil (market outreach)	123
Soy (market outreach)	128
Tin	134
 <b>Cross-sector Initiatives</b>	 <b>137</b>
Landscapes	138
Grow Africa	174
Innovative Finance	176
 <b>Supporting activities</b>	 <b>179</b>
Learning & Innovation	180
Partnerships	186
Operations	187
Communication	189
 <b>Summary financial statements</b>	 <b>194</b>
<b>Annex</b>	<b>205</b>

# Stories of Impact



## IMPACT THEME 1



# Inclusive business models and smallholder farmers' livelihood improvements

## 2020 goals

IDH aims to train 3.7 million farmers on good agricultural practices (GAP), covering an area of 6.3 million hectares (adoption rate of around 60%). Of those, 2.8 million farmers (4.7 million hectares) are expected to have better yields and livelihoods.

## Countries



## Sectors



Cocoa



Coffee



Cotton



Tea



Fresh and ingredients

## Landscapes



Central Highlands, Vietnam



Wider Taï Forest Area, Côte d'Ivoire



West Kalimantan, Indonesia



South Sumatra, Indonesia



Aceh, Indonesia



Central Rift Valley, Ethiopia



South West Mau Forest, Kenya



Western Landscape, Liberia



South East Landscape, Liberia



Nimba, Liberia



*Synopsis of an interview with Iris van der Velden,  
Senior Manager Learning & Innovation*

**Improving the livelihoods of smallholder farmers in developing economies is one of the five impact focus themes of IDH, and closely relates to the first Sustainable Development Goal: ending poverty.**

**A critical question for smallholder farmers, and all who depend on their productivity, is how we can build economically viable systems to enable the delivery of key services. Smallholder farmers need access to inputs, such as seedlings, fertilizer, responsible agrochemicals, GAP training, access to markets and access to finance. Those with access to services can increase their yields, improve their productivity and profitability, and continue to invest in their farm.**

**The learning agenda on service delivery models (SDMs) concerns how to create cost-efficient models that realize a high return on investment for both farmers and service providers—and how to ensure these models can continue without donor support. By adopting a cross-sector approach, IDH aims to learn about workable solutions more quickly, having greater impact on the livelihoods of smallholder farmers.**

## **Improving smallholder livelihoods with service delivery models**

Our work on SDMs has been central to several of our smallholder commodity and landscape programs. We have seen delivery strategies shift from a focus on increasing productivity to one that also encompasses increasing profitability. This shift has been reflected in the actions of companies who have transferred SDM work from their CSR departments to their sourcing divisions. These companies have realized that when farmers can't make a living income, they can't produce the products that the companies want to source. In short, there is a growing awareness of the need to build economically viable systems that trigger investments in more profes-

sional and profitable farming, so that farming becomes an attractive occupation for farmers and their families.

A focus on productivity alone is not enough to enable better livelihoods for smallholder farmers. Even if productivity significantly rises (as has been the case with most IDH smallholder programs), service models don't become economically viable—and hence are not sustainable—if the costs are too high. To be profitable you need to look at cost efficiency. And for service providers to be able to do that, they need to know how to service their farmers best.

**“These are not projects. Projects end. We want SDMs to continue, and they can only be economically viable if they make business sense for service providers and farmers. You can't de-link the two.”**

In our experience, isolated interventions do not work: it is about a package of services that meet the needs of different kinds of farmers. Service models need to be attractive to investors, and this is where our smallholder livelihood agenda meets our innovative finance approach. Service delivery is a pivotal element in our Production-Protection-Inclusion (PPI) agenda: farmers need to produce more on the same land, with high return on investment.

## **Creating opportunities: when SDMs make real business sense**

Our learning journey on SDMs began with the creation of an inventory in 2015: a systematic, data-driven analysis designed to help us understand and improve SDMs.

## Barry Callebaut, IFC and IDH service delivery model innovation

Barry Callebaut, IFC and IDH have developed a service delivery model (SDM) to offer productivity packages on credit directly to up to 60,000 cocoa farmers through village coordinators, and through organized cooperatives “Paysans Relais” in Côte d’Ivoire. The productivity packages contain pruning and crop protection, and in some cases include fertilizer. Farmers are segmented in those who are more professional, fertilizer-ready and credit-worthy, and those who are not yet at that level. Access to both packages is based on parameters such as past loyalty and delivered volumes, adoption rates, farm size, and tree age. Coaches help farmers create farm development plans, assist in the opening of savings accounts, and design savings plans. Coaches provide farmers with the package, give business and agronomic support, and monitor implementation and adoption. Farmers also receive training on pruning and spraying techniques. Once farmers have finished their farm development plans and 20% of the value of the package is in a savings account, they receive credit to access the productivity package.

After several years of using the package and continued monitoring, farmers will increase their yields, thereby increasing both their own profitability and the profitability of the SDM. After a few successful years, farmers will have a positive operational, financial and profitability track record that will increase their bankability. This stronger link with a financial institution will mean they can invest more in their farms and further improve their income and livelihoods. To support this program, IDH and IFC share the risk on the farmer financing portfolio. This allows Barry Callebaut to extend their services and offer the productivity package to up to 60,000 farmers.

Most companies’ SDMs have grown organically, and we needed to find out what was working and what wasn’t. To that end, we partnered with companies in the cocoa and coffee sectors willing to share information about the costs and benefits of their service models. Openly investigating such highly competitive information is tough, but the solid reputation of IDH helped us to gain trust. Participating companies had to be willing to share information about how they work with smallholder farmers, who they source from, and how their business is doing. Allowing companies to filter what can be publicly shared was also key to their cooperation.

One clear conclusion is that current SDMs have had limited impact on farmers’ livelihoods. While most models have increased productivity, profitability and income at the smallholder farmer level remains low. There are several reasons for this, including the fact that adoption rates for isolated interventions that focus on training or distributing fertilizer are low. In addition, providing a one-size-fits-all solution to different types of farmers contributed to a lower return on investment and impact.

Timing is often an issue, too. For example, between yields, coffee farmers will typically use “coffee fertilizer” on food crops with only moderate effect. This practice is cost inefficient for both farmers and providers. Farmers might also side-sell their coffee for much lower prices in order to have cash for school fees. And inefficiencies caused by not addressing the whole picture can hamper progress. For example, training farmers who have to work on depleted soils and/or with crops that need rehabilitation or renovation will not produce good results. And training farmers who don’t have the means to make the necessary investments into crucial inputs, such as fertilizer, is also ineffective.

**“Gathering insights into the actual effect at farmer level was a key driver for organizations to begin to look differently at their service supply.”**

Real change requires a holistic approach. Renovation and rehabilitation (R&R), for instance, aims to improve the long-term productivity of crops in order to generate significant returns. It calls for distribution of new seedlings – a service that is in the hands of governments in many countries. And it calls for fertilizer distribution – a service that needs pre-finance and potentially some income support for farmers who are faced with lower/zero production during the replanting period. And these services require functional infrastructure. By creating



an SDM that includes all of these elements, we increase the chances of delivering an effective R&R package—one that will have real impact on the productivity of targeted farms.



Watch above movie for further insights on the continuous improvement of service delivery to smallholders,

## Towards economically viable systemic change

After thoroughly mapping what works and what doesn't in 2015, 2016 saw us prototype solutions that are now being co-financed and piloted together with companies. And that's where the learning has really started to take shape. We've learned that customized service packages only work if you identify the different kinds of farmers you want to provide services to, and you need to look at the farm as a farming system. To enable all of that, you need to build coalitions with parties who don't normally sit around the same table. You need governments, companies, NGOs, banks, and other public and private stakeholders to work together.

**“There's no one-size-fits-all solution: you need to tailor services to different kinds of farmers.”**

In order to build just such a coalition, we held the Renovation and Rehabilitation Forum in Amsterdam. Topics under discussion included how governments, companies, banks, NGOs and farmer cooperatives can work together in a systemic approach. During the forum, it became clear that we were moving away from a project-based approach towards transformative, economically viable, systemic change. We're excited about this development, and we sensed the same excitement among other participants too.

Later in 2016, another forum was held in Tanzania. The systemic approaches first discussed in Amsterdam were made concrete and the first actionable plans were created. This was IDH convening power at its best.



Watch above to see the footage from the forum in Tanzania

## Increasing farmer resilience through smart on-the-ground solutions

Piloting innovations with our partners has enabled us to identify smart, low-cost interventions with high impact. Technoserve in Ethiopia, for example, trains farmers in low-cost stumping with significant effect on profitability. Companies in Côte d'Ivoire teach farmer groups fermentation techniques that add value to their cocoa. In India, farmers produce their own organic fertilizer at significantly lower costs. In Madagascar, we've piloted the integration of cocoa and vanilla production so farmers are no longer dependent on loan sharks for cash in between yields. In other areas in Africa, sesame and coffee production has been integrated.

**“There is a lot of literature on extension services, but IDH is the first to pilot innovation together with companies in their own supply chains.”**

And we have been working with the insight that farmer cooperatives (through aggregation) are often able to provide members with access to inputs on credit, and that this results in better yields and higher income. This has led to work on creating scale through block farming, where small-scale farmers cultivate their fields as a group to reduce overall costs and to offer support across

the crop-growing spectrum. Inheritance traditions typically mean that the plots of land get smaller with each generation. Bringing farmers together in an organized way (for example in a cooperative) creates scale, which enables investments in irrigation and mechanization to become profitable.



Watch above to see footage from Technoserve in Ethiopia

### Implement best practices from one commodity or geography in another

The beauty of a cross-sector learning agenda is that it allows IDH to implement best practices from one commodity and geography in another much more quickly. Best practices in cotton in India can be transferred to cocoa in Ghana within a few weeks. An important next step is to continue piloting innovations together with companies. The effective distribution of the knowledge we glean from our programs is also crucial to future in-

novations, and to implementing best practices. We will continue to inform and inspire other stakeholders, companies, governments, and NGOs through our website, newsletters, and publications.

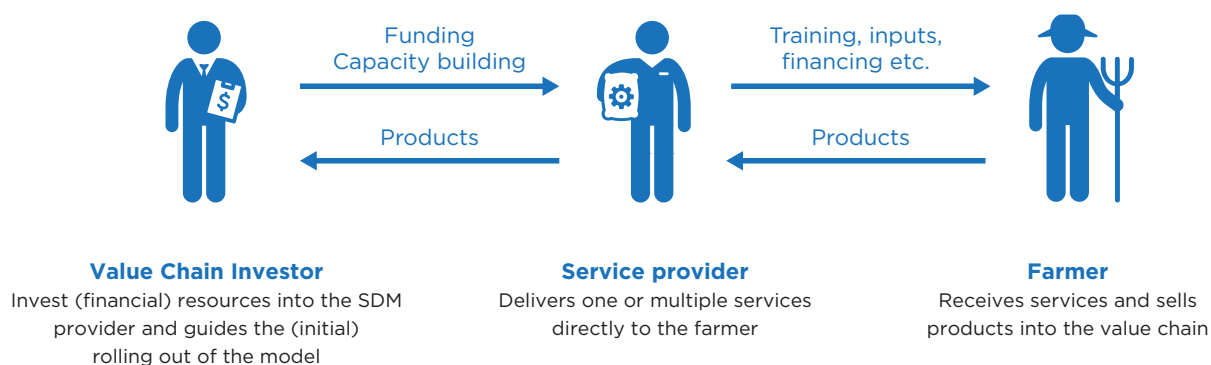
**“Companies are now actively approaching us and are very keen to improve [their SDMs]...”**

### 2017 will be breakthrough year

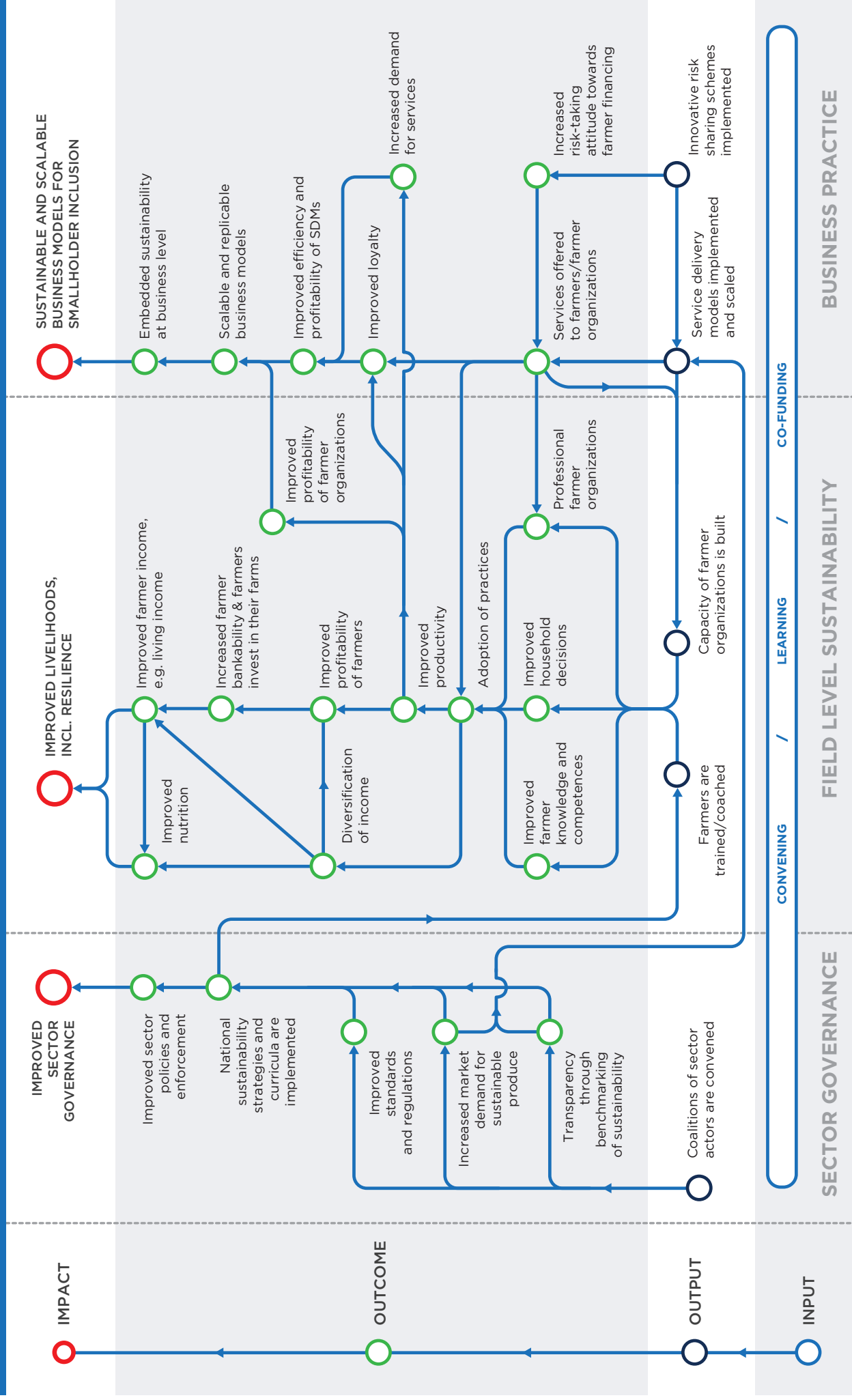
The progress we’ve made in 2016 strongly suggests that 2017 will be a breakthrough year for SDM developments. Our efforts are highly appreciated by others. Work with the Bill & Melinda Gates Foundation and with Root Capital is ongoing, and we plan to pilot several innovations in service delivery models in our new facility. This is all happening alongside our work with Barry Callebaut to develop an SDM that can offer long-term loans for renovation to cocoa farmers. More and more companies are asking whether we can help improve their service delivery models because they can clearly see the benefits that such work can offer them. And, more importantly, smallholder farmers are beginning to gain greater profitability from their work.

Read more:

<https://www.idhsustainabletrade.com/uploaded/2016/10/Service-Delivery-Models-Insights-for-continuous-improvement-and-farm-impact.pdf>



# INTERVENTION LOGIC ON INCLUSIVE BUSINESS MODELS AND SMALLHOLDER FARMERS' LIVELIHOOD IMPROVEMENTS







## IMPACT THEME 2

# Mitigation of deforestation

### 2020 goals

IDH aims to deliver 5.4 million hectares of farm and pasture land under sustainable land use, 300,000 hectares under land intensification leading to avoided deforestation, 150,000 hectares of forest restored, and 5 million hectares of sustainably managed forest.

### Countries



### Landscapes



Matto Grosso,  
Brazil



Wider Taï Forest  
Area, Côte d'Ivoire



West Kalimantan,  
Indonesia



South Sumatra,  
Indonesia



Aceh,  
Indonesia



South West Mau  
Forest, Kenya



Western Landscape,  
Liberia



South East  
Landscape, Liberia



Nimba,  
Liberia



*Synopsis of an interview with Fitriani Ardiansyah,  
Country Director Indonesia*

Reducing deforestation associated with soy, beef, palm oil, cocoa, timber and pulp & paper supply chains is high on the agenda of front-running companies, as well as governments, donors, and civil-society organizations. Supported by the Dutch and Norwegian governments, IDH convenes public and private partners to incubate new approaches to address deforestation in 11 landscapes in seven countries. This impact theme closely relates to Sustainable Development Goal 13 and 15: protect the planet and life above water.

### **Moving beyond certification towards Production-Protection-Inclusion at a landscape level**

We are currently prototyping new types of multi-stakeholder landscape governance mechanisms called Production-Protection-Inclusion (PPI) compacts. Through PPI compacts, public, private and civil-society stakeholders agree to enhance productive land use and secure livelihoods in exchange for the protection of forest and other natural resources. Compacts help link agricultural production to forest protection. They are based on participatory land-use planning, whereby land for production, livelihoods and protection is clearly identified, and their related uses agreed on by the landscape stakeholders, and recognized by local and national government. PPI compacts include targets for each of the PPI components: a time-bound plan of action, clear definition of roles and responsibilities, and a budget for implementation.

By constantly exchanging experiences in different landscapes (and documenting them) we accelerate our understanding of how to enable and implement such approaches to halt deforestation associated with key commodity supply chains.

### **Deforestation: the case of palm oil, Indonesia**

We are building PPI compacts in key oil palm and forestry production and sourcing areas in West Kalimantan, South Sumatra and Jambi and recently Aceh in Indonesia, where large forests and peatland areas are at risk. These PPI compacts are connected to European market demand and the deforestation-free commitments that companies have made.

**“Smallholder productivity is important to companies because smallholders are a significant part of their supply base.”**

We started our palm oil program focusing on improving the application of good agricultural practices, strengthening farmer organizations, certifying smallholders against RSPO criteria, and making productivity improvements. We soon realized that increasing smallholder productivity, without strengthening forest protection governance and enforcement, would make conversion of forest to oil palm plots even more attractive.

Smallholder productivity is important to companies because smallholders are a significant part of their supply base, so land-use intensification of smallholders plays an important role in any sustainable palm oil program. However, even when sourcing 100% sustainable palm oil from a specific supplier or mill, the impact on forest protection may remain low. Smallholder farmers outside the sustainable supply base but within the same landscape may still use illegal and/or unsustainable practices, such as slash-and-burn agriculture and expansion into forests, and sell to neighboring mills.

This demonstrates the need for building multi-stakeholder coalitions that design and prototype landscape-level projects that can have real impact on deforestation. Aligning definitions and approaches on the demand side can also help initiatives that are mobilizing that side of the supply chain. For example, the European Sustainable Palm Oil (ESPO) initiative facilitates dialogue on sustainable palm oil between the various stakeholders in Europe, including upstream and downstream industry and relevant NGOs.

**“It is critical that conservation areas are recognized by the government at national, provincial, and district levels.”**

Government support is critical to the success of multi-stakeholder coalitions and PPI compacts. Governments are in charge of developing, monitoring, and enforcing land-use planning and land tenure rights. Interestingly, significant remaining forest and peat areas in Indonesia are located on concessions which the government has given to private companies for plantation development. There is a risk that forest or peatland that is set aside by the concessionaires for protection will not be recognized by the government. These areas could be expelled from the concession and given to another company for plantation or mining activities. It is therefore critical that conservation areas are recognized by the government at national, provincial, and district levels, in order for companies to be able to set aside High Conservation Value (HCV) or High Carbon Stock (HCS) forest or peatland.

Fortunately, government regulation in Indonesia is changing and enabling the protection of HCV or HCS areas on private land. IDH supports provincial and district governments with developing governance structures to enable the establishment of Essential Ecosystem Zones (*Kawasan Ekosistem Esensial*, or KEE). This concept, backed up by the Indonesian Ministry of Environment and Forestry (MoEF) at the national level, allows for HCV areas outside national parks and nature reserves to be protected and managed jointly by public and private stakeholders. Different KEEs are expected to emerge in different landscapes.

Sub-national (i.e. provincial and district) government involvement is also crucial to solve practical, field-level issues, such as peat and forest fires and land legality, or to support the provision of extension services.

In IDH's projects in West Kalimantan and South Sumatra, the trust of the local government was critical to help build coalitions and design interventions. The engagement of the Governors of South Sumatra and West Kalimantan has been instrumental in the development of provincial green growth plans, for example. The leadership of the two Governors has also accelerated effective convening, especially of Indonesian small- and medium-sized companies to be part of the coalition, alongside the bigger internationally-oriented companies. Such coalitions help create a critical mass when it comes to HCV, HCS or other forms of conservation and protection of forests and peatlands. They also ensure the connectivity of these within a particular landscape or PPI compact supported by concessionaires, communities, and local governments.

### **Building thriving landscapes in West Kalimantan and South Sumatra**

In Kayong Utara district, West Kalimantan, we are working with palm oil company PT Pasifik Agro Sentosa to create a business model for benefitting financially from the 12,000 hectares of High Conservation Value (HCV) set-asides on their three concessions, on a total area of 43,000 hectares, by selling the carbon sequestered in the HCV area. If this succeeds, it could be a breakthrough that would allow scaling across the industry. We are also working with communities as well as adjacent plantations to make sure the HCV area is protected over the long term.

**“Uncertainty in land ownership by smallholders makes it difficult for them to have land titles, resulting in difficulties in accessing finance.”**

In Ketapang district, West Kalimantan, we are working with the oil palm plantation company Bumitama Agri Ltd., with support from Aidenvironment, to rehabilitate and manage a wildlife and green corridor for orangutans and other species between the two forest areas, while increasing smallholder productivity and enhancing community livelihoods. Forest encroachment, fires and illegal logging, partially driven by the low productivity of oil palm on smallholders' land, have led to severe degradation of the forest corridor contiguous to Bumitama's concessions. We center our approach on defining the



economic development needs of villages, and then develop village-level land-use plans that will be integrated into the spatial plans of the district government. Bumitama will also provide support to improve smallholder productivity and the livelihoods of non-palm oil community members in alignment with these land-use plans.

Both projects with PT Pasifik Agro Sentosa and Bumitama have been used as the building blocks for developing PPI compacts in these districts with other companies and local government.

In Jambi and South Sumatra, we are working with a number of companies to get 10,000 smallholder farmers RSPO certified. We are doing this by addressing issues related to overlapping land concessions, which results in disputes over land claims. Uncertainty in land ownership by smallholders makes it difficult for them to have land titles, resulting in difficulties in accessing finance and investing to increase farm-level productivity.

In Musi Banyuasin district in South Sumatra, we are testing the concept of verified sourcing areas. These are defined areas or jurisdictions of which the performance on sustainability criteria related to good agricultural practices, forest and peat protection, and governance is verified at landscape level (rather than at an individual production unit level). Based on performance against these criteria, companies may choose to preferentially source commodities originating from these areas. Lalan sub-district in Musi Banyuasin is now one of the three jurisdictional pilots for RSPO certification worldwide. The target is to be certified by 2018.

**“Designing prototypes that deliver impact on the ground is complex. Forests are a source of income for people in developing economies.”**

## Building project pipelines to attract investment

From 2016 onwards, these and other projects are being shaped to match the investment criteria of the so-called production, protection and inclusion fund. IDH is incorporator of this fund, that was recognized as key deliverable of the World Economic Forum when announced there early 2017. This gives us the exciting opportunity to develop our interventions from grant-driven projects into attractive financial deals. Every hectare of palm oil development requires at least €5,000, which can become a significant investment for communities that want to develop community oil palm. The Fund will deploy public climate funds to de-risk and leverage private-sector investments in sustainable agricultural production on the condition of strict forest and peatland protection measures.

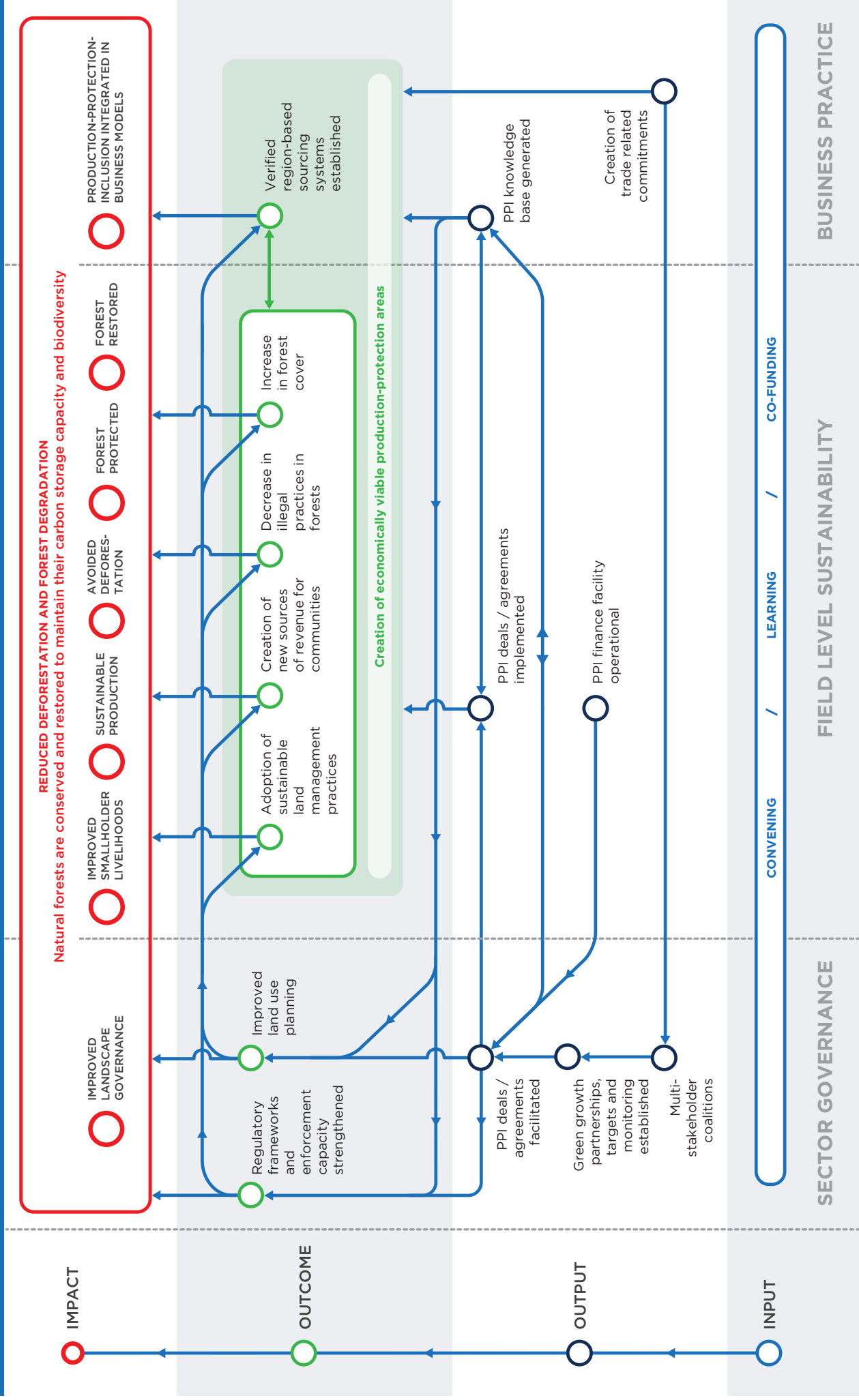
## Cooperation at the heart of success

Designing prototypes that deliver impact on the ground is complex. Forests are a source of income for people in developing economies. To move away from slash-and-burn agriculture, we need to ensure that the benefits forests provide are well understood, and link sustainable commodity production to forest protection. To make this work in the long run, our models need to be economically viable. Through our projects in South Sumatra and West Kalimantan, and in all our other landscapes, we hope to learn rapidly how we can build, learn, and adjust these models – as time is not on our side, and deforestation continues in tropical forests around the world.

Read more:

[https://www.idhsustainabletrade.com/uploaded/2017/03/Public-Private-Civic-Partnerships-for-Sustainable-Landscapes-Practical-Guide-for-Conveners\\_webVrs.pdf](https://www.idhsustainabletrade.com/uploaded/2017/03/Public-Private-Civic-Partnerships-for-Sustainable-Landscapes-Practical-Guide-for-Conveners_webVrs.pdf)

# INTERVENTION LOGIC ON MITIGATION OF DEFORESTATION





## IMPACT THEME 3

# Living wage and improved working conditions

### 2020 goals

IDH aims to improve the working conditions of 290,000 workers, 80,000 of whom are expected to see an increase in their living wage. In the cotton program, we aim to train 3.5 million farmers on Decent Work to improve the working conditions of farm laborers.

### Countries



### Sectors



Apparel



Cotton



Fresh and ingredients



Tea





*Synopsis of an interview with Jordy van Honk,  
Director Tea and African Landscapes*

**Addressing low wages and poor working conditions is a fundamental issue for sustainable trade. For workers in many developing and emerging economies, working for export sectors is a potential exit from poverty. Yet in a lot of sectors and countries, incomes are insufficient to enable people to work themselves out of poverty, and working conditions are poor. This impact theme closely relates to the eighth Sustainable Development Goal: decent work and economic growth.**

To accelerate learning on how to enable a living wage, IDH has bundled its learning across sectors, with an impact focus based on three pillars:

- Building sector initiatives that lead to committed public and private policy making, worker-management dialogues and/or collective bargaining agreements to improve sector governance, creating an enabling environment to achieve living wage and improve working conditions.
- Improving human resource management, capacity building and training (of workers, farmers, or trainers) to improve workers' voice, skills, safety, in-kind benefits and satisfaction, which leads to better working conditions that may translate into higher worker productivity.
- Piloting innovations on more efficient and effective business models that enable profit margins to increase, and allow companies to increase wages and improve working conditions.

IDH looks at living wage projects in terms of three outcomes. A drive towards improved living wages (and better working conditions) is at the heart of every project, but this drive needs to be accompanied by initiatives for improved sector governance and fueled by improved sector competitiveness.

The process of convening businesses around a living wage agenda is challenging. Different supply chain partners often look through different lenses depending on whether they are a buyer, a producer, or a government partner. Finding middle ground and showing players that there are benefits to raising wages for all can be tough.

For instance, from the point of view of the producer, raising wages to a living standard can be seen as a negative agenda. It increases costs, and may be perceived to add extra problems for a business that already struggles to make a profit even though its prevailing wage is above the minimum. By encouraging sectors to look at industry revitalization in tandem with addressing the issue of wages, IDH is able to engage in programs that have the potential to make a real impact on the wages of workers and the livelihoods of farmers.

**“The supply chain needs to support two targets: increasing profitability and competitiveness, and in return working towards a living wage for workers and a living income for smallholders.”**

In Malawi, one of the world's poorest countries, 62% of people live below the World Bank's extreme poverty line, and there is a lack of access to adequate nutrition for around 50% of children. We began addressing wages in the Malawian tea sector by linking the wage agenda with an agenda to raise profitability and competitiveness, which gave us the ear of the producers.

The Malawian tea program is an excellent example of



an initiative in which all three pillars are implemented through a coalition of tea packers and traders, the Malawian Tea Producers Association, Malawian unions, the Ethical Tea Partnership (ETP), Oxfam, and IDH.

### Malawian tea producers get on board

When we started the program in Malawi, we needed producer buy-in from the start. The producers were initially wary, but after a few days of stakeholders talking and showing an open attitude, we gained the trust of the Tea Association of Malawi who presented a declaration of intent to work with the program. This was the key unlocking moment: and it had taken just one week of on-the-ground involvement to achieve.

Wage improvement is not simply a matter of convincing buyers to exert influence in the market. Saying “we won’t buy your product unless you work towards a living wage” is an oversimplification, which ignores the pressures faced by the producers. The key is to find a way for a producer to say “I am willing to work towards a living wage”—despite the cost problems. Asking the question “What are the challenges in the tea production industry?” allowed us to begin designing solutions that would look at easing the financial burden of wage increases: delivering a better-managed and more competitive Malawian tea sector, and receiving higher wages in return.

**“Global campaigning by NGOs is important for adding weight to a program driving towards a living wage. To drive this change, in-depth understanding of the sector is required to navigate dilemmas thrown up by the drive itself. Here, IDH can add value.”**

### Holistic solutions for improved farmer livelihoods

A holistic approach is required to bring about action on the issue of living wages. Buyers need to pay higher prices. Producers may need to raise the quality of their product to encourage buyers to pay more. Increased quality is easier to achieve when farmers and their families are properly nourished and protected from disease. Better nourishment is an in-kind benefit of receiving a living wage, which gives access to more and potentially healthier food. Healthier food will produce higher worker

satisfaction, which in return may help increase productivity.

NGOs, buyers, producers, and governments all have roles to play. Around nine buyers signed the Malawian program’s Memorandum of Understanding over a six-month period, creating a safe space for tea-industry players to commit to the program. In tandem with being consulted on the architecture of the program, this developed a roadmap in which the various components of the solution could be orchestrated by a convener. With lots of players working together, neutral convening was vital. Global campaigning by NGOs, for example, is important for adding weight to a program driving towards a living wage. To drive this change, in-depth understanding of the sector is required to navigate dilemmas thrown up by the drive itself. Here, IDH can add value. The Malawian government was able to advise on issues presented by the living wage program: for example, increased mechanization may lead to unemployment. And the buyers were able to communicate that the time between committing to paying higher prices and actually paying may be longer than hoped for by the NGOs.

### Delve behind “the what”

There had never been a collective bargaining agreement (CBA) process in the Malawian tea sector: wages are historically set by the employer alone. First it was necessary to look behind the what, in order to discover the why.

**“You have this complex public-private partnership. But if you also have a few very tangible projects that can show progress pretty quickly, then you can demonstrate the partnership really working.”**

Why hadn’t there been a CBA process before? Who needed educating in order to make the CBA process happen? By training the producers—teaching them that if they were to found a CBA process their public relations would immediately improve—the program enabled the first-ever CBA to be signed in the summer of 2016. And by training workers’ unions to become fit for purpose as effective negotiating partners, the program also developed an environment in which future wage negotiations could be usefully conducted.



## Maintain negotiations to keep in step with inflation

The successes of the Malawian tea-sector living wage program are encouraging. The tea-sector wage now stands at two-thirds of a living wage, and is 50% higher than the rural minimum country wage. However, inflation moves rapidly and can cancel out much of the good work done by the Tea Association and the Plantation Agricultural Workers' Union that signed Malawi's first CBA. It's important to maintain a regular schedule of negotiations if we want to keep wages increasing as well as compensating for inflation.

**“[Producers] consider living wage a buyer's agenda, but that's not true. It is actually a civil-society agenda. And we have to make it a business agenda.”**

## Diversify for a robust sector capable of paying a living wage

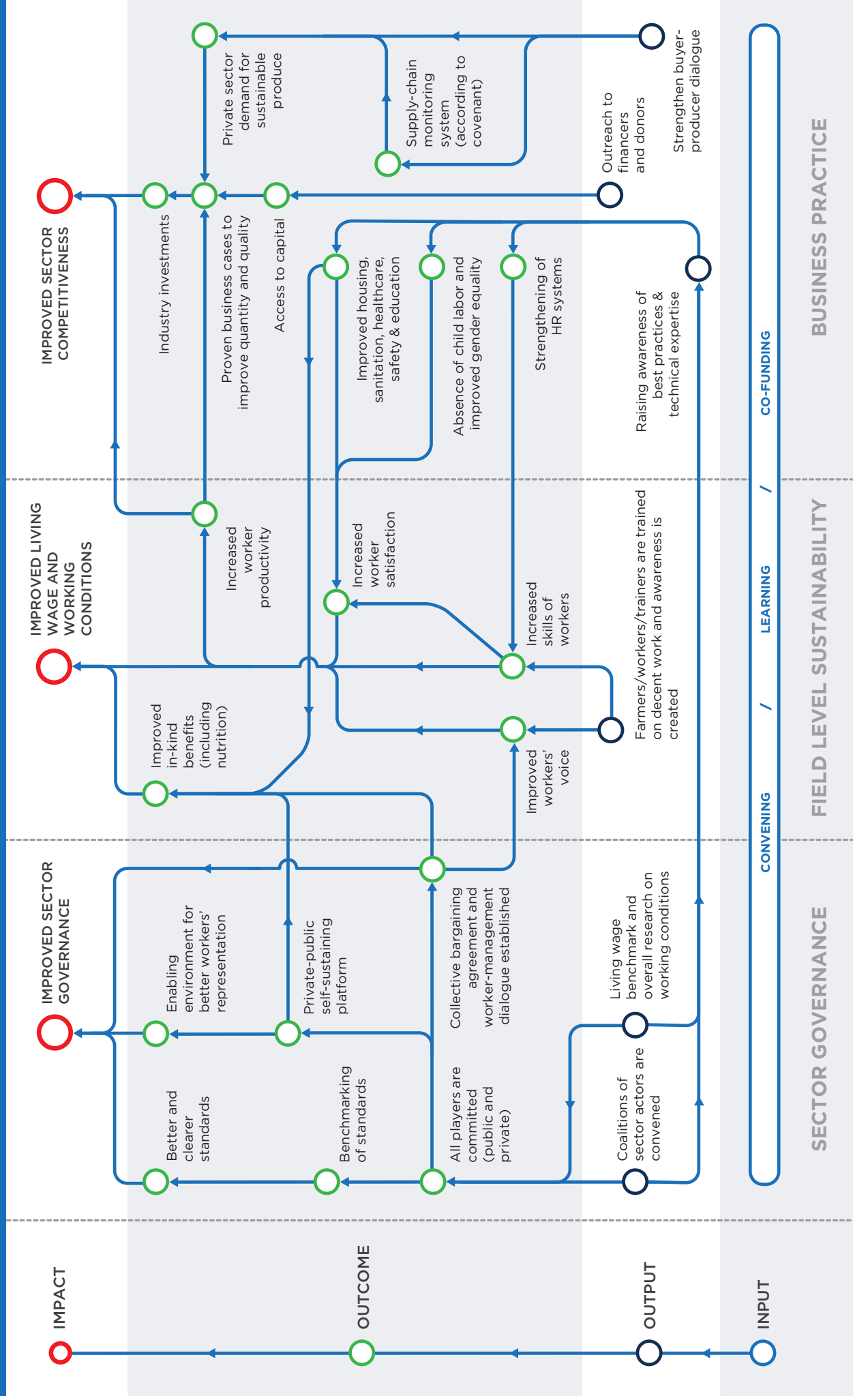
It has been difficult to put the Malawian living wage program up for investment, making it prudent to look at other means by which the producers can solidify their businesses.

The cocoa sector is a good model: major cocoa producers also trade coconut, rubber, or palm oil. The Malawian tea sector could emulate this diversification by complementing tea with other crops or products such as macadamia nuts and tourism.

Read more:

<http://www.malawitea2020.com/uploaded/2016/12/Malawi-Tea-2020-Wages-Committee-progress-report-2016-LR.pdf>

# INTERVENTION LOGIC ON LIVING WAGE AND IMPROVED WORKING CONDITIONS







## IMPACT THEME 4

# Responsible agrochemical management

## 2020 goals

IDH aims to train 3.9 million farmers/workers on responsible agrochemical management (approx. 6.4 million hectares). Of those, 2.8 million farmers (4.7 million hectares) are expected to improve their agrochemical management.

## Countries



## Sectors



Coffee



Cotton



Fresh and ingredients



Tea



Aquaculture

## Landscapes



Central Highlands, Vietnam



Central Rift Valley, Ethiopia



*Synopsis of an interview with Flavio Corsin,  
Director Aquaculture, Agrochemicals, and Vietnam*

Improving agrochemical management is one of IDH's five impact themes. Responsible agrochemical management (RAM) programs are relevant to many of the Sustainable Development Goals, including #3: good health and wellbeing; #6: clean water and sanitation; #14: life below water; and #15: life on land.

RAM is a core issue for sustainable trade. Commodities that exceed the European Commission's maximum residue levels (MRL) for agrochemicals cannot be traded and are therefore not profitable for farmers. By working to reduce agrochemical use, RAM acts directly on the MRL of commodities produced in emerging and developing economies. And by addressing the overuse of compounds considered dangerous or harmful to the environment, RAM is part of the landscape approach adopted by IDH and its partners in their programs.

To accelerate learning on RAM, IDH has created a cross-sector impact focus based on six pillars:

1. Building initiatives that target sector governance: convening the most relevant groups to talk about the issues and develop actionable strategies;
2. Designing interventions that increase profitability in the sector;
3. Safeguarding and improving worker/farmer safety;
4. Ensuring and improving food safety in traded commodities;
5. Reduced ecosystem impact;
6. Creating market access for farmers, smallholders, and small producers.

The core of the learning agenda on RAM is how to address agrochemical usage problems across multiple sectors, by leveraging agrochemical management expertise in a way that cuts across industries.

## **Towards safer produce: globally and locally**

Food-safety concerns abound in developing countries like India and Vietnam. Lack of education and a trend for promoting proprietary agrochemical products can result in farmers over-applying generic agrochemicals for fear that their crops will fail if they don't. In high-value sectors like pepper, where a small reduction in yield can mean a big reduction in profit, the pressure to overspray is even higher. The high residue level on these crops, however, makes them saleable only in the domestic market—an effect with problematic consequences. Not only can farmers lose out on European and global market access and the chance to increase the profitability of their plantation or smallholding, but the domestic food market is also flooded with unsafe products.

**“You start to see that things are the same across different crops. And you wonder: is it the best way to address this, sector by sector? It makes more sense to deal with the problem in a more focused way. And then you begin to see the sectors in a different light.”**

IDH looks at RAM through three lenses: sector governance, field-level sustainability, and business practice. Interventions and innovations in governance terms are aimed at improving policies, protocols, and standards and, in some cases, applying them through a (data-driven) system of monitoring and enforcement. At field level, training focuses on achieving the adoption of better practices and improving record keeping in order to drive





better data. And through the business lens, RAM programs look at ways to increase private-sector demand for sustainable produce, leveraging the commitment of business players to increase access to finance and better agrochemical products.

By developing efficient, MRL-focused programs that allow farmers to sell their produce into the European and global market, IDH and its partners are able to raise profitability in the produce sectors, improve health and safety, reduce soil and groundwater toxicity, lessen negative impact on biodiversity, and improve food safety in domestic markets.

### Scoring floriculture in Vietnam, India, and Ethiopia

Data collection and interpretation are the fundamental driving forces behind innovation. RAM enforcement teams can use data to best distribute their resources: for example, in sending inspection teams to problematic areas more regularly. Governments may use the same data to get a realistic picture of production. Financial institutions can find out how stable and reliable a farmer is before they provide access to money. And traders can relay information to roasters to prove compliance or progress, for example.

**“Data opens up new doors. You can use data for anything. The question is: how do you develop a digital solution that allows the farmer to use different IT tools that can be plugged into that system?”**

In Ethiopia, an organization called More Profitable Sustainability (MPS) scores flower production against a number of different factors, including water use, energy use, and agrochemical use. The safer and more efficient the production methodology, the higher the score: a product with low levels of toxicity achieves an A or an A plus, which creates a market demand for flowers with low toxic loads. With powerful systems in place for managing this data, it can be used by MPS to measure progress in a meaningful way. Certification provides some benefits: but the ability to show—with hard data—that you have been using less pesticide is a powerful message.

### The Vietnamese agrochemical taskforce: accelerating interventions across sectors

In Vietnam, an agrochemical taskforce has been co-established by IDH to solve problems with agrochemical management.” to “In Vietnam, an agrochemical taskforce has been co-established by IDH to solve problems with agrochemical management, after a meeting in September 2015 of the Partnership for Sustainable Agriculture in Vietnam (PSAV).

**“Total localism, however, would ignore the potential for cross-sector and cross-geography learning.”**

By creating a problem-solving body that exists outside of any sector, RAM knowledge is rapidly applied wherever it is needed. Tools that have worked in tea, coffee, pepper, and so on, can be brought to bear on problems in floriculture or aquaculture. The taskforce searches for solutions to the specific problems brought to its attention by each sector, and jurisdiction is built around these solutions in the Vietnamese Central Highlands, through the IDH landscape program.

### Local knowledge, global gains: tailoring programs to create successful interventions

To maximize the effectiveness of the different RAM tools, and to innovate on new RAM solutions, it is important to be both industry- and geography-specific. Local knowledge—like understanding that the Vietnamese pepper industry is prone to continuous spraying because of the value of the crop—allows focused interventions to be made by IDH.

In Vietnam, demonstration plots are being used by IDH (in partnership with McCormick) to educate farmers on better agrochemical practices.” to “In Vietnam, demonstration plots will be used by IDH (in partnership with McCormick) to educate farmers on better agrochemical practices.

A RAM program in Ethiopia—a country in which the flower sector is driven by large companies—is considering the use of biological pest control (worms, insects, and other organisms) in floriculture. By demonstrating the effectiveness of using biological pest control to these in-



fluent companies, IDH aims to create market demand that accelerates uptake. An understanding of the local sector is important when focusing on the companies that influence the Ethiopian market. But once the concept has been proven, it is possible to create a model that can be exported to other sectors.

## Moving the mechanism from one sector to another

The cotton sector, for example, faces many challenges when it comes to agrochemical management; and yet it is also the easiest sector in which to intervene. BCI's continuous improvement model has proven to be a powerful tool in bringing down pesticide usage. On average, BCI cotton farmers in IDH-supported geographies use less pesticide than conventional cotton farmers. Investment is all that is needed—to train millions of farmers to use fewer agrochemicals, and to show those farmers that they will make more money in the process.

The future of RAM programs lies in creating the ability to move mechanisms like the cotton program into more complex and fragmentary sectors: spices, for example. The challenge, moving forward, is to encourage the stakeholders in those areas to adapt the approaches to their needs.

## Making it profitable to do the right thing

IDH RAM programs in aquaculture are beginning to demonstrate that the provision of data can help increase profit. In aquaculture, certification represents a cost to the producer that cannot easily be justified (given the majority of global fish markets do not reward certification). If, however, the data required for certification purposes is linked to expertise, which can be used to feed back to fish farmers and raise their production levels, then the business case for certification becomes much stronger.

**“The leverage is around the question: how can the whole system make more money by doing the right thing?”**

In an effort to move this data-driven approach to the next level, IDH has begun talks with the Aquaculture Stewardship Council (ASC), Best Aquaculture Practices (BAP), and GLOBAL G.A.P. By leveraging the power, influence, and data of these organizations, RAM programs will have the potential to make it profitable for farmers to become certified, and to comply with protocols on RAM.

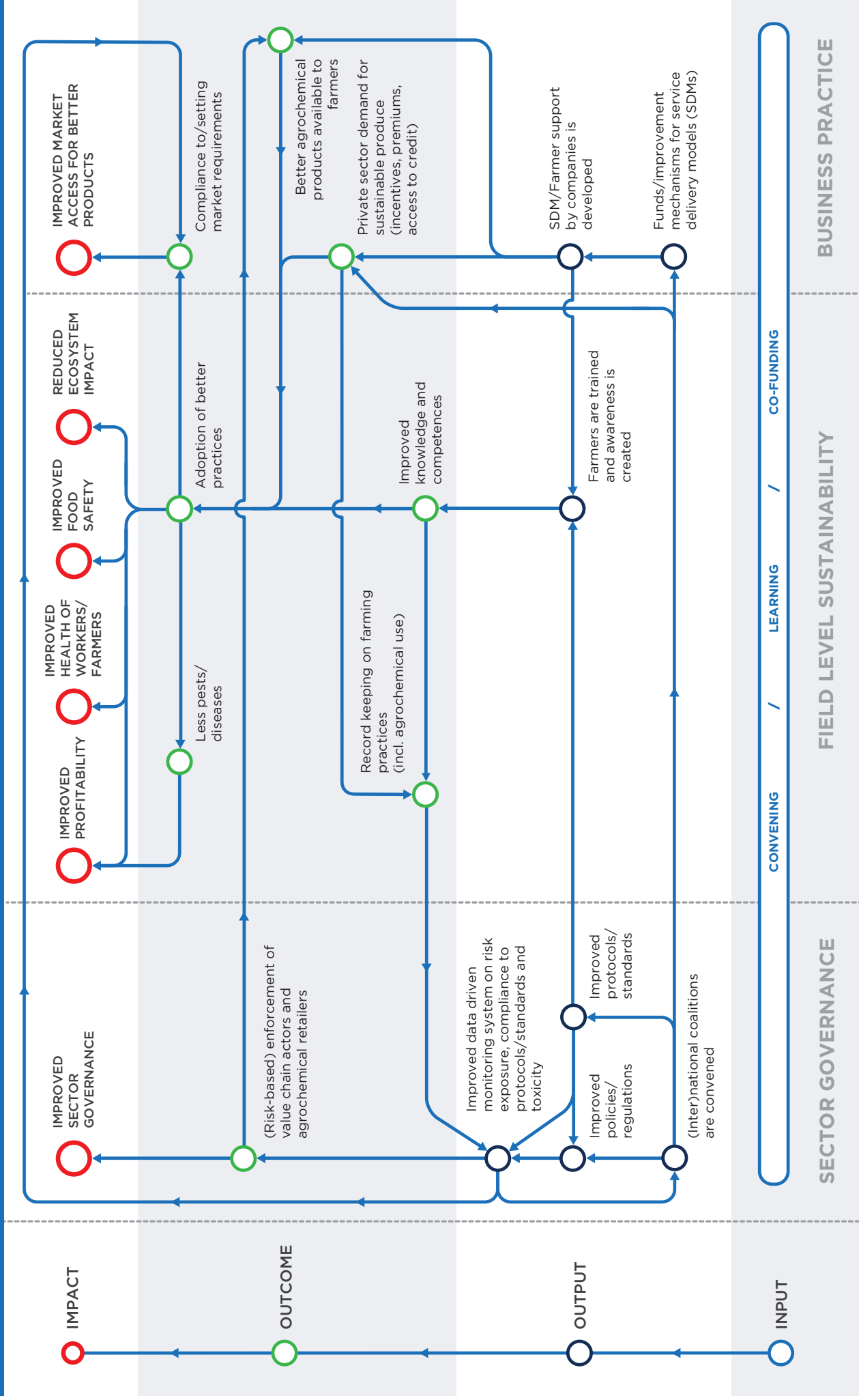
Read more:

<https://www.idhsustainabletrade.com/sectors/aquaculture/>

<https://www.idhsustainabletrade.com/sectors/cotton/>

<https://www.idhsustainabletrade.com/sectors/fresh-ingredients/>

# INTERVENTION LOGIC ON RESPONSIBLE AGROCHEMICAL MANAGEMENT





## IMPACT THEME 5

# Gender equality and empowerment

### 2020 goals

As gender became one of our impact themes only recently, IDH still needs to develop overall 2020 goals for this topic.

### Countries



### Sectors



Coffee



Fresh and ingredients



Tea



Apparel



*Synopsis of an interview with Judith Fraats,  
Program Manager Tea*

**Addressing gender issues in the commodity sectors of developing economies is one of IDH's five impact themes, and directly relates to the fifth Sustainable Development Goal: gender equality.**

IDH's focus on gender equality and empowerment began some years ago in coffee and tea, but it was not until 2016 that gender was denoted a core focus across multiple programs as an impact theme.

The core of the learning agenda on gender issues is making practical, business-relevant plans for creating a balanced, safe, and productive working environment.

## **From theory to practice: building gender equality into programs**

Gender is a key impact theme in IDH's 2016-2020 Strategic Plan, in which we set out to embed gender equality into our transformation strategy. For IDH, gender is a key driver as well as a key concern for sustainability in both supply chains and landscapes. IDH works in many sectors where women play a role in the supply chain: through production of food crops and sales of cash crops, through employment as workers on commercial farms, and through their role as traders and processors. However, women often have fewer opportunities to progress and are more vulnerable to exploitation. We see that women often do not own any assets; and at farmer trainings, men more often turn up although women do most of the work. Looking at the current statistics, women make up around 43% of the agricultural labor

force in developing countries, and even more women are employed in agriculture (70% in South Asia, 60% in Sub-Saharan Africa), but less than 20% of the world's landholders are women.

**"Focusing on gender for IDH means looking not only at gender empowerment – lifting up more vulnerable groups – but also looking at providing equal access to services and understanding household dynamics. For example, situations where men attend the training programs while women do the actual work."**

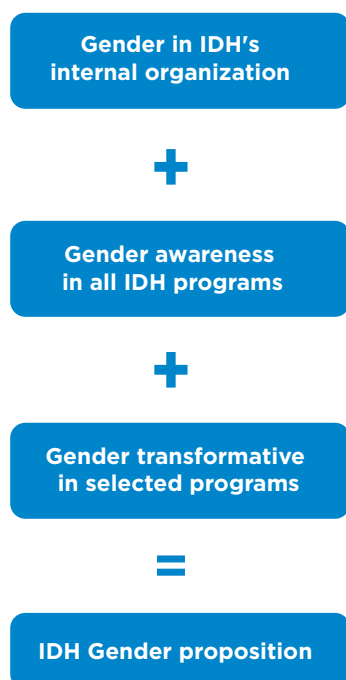
The fact that gender is important and should be integrated into supply chain approaches is recognized. But neither IDH nor our stakeholders have sufficient knowledge and experience of the "how-to question": how to integrate gender into supply chain approaches? We need to step up our act. IDH has therefore committed resources to this impact theme and an (expert) learning network is under development.

With a partner base of 350 public and private partners, united in 11 commodity and 11 landscapes programs, and active in 40 countries, IDH is committed to making an impact on gender equality through the work we do in global supply chains.



## How to reach a gender proposition

The IDH gender proposition has three core elements, each with different levels of engagement and depth in terms of our interventions:



Gender equality can be a goal in itself, but also a pre-condition to realize deeper impact through our ongoing interventions in other impact themes by applying a gender lens on smallholder livelihoods, improved working conditions and living wage, mitigation of deforestation, and responsible agrochemical management.

## Improving the economic position of women and reducing gender-based violence

IDH is addressing worker-management dialogues in the **apparel** industry with the aim of improving the position of women. In the **coffee** sector, the Sustainable Coffee Program in collaboration with Hivos and Agri Profocus developed a toolkit for coffee farmers addressing inequalities that women and youth face in the coffee supply chain.

In the **tea** sector in Kenya, IDH started work on gender in 2012 through its partnership with the Ethical Tea Partnership and the Kenya Tea Development Agency, focus-

ing on gender discrimination and harassment through a social issues program reaching over 1,000 managers, supervisors, and staff members. This led to the following concrete achievements:

- 50% of women in supervisor positions and 33% of women in management positions;
- More equal employment opportunities – women taking on more roles that were traditionally reserved for men (e.g. truck driver);
- All factories have sexual harassment and discrimination policies in place; grievance complaints and disciplinary procedures are included in induction training for new employees.

In 2016, IDH convened a platform in Kenya with several tea companies to create a joint agenda for action to address gender-based violence (GBV) in the sector and share best practices. IDH will also publish a common training manual on addressing GBV in the Kenyan tea industry, and we are developing a roadmap for plantation management on addressing GBV alongside field-level projects to implement the roadmap. And Kenya is only the starting point.

In the **flowers** sector in Ethiopia, through the Floriculture Sustainability Initiative, IDH has carried out a gender program with EPHEA in partnership with BSR HER project, reaching 7,000 workers and 400 peer educators trained on hygiene, nutrition, family planning, and gender-based violence. This has led to:

- 59% of women in the targeted farms (7,000) increased their level of awareness of their rights regarding protection from sexual harassment and were better informed about hygiene, nutrition, family planning, and reproductive health;
- 46% of the pilot project farms (12) developed and started implementing a gender policy;
- 62% of the pilot project farms (16) had active gender committees and an effective reporting system.

While sector players may see gender balance as a reputational issue alone, the logic of gender interventions is also driven by an effort to improve key business areas. By supporting workers to empower themselves, and by training producers on gender-balanced practices, we can create safer, happier, and therefore more productive, working environments. And by training farming families on household (financial) decision-making, for example, and the division of roles and responsibilities in the household, we can promote improvements to the livelihood of the farmer that also have gender-positive effects.

## Look inwards: the gender discussion at IDH

Our journey towards practical, gender-balanced programming started with discussions about the internal organization of IDH. It is here that we began to understand what it means to look at issues with a gender lens.

**“Agrochemical issues do not necessarily happen in our backyard. But the gender discussion is happening in our daily life: inside and outside IDH.”**

Throughout IDH, men and women work at different levels in the organization, and in the field. For an international organization like us, it is important to learn how to be more aware of existing gender norms in the different cultural contexts in which IDH works. When we prototype solutions in any sector, we are dealing with both men and women. However, depending on the target group and whether it is mostly women or men included in the activities, we might see a completely different outcome. It is important to be aware of this, and to consider different routes leading to the same result depending on gender.

## Working together with organizations that have the expertise

IDH doesn't want to reinvent the wheel. Many training programs on gender have been done in the past, and a lot of research already exists. If you look at certain supply chains—processing factories, for example—women often make up 90% of the workforce. By default, if you work with these factories and train their workforce, inevitably this will have an impact on the women who work in these factories.

At IDH, our mission and expertise is to enact change through the supply chain. We denoted gender as an impact theme because of its importance: we believe that women are key to drive growth and sustainability in the commodities and landscapes that we work in. We see it as our role to convene partnerships, and bring expert partners to the right place at the right time, where they can provide the right guidance. What we need now is a commitment to do more. We can't just say we will train disadvantaged gender groups, and hope the training will work. We need to navigate difficult terrain, finding answers and gender-smart business practices that can have a real impact on the ground.

Read more:

<https://www.idhsustainabletrade.com/news/bold-change-idh-gender-proposition/>



# Sectors



# Cocoa

## Impact focus



Smallholder  
livelihoods



Gender  
equality and  
empowerment

Over the last decade, the cocoa sector has made remarkable progress, moving from a single-issue CSR approach on child labor to a more comprehensive and business-driven approach on farm productivity/profitability and community development. The key challenge for the cocoa sector is to implement Cocoa Action's<sup>1</sup> ambitious targets of doubling yields of 300,000 farmers and strengthening their communities in Ghana and Côte d'Ivoire, which will require a business-driven strategy for commercial cocoa production. The sector also needs to explore how it can contribute to fighting new challenges, including halting deforestation and addressing malnutrition.



### Main sustainability issues targeted

- Low productivity
- Low profitability
- Poor economic and social resilience of farms

### Private partners

AFAP, Agri-Logic, Barry Callebaut, Blommer, BT Cocoa, Cargill, Cemoi, Ecom, FMO, Hershey's, IFC, Intertek, Kenner Foods, LDC, Lindt, Mars, Mondelēz, Machu Picchu Foods, Nestlé, OCP, OLAM, and Yara

### Public partners

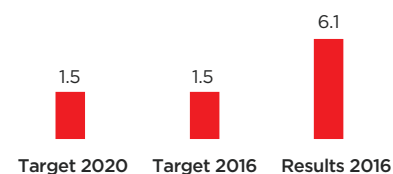
Governments of Côte d'Ivoire, Ghana, Indonesia, Nigeria, Peru, Philippines, Switzerland, the Netherlands, and Vietnam

### Other partners

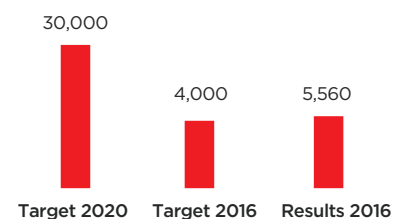
Cocoa Sustainability Platform (CSP) Indonesia, World Cocoa Foundation (WCF), MARD Vietnam, NEN/CEN, UTZ Certified, Swisscontact, and VECO Indonesia

## KPI Progress 2016

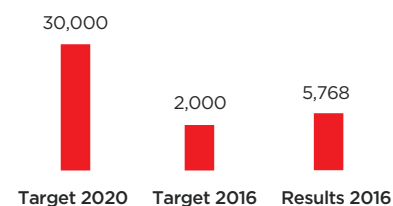
IDH-private sector (sustainability) investments ratio



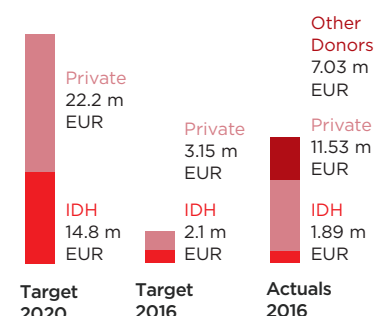
Number of producers/workers/ community members trained



Area where trained practices are applied (hectares)



## Financial Progress 2016



<sup>1</sup> Companies that have voluntarily committed to CocoaAction include: ADM; Armajaro; Barry Callebaut; Blommer Chocolate Company; Cargill; Ecom; Ferrero; The Hershey Company; Mars, Incorporated; Mondelēz International; Nestlé; and Olam International Ltd. More information can be found on [worldcocoaoundation.org/about-wcf/cocoaaction/](http://worldcocoaoundation.org/about-wcf/cocoaaction/)

IDH works through its Cocoa Learning and Innovation Program (CLIP) to support the cocoa sector in translating industry commitments into action. IDH provides a space where partners can prototype new business models, come together to discuss results, and share learnings. This will ensure that the sector moves beyond the delivery of the productivity package to true adoption at farm level through investing in the entrepreneurial/professional farmers and cooperatives. The cocoa program aims to contribute to the transformation of cocoa farming into a more sustainable livelihood option for rural entrepreneurial farmers. It drives innovation in the areas of farmer empowerment (productivity and farm and cooperative financing), community development, women's empowerment, malnutrition and sustainable land use/zero net deforestation. The sector does not yet have clear-cut solutions to these issues, but by 2020 CLIP aims to have well established proofs of concept co-developed with the industry and the public sector.

#### Relevant Sustainable Development Goals for Cocoa



## Key activities, results and role of IDH

### IMPACT CLAIM 1

**Successful prototyping and scaling of profitable business models for industry, cocoa farmers and cooperatives, impacting 20,000 cocoa-farming households by 2020. Cocoa industry relationships with farmers deepened by extending commodity sourcing to embedded service delivery.**

#### Planned activity I

Develop strategic partnerships and contracts with three major traders/processors and development banks to invest in farmers' access to the productivity package in West Africa and Indonesia.

#### Achievement

Two strategic partnerships with Barry Callebaut and Cargill were established through the MOUs.

#### Role of IDH

Driving learning by challenging strategic partners on their sustainability strategies on all focus areas of the CLIP program. In return, IDH offers the opportunity to test more ambitious programs through co-funded projects.

#### Deviation

IDH anticipated developing at least one more strategic partnership. This did not materialize because we needed a little longer to set up our farm financing program in Côte d'Ivoire. Mature collaborations with Advans, Touton and Cemai are in the pipeline.

#### Planned activity II

**Support the development of data-driven service delivery model prototypes.**

#### Achievement

Two companies (Ecom and Barry Callabaut) are collecting reliable, sample-based, impact data through a Farmers Field Book approach. This methodology provides data on yields, income, loyalty and diversification. Longitudinal data collection will be very informative on the functioning of their service delivery models.

### Role of IDH

Increasing the demand for more reliable data that informs farmers, industry actors and IDH on whether investments in farms are generating the anticipated results. CLIP aims to make this standard practice in the program to stimulate better informed management decisions on sustainability investments. The Farmer Field Books are implemented with support of Agri-logic.

### Planned activity III

**Continue leading the Cocoa Action work stream on fertilizer in Côte d'Ivoire and start expanding it to other countries in West Africa. The initiative supports traders and exporters to work with fertilizer companies to distribute fertilizer in the cocoa supply chains.**

### Achievement

Continued research and deeper collaboration between the cocoa and fertilizer industries. Initiative members expressed interest in a follow-up after the pilot phase; for this purpose, an evaluation of the pilot phase took place. In all our field-level projects, including the Fertilizer Initiative, 26,180 farmers have gained access to fertilizer.

### Role of IDH

Driving learning through the Fertilizer Initiative by co-investing in research and organizing stakeholder meetings. Additionally, IDH has co-financed field-level projects to test different fertilizer delivery and alternative training techniques that focus on good application of fertilizers. The field-level projects are in partnerships with Olam Blommer, Hersheys, Ecom, Lindt, Machu Picchu Foods, and Barry Callebaut.

### Deviations

IDH reduced its ambition from extending the Fertilizer Initiative to different countries to sharing lessons learned with cross-sector cocoa platforms such as CSP in Indonesia. The reason for this is that IDH has the biggest added value in unlocking collaboration and innovation where issues are too daunting for the industry to address. Through learnings from the first phase Fertilizer Initiative, we have the responsibility to empower local expert organizations to drive pre-competitive collaboration.

### Key achievement on change in business practices

Thanks to IDH support, two companies – namely Ecom and Barry Callebaut – have adopted the Farmer Field Book approach to data collection, which provides reliable sample-based performance data on yields, income, loyalty and diversification. Ecom trained 65 members of staff to visit 995 farmers on a bi-weekly basis, and has completed a one-year cycle of data collection. The insights derived from the methodology are used to better tailor its farm services to the business reality of the farmers.

### Planned activity IV

**Conclude research on soil tests and formulate recommendations for fertilizer use, and work with Cocoa Action companies to integrate fertilizer recommendations into their business models.**

### Achievement

Soil mapping in Côte d'Ivoire was completed, based on which CNRA will validate proposed recommendations in the next two years. IDH's cocoa partners have rated our multi-stakeholder process, including the Fertilizer Initiative, with an 8.2 on satisfaction about the effectiveness.

### Role of IDH

Convening the public-private dialogue of cocoa companies, fertilizer industry and government through the scientific committee of the Fertilizer Initiative, which IDH funded and coordinated as the secretariat.

### Deviations

The research will require two more years to be validated.

### Planned activity V

Set up a Farm and Coop Finance Initiative in Côte d'Ivoire, aiming to scale, broaden, and deepen the degree to which farmers and cooperatives have access to short- and particularly medium- and long-term finance.

#### Achievement

The program was officially announced on June 13, 2016, in Abidjan. The project pipeline has been filled but no projects have been contracted yet.

#### Role of IDH

Founding and financing (€3 million) the initiative, and convening the cocoa, financial and public sectors.

#### Deviations

IDH has convinced the Conseil Café Cacao, the public cocoa authority in Côte d'Ivoire, to join and co-fund the program up to €2 million.

### Planned activity VI

Develop a partnership with Swisscontact and the Cocoa Sustainability Platform (CSP) to work together in Indonesia on our shared agenda. Additionally, we will stay actively involved in the CSP program.

#### Achievement

Since the start of 2016, Pak Imam from the cocoa program is the chairman of the supervisory board of the CSP, the public-private cocoa platform. The cocoa program has been heavily involved in operationalizing the CSP roadmap.

#### Role of IDH

Investing time and money into the CSP, and contributing to the convening of the cocoa sector in Indonesia around important sustainability challenges.

#### Deviations

A partnership with Swisscontact has not been established because we are still unclear on the best role for IDH in Indonesia, where there are already several public-private platforms. The World Cocoa Foundation (WCF) and IDH have agreed to join forces in scoping our roles in Indonesia and come to an aligned strategy.

### IMPACT CLAIM 2

**Successful prototyping and integration of industry business models that empower women on the farm, and reduce malnutrition and growth stunting in cocoa communities.**

### Planned activity I

Together with partners (likely GAIN and KIT), conduct specific issue analyses on gender and nutrition in Côte d'Ivoire.

#### Achievement

CLIP has finalized a desk study, and together with the industry IDH has collected additional nutrition data in cocoa communities. In December 2016, a workshop was organized with the sector to discuss the findings. A partnership with KIT, Jacobs Foundation, UTZ Certified and Lindt was created to carry out an extensive study on household livelihood strategies in cocoa communities, which explicitly explores gender.

#### Role of IDH

Convening the sector around nutrition in close partnership with GAIN. The KIT research is partially funded by IDH.

#### Deviation

The KIT study is a large-scale (n=3000) study with primary data collection. Due to its scale, it will only deliver findings in mid-2017.

### Planned activity II

Contract two prototype projects on gender and nutrition.

#### Achievement

A prototype project on gender is ongoing with Lindt and Ecom. The design and contracting of additional prototypes are delayed until the beginning of 2017 because of ongoing discussions with cocoa industry partners to build on the findings of nutrition issue analyses.

#### Role of IDH

Convening the sector around nutrition in close partnership with GAIN. The prototypes on nutrition will be co-financed by IDH. These prototypes will drive learning on how the cocoa sector can act on the issue of malnutrition.



### Deviation

Delayed; prototype project will only be contracted in 2017 because more time was needed to understand the scope of the issue and align the private sector on its potential role in addressing malnutrition.

### Key achievement on improved sector governance

In 2016, Conseil Café Cacao agreed to commit €2 million to the newly established Farm and Coop Investment Program. This is an achievement only made possible by the strong convening role IDH has had over the last year as secretariat of the Cocoa Fertilizer Initiative in Côte d'Ivoire. The engagement of Conseil Café Cacao in the Farm and Coop Investment Program implies a strong public commitment to the program, and strengthens the its influence on policy development and potential to institutionalize its outcomes in the long run.

### IMPACT CLAIM 3

**Successful prototyping of sustainable landscape management to reduce deforestation in Côte d'Ivoire.**

### Planned activity I

Organize focused discussions on the bottlenecks in the Côte d'Ivoire landscape, including at least two Supervisory Committee meetings and four Technical Committee meetings.

### Achievement

Two ISLA Technical Committee and one Supervisory Committee meetings were held in 2016 with attendance as planned. A two-day Cocoa Agroforestry Forum was also organized in Soubré, followed by a high-level meeting in Abidjan to report back on the forum outcomes.

### Role of IDH

Convening the Ivorian partners around the topic of forest protection, agricultural production and inclusion of population.

### Deviation

Towards the end of 2016, fewer committee meetings were held due to elections leading to limited availability of public-sector partners. Collaboration started with the International Sustainability Unit of the Prince of Wales, bringing cocoa partners together at an international level on the topic of forest protection.

## Link to IDH impact themes

The cocoa program delivers against the impact themes of **smallholder livelihoods** and **gender equality and empowerment** (and, in partnership with the landscape program, on **mitigation of deforestation**; see Landscapes chapter).



Together with Conseil Café Cacao of Côte d'Ivoire, in 2016 the cocoa program launched the Farm and Coop Investment program, which will reach 150,000 profes-

sional farmers and 300 cooperatives to facilitate their access to medium- and/or long-term loans. Meanwhile, the program has engaged nine cocoa companies in the issue analysis, which was concluded by six companies expressing an interest in running a prototype on improved nutrition. On gender, the cocoa program has initiated internal discussions to address gender in projects. This activity has been postponed until 2017, when the cocoa program will develop and operationalize its gender strategy.

### Lessons Learned

- The entire cocoa sector now recognizes the importance of thinking outside the box and driving non-cocoa experts to address issues around increasing productivity and profitability. It has become clear that the sector itself cannot generate the funds required to meet the huge demand for financing to rehabilitate/regenerate the existing cocoa farms in term of inputs, labor, planting material, farming equipment, farmer skills and professionalization of their organizations. It is therefore necessary to bring in financiers and focus on the segment of farmers ready to become cocoa entrepreneurs.
- With the Cocoa Fertilizer Initiative's pilot phase drawing to a close, partners have evaluated the four-year initiative. A key insight gained is that a better understanding of cocoa tree nutrition is required to further optimize cocoa productivity. The partners' work around the testing of fertilizer distribution and farmer training/coaching has also made it apparent that access to finance, adapted financial products, and solid financial management are crucial at both farmer and coop level.
- Malnutrition is a serious issue in cocoa communities, and cocoa companies are willing to explore how they can be part of the solution. The issue analysis showed that two in five women in cocoa communities in Ghana and Côte d'Ivoire are anemic. As many as one in three children in some of the cocoa communities in Côte d'Ivoire is short for their age (stunted); in Ghana this is lower, with one in five children under five being stunted. Nine cocoa companies were involved in the issue analysis on malnutrition in cocoa communities in Ghana and Côte d'Ivoire. Based on this analysis, six of these companies have expressed an interest in running a pilot project on improved nutrition.

## Deviations from the program strategy 2020

The pilot phase of the Cocoa Fertilizer Initiative has laid the groundwork for public and private partners, from both the cocoa sector and the fertilizer sector, to take investments and activities further. The intensive collaboration will end within the context of the initiative, but with the assistance of IDH, partners have defined an exit strategy to transfer activities on convening, research, extension and field-level investments.

For Indonesia, we had planned to set up a program on farm inputs/farm finance. In a strengthened partnership with WCF, IDH has agreed to align its strategy in Indonesia with WCF, which explains the delays in the development of a real strategy. However, discussions are underway to develop more coherent programs with landscape projects wherever the cocoa sector can contribute to the solution.

The field-level results are much higher than the targets for 2016. This is because the cocoa program still has some larger ongoing projects that were contracted under our former strategy, which has a stronger focus on delivering the productivity package without the new ambition of getting farmer and coops bankable and investing in the long-term profitability of their businesses. For this reason, the KPI results are split up into “old” and “new” projects, which show that with the two pilot projects on bankability, the cocoa program did deliver on all the targets for the current strategy. One key point of attention is the number of women we are reaching, which is much more complicated when we go beyond training and short-term inputs to services that require credit to be invested in cocoa productivity.

## Risk Assessment

Risk	Mitigating action undertaken
Local governments resist productivity focus of industry.	The government of Côte d'Ivoire (our main focus country) is closely involved in our program activities that focus on productivity and income. Moreover, the CLIP focuses on driving the business case for farmers and cooperatives, thereby looking beyond productivity at income and resilience.
The cocoa industry does not want to take the risk of supporting farmers in farm rejuvenation and proper fertilization of farms.	The CLIP drives learning on effective service delivery models and R&D on financial products for cocoa farmers and cooperatives. By offering cost-sharing and risk-sharing for piloting financial products and investments in farm rejuvenation, the program supports the cocoa industry in managing the risk.
The cocoa industry does not want to address complex social issues like gender and malnutrition.	Through focusing CLIP projects on delivering proof of concept showing that investing in gender and nutrition not only delivers value for the cocoa farmers but also for businesses, IDH retains the interest of the private sector.

# KPI Table Cocoa

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Target 2016	Results 2016
Result Area 1 – Change in business practices					
1	Private sector (sustainability) investments in the program	€42.9 million (situation up to 2015)	NA	NA	€11,531,462
		Ratio of 1:2.2	Ratio of 1:1.5	Ratio of 1:1.5	Ratio of 1:6.1
2	Business cases developed to show the potential of sustainable practices	0	6	NA	0
3	Sustainability embedded at corporate level	See narrative below			
Result Area 2 – Improved sector governance					
4	Representation and commitment of key-stakeholders in multi-stakeholder processes or coalitions	See narrative below			
5	Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program	See narrative below			
6	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0	2	1	0
		See narrative below			
Result Area 3 – Improved field-level sustainability					
7	# of producers/workers/community members trained on key subjects for sustainable production, environmental and social sustainability issues	0	30,000	4,000	5,560 3,375 men 185 women
8	# of producers/workers reached by service delivery	0	30,000	4,000 access to productivity package	4,429 3,233 men
				2,000 access to financial services	1,196 women
9	Volume of sustainably produced production (metric tons)	0	30,000	4,000	4,032
10	Area where trained practices are applied (either farmland or protection area) (hectares)	0	30,000	2,000	5,768

## KPI 3. Sustainability embedded at corporate level

- **Baseline:** NA
- **Target 2020:** Until 2020, the cocoa program will work to further embed sustainability at corporate level in the companies the program works with. The focus is on adopting strong data collection strategies for the generation of reliable management data on the effectiveness of service delivery models.
- **Target 2016:** NA
- **Results 2016:** Two companies, namely Ecom and Barry Callebaut, have adopted the Farmer Field Book ap-

proach to data collection, which provides reliable sample-based performance data on yields, income, loyalty and diversification. Ecom trained 65 members of staff to visit 995 farmers on a bi-weekly basis, and has completed a one-year cycle of data collection. The insights derived from the methodology are used to better tailor its farm services to the business reality of the farmers. Consecutive years of data will enable the company to observe the results of its sustainability program. Barry Callebaut is still in the process of collecting its first year's data. In 2017, we will explore upscaling this by introducing it to new partners.

#### **KPI 4. Representation and commitment of key-stakeholders in multi-stakeholder processes or coalitions**

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders are represented and committed to the multi-stakeholder processes associated with the cocoa program.
- **Target 2016:** NA
- **Results 2016:** In mid-2016, a consortium of KPMG and Wageningen University responsible for reporting on IDH's impact in the period 2016-2020, conducted a sector survey among IDH partners. The results of this survey are used for the baseline impact report, but also for this indicator on the representation in and commitment to multi-stakeholder processes or coalitions. On average, the partners of the cocoa program who participated in the sector survey rated the indicator 8.6 out of 10 (n=19).

#### **KPI 5. Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program**

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders that are members of the multi-stakeholder processes associated with the cocoa program are satisfied with the effectiveness of these processes.
- **Target 2016:** NA
- **Results 2016:** Results 2016: The impact evaluator also assessed satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program. On average the partners of the cocoa program who participated in the sector survey rated the indicator 8.2 out of 10 (n=19).

#### **KPI 6. Changes in policies and regulatory environment in line with increased sustainability and management of natural resources**

- **Baseline:** See KPI table
- **Target 2020:** Breakthroughs expected on at least two major policy bottlenecks: one regarding sustainable land use, probably in the area of tree titles; one on farm financing.
- **Target 2016:** In 2016, we targeted one bottleneck to be addressed by gaining public support for fertilizer distribution in Côte d'Ivoire.
- **Results 2016:** • Results 2016: No policy change. An important policy change the Initiative should have brought about would have been the updated fertilizer recommendations. However, this never came about due to lack of consensus among partners. In early 2017, however the government of Côte d'Ivoire committed

to take the fertilizer recommendations forward. The national research institute (CRIN) is discussing how to do this with the fertilizer companies.

## **Comments**

- **KPI 1:** The cocoa program had very high leverage in 2016 due to two reasons. Firstly, some large projects that were still running from our old strategy have a large leverage, including the CORIP program in Ghana where IDH leverages 10 on its contribution. Secondly, for several projects, the private sector contribution of 2015 could only be recognized in 2016 while the IDH contribution was already recognized in 2015. When we correct for this, the 2016 co-funding ratio is 1:2.5.
- **KPI 3:** No baseline value is expected for this indicator as it provides an annual assessment of the current situation of sustainability embedded at corporate level in companies the program works with in terms of elements the program teams defined in the annual plan phase. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 4:** No baseline value for this indicator is expected as it provides an annual assessment of the representation and commitment of sector stakeholders in the multi-stakeholder processes and coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 5:** No baseline value for this indicator is expected as it provides an annual assessment of the satisfaction about the effectiveness of the multi-stakeholder processes or coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 7:** Trained on old strategy (2011-2015): 28,136 farmers, of which 19,034 are male and 9,069 are female. Trained on new strategy (2016-2020): 5,560 farmers, of which 3,375 are male and 185 are female. The distinction between men and women trained can only be made for some projects, hence the data split by gender does not add up to the total.
- **KPI 8:** Trained on old strategy (2011-2015): 21,750 farmers, of which 16,005 are male and 5,807 are female. The distinction between men and women trained can only be made for some projects, hence the data split by gender does not add up to the total. Trained on new strategy (2016-2020): 4,429 farmers, of which 3,233 are male and 1,196 are female.
- **KPI 9:** Volume resulting from old strategy (2011-2015): 60,205 metric tons. Volume resulting from new strategy (2016-2020): 4,032 metric tons.
- **KPI 10:** Number of hectares under old strategy (2011-2015): 21,904. Number of hectares under new strategy (2016-2020): 5,768.





# Tea

## Impact focus



Smallholder livelihoods



Living wage and improved working conditions



Responsible agro-chemical management



Gender equality and empowerment

IDH's tea program aims for sustainable tea production in Africa and Asia, and sustainable procurement in Western Europe and Asia. Over recent years, large tea packers and their suppliers have embarked on a market transformation journey in tea, where independent certification became mainstream. Global tea packers, such as Tata Global Beverages, Unilever, Twinings, Taylors of Harrogate and Jacobs Douwe Egberts, made commitments to source 100% certified tea by 2020. In the early years of the tea program (started in 2008) the focus was on mainstreaming certification and training farmers through farmer field schools. Pre-competitive collaboration on sustainability issues was difficult; companies were not used to having discussions with competitors and civil society. By now, the industry has made a significant shift to becoming much more open to pre-competitive collaboration, to be able to handle issues that cannot be dealt with as a single company. This allows IDH to step in and play its convening role to further address sustainability in the tea value chain.



### Main sustainability issues targeted

- Smallholder livelihoods
- Living wage
- Agrochemical usage
- Gender issues

### Private partners

Tata Global Beverages, Taylors of Harrogate, Unilever, Tesco, Jacobs Douwe Egberts (JDE), Typhoo, The Osthfriesische Tee Gesellschaft (OTG), Kenya Tea Development Agency (KTDA), Ethical Tea Partnership (ETP), Royal Dutch Coffee and Tea Association (KNVKT), Van Rees, Tea and Merchants Association Malawi, Marks & Spencer, Mother Parkers, Finlays, Tea Association of Malawi

(TAML) and members, Twinings, and Ringtons

### Public partners

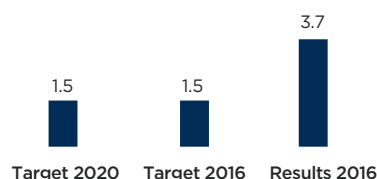
India (Tea Board of India), Kenya (county governments), Tanzania and Vietnam (Ministry of Agriculture and Rural Development - MARD), Malawi (Ministries of Labor, Agriculture and Finance)

### Other partners

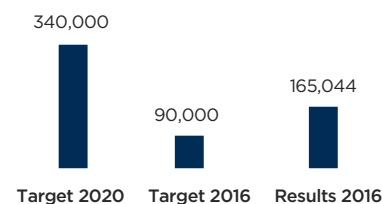
Wood Foundation, Gatsby Charitable Foundation, Oxfam GB, Solidaridad, Rainforest Alliance, UNICEF, Fair Trade International, UTZ Certified, GIZ and Ethical Trading Initiative, VITAS (Vietnamese Tea Association), BSR, and UN Women

## KPI Progress 2016

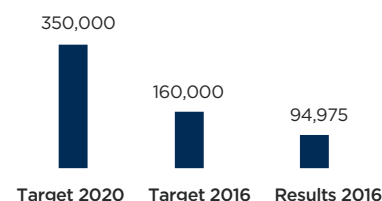
IDH-private sector (sustainability) investments ratio



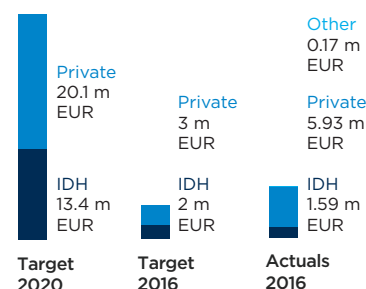
Number of producers/workers/ community members trained



Area where trained practices are applied (hectares)



## Financial Progress 2016



Key efforts of the tea program are focused around the Malawi Tea 2020 program, working towards a living wage, the trustea program in India to improve sustainability of the Indian tea sector, and addressing gender-based violence on tea plantations in Kenya, all through a multi-stakeholder approach. The IDH tea program is also active in Rwanda, Tanzania and Vietnam. The tea program contributes to four of our five impact themes, addressing gender, living wage, agrochemical management, and smallholder livelihoods, through its interventions.

#### Relevant Sustainable Development Goals for Tea



## Key activities, results and role of IDH

### IMPACT CLAIM 1

Through IDH, tea businesses find an approach to better integrate smallholders into their supply chains, leading to improved yields and gross margins of tea which contribute to improved livelihoods.

### Planned activity I

Negotiate strategic 2020 partnerships with key investors such as Unilever and the Wood Foundation on large-scale (greenfield) smallholder programs in Tanzania and Rwanda. Contribute to business case research, environmental and social impact assessments, and baseline setting in these large investment programs. Add innovative finance solutions to the programs.

### Achievement

Continued our partnership on smallholder livelihoods and profitability with Unilever in Tanzania, into a second phase. Also with the Wood Foundation in Rwanda, a second phase was started early 2017, and a service delivery model analysis will be included in the scope of work.

### Role of IDH

Negotiating the second phase of both partnerships in Tanzania with Unilever and in Rwanda with the Wood Foundation, with a primary focus on improving smallholder livelihoods and safeguarding the public good.

### Deviations

Partnership with Unilever in Rwanda has been discontinued as the added value and role of IDH in this partnership was unclear.

### Planned activity II

Work with various implementing partners across all focus countries to train smallholder farmers through the farmer field school (FFS) methodology, building on the 2008-2015 tea program. Farmers will be trained on group formation, planting and managing tea, proper infilling and pruning of tea, farm management, and income diversification.

#### Achievement

Co-funded the rollout of farmer field schools and other smallholder training programs in East Africa (Kenya, Malawi and Tanzania), Vietnam and India. 30,187 smallholder farmers have been involved in this process. The project between KTDA, Unilever and IDH was finalized mid-2016; KTDA will continue the FFS program until the remaining farmers (560,000 in total) are trained through the FFS methodology.

#### Role of IDH

Participating in quarterly steering committee or project meetings with the program partners, providing co-funding to and driving M&E (the final impact study on the KTDA-Unilever-IDH FFS program was published 2016).

### Planned activity III

Lead the scoping process of key interventions on gender issues (with a special focus on reducing sexual harassment and gender-based violence) in the tea industry. Depending on the outcomes of the scoping process, IDH will define and pilot key interventions in East Africa and India.

#### Achievement

Initiated discussions with the Kenyan tea industry and civil society organizations on a program to reduce gender-based violence (GBV) in the tea industry in Kenya. Stakeholders accepted IDH as the convener for the program, and four successful platform meetings to exchange learnings and best practices were held. Based on the initial platform meetings, IDH identified the need to develop a practical roadmap for tea plantations regarding GBV based on the best practices available, and bring together the existing training material on GBV into one aligned training kit. Both the roadmap and the training kit will be presented to the sector in Q2 2017.

#### Role of IDH

Convening and chairing the gender platform with key Kenyan tea stakeholders and civil society organiza-

tions. Leading the development of a roadmap to address gender-based violence on tea plantations in Kenya.

#### Deviations

There has been some delay in moving towards field-level implementation. In 2016, the focus was on relationship building and creating a safe and trusting environment for partners to open up and discuss this sensitive topic. In 2017, IDH is keen to move into implementation with partners alongside the different steps in the roadmap.

#### IMPACT CLAIM 2

**IDH brings together a supply chain partnership, which realizes a living wage and living income in the Malawian tea industry, by 2020. IDH underpins the need for a living wage in North India through its trusteea program.**

### Planned activity I

Together with Oxfam, ETP and TAML, lead the Malawi Tea 2020 Revitalization Program to move from planning to implementation. This will include setup of a monitoring & evaluation (M&E) framework to measure improvement of wages and key agronomic indicators.

#### Achievement

- The Malawi Tea 2020 program started a range of field-level activities in 2016 in line with the agreed roadmap to achieve a living wage by 2020. One of the key activities was the capacity building of the trade union and the employers' organization to start a collective bargaining process. This resulted in the first CBA (Collective Bargaining Agreement) in the history of the Malawian tea industry in August 2016, closing the living wage gap by 20%.
- Other activities included farmer training programs to increase the quality of Malawian tea, village saving and loan schemes, and linking development banks to the industry to develop innovative finance schemes for replanting.
- In 2016, an overall M&E framework for the Malawi 2020 program was developed and discussed with partners. This includes a partnership with consultants Richard and Marta Anker (former ILO experts) to update the living wage benchmark on an annual basis and measure progress towards the benchmark.

### Role of IDH

- Chairing the Malawi Tea 2020 steering committee, and providing co-funding to field-level projects with Oxfam, ETP, TAML and GAIN, as well as rehabilitation projects with several tea plantations in Malawi.
- Maintaining stakeholder relations with all signatories of the Malawi Tea 2020 MOU, and taking the lead in coordination and development of an M&E framework with technical expertise from IDH's M&E manager.

### Planned activity II

**Support GAIN to fortify the midday meal for tea workers on all tea plantations in Malawi; GAIN will develop and implement a communication program to facilitate the introduction of these more nutritious meals.**

### Achievement

- The Malawian tea industry and GAIN worked together successfully with IDH: 30,000 of the 50,000 tea workers are now receiving a fortified midday meal. The tea industry has put in place a policy to reach the remainder of the workforce as well.
- In 2016, IDH also started a broader partnership on nutrition with GAIN and Unilever by improving dietary diversity and hygiene practices for smallholders and workers in Kenya, India and Malawi – having reached 7,100 households to date.

### Role of IDH

- Making the relevant links to the Malawi Tea 2020 program as living wage is a combination of cash and in-kind benefits. Nutrition is one of the prominent in-kind benefits that workers receive.
- Helping GAIN to access the relevant stakeholders and providing co-funding for its activities.

### Deviations

Some delay on the rollout of the fortification activities to all plantations has occurred, but will be made up for in 2017.

### Key achievement on change in business practices

As a result of the convening efforts of IDH and collaboration under trustea with Solidaridad, ETP, Tea Board of India and commercial partners, the commercial partners (Hindustan Unilever and Tata Global Beverages) have increased their commitments to the trustea program. For instance, one of the partners has changed their procurement practices to only source trustea-verified tea from and for the domestic market in India.

### Planned activity III

**Explore the feasibility of an innovative finance fund for the Malawi Tea 2020 program to finance replanting and irrigation, which enables plantations and smallholders to increase their quality of production and thus their ability to afford to pay a living wage. IDH will lead the outreach to (development) banks, other donors, and the Malawian government.**

### Achievement

Over the course of 2016, IDH's innovative finance team made two trips with potential investors to Malawi. A few discussions are still ongoing and aim to be finalized mid-2017.

### Role of IDH

Facilitating the connection between the Malawian producers and potential international (development) financiers.

### Deviations

The risk profile of investing in the Malawian tea industry is still high, making it difficult to make finance affordable to the Malawian producers. At the same time, the producers are not yet forthcoming with solid business plans.

#### Planned activity IV

Use the leverage of the trustea program to positively influence government regulations on wages and in-kind benefits paid to plantation workers and small-holder workers. Implement improvements through the trustea verification process led by Solidaridad.

##### Achievement

At Team Up India, a meeting was held between certification bodies UTZ Certified, Rainforest Alliance, Fairtrade and trustea to discuss the wage issue and action needed to be taken. Wages are included as a key area to be addressed in the industry-wide multi-stakeholder roadmap 2020 (developed as an outcome of Team Up India). The trustea program itself is following the notified government wages as a minimum requirement for verification.

##### Role of IDH

Facilitating the discussion on wages with key stakeholders during the trustea program committee meetings, taking place every six-eight weeks.

#### IMPACT CLAIM 3

IDH contributes to strengthening tea sustainability platforms in India and Vietnam, such as trustea, resulting in the removal of dangerous agrochemicals (WHO class 1 and 2) from tea production, improved worker welfare, and improved smallholder livelihoods, by 2020.

#### Planned activity I

In India, work with the Tea Board of India, Hindustan Unilever, Tata Global Beverages, ETP and Solidaridad to further upscale trustea in the Indian domestic tea industry and to agree on the 2020 trustea strategy.

##### Achievement

- In India, IDH has continued the work with the Tea Board of India, Hindustan Unilever, Tata Global Beverages, Solidaridad and ETP under trustea. This resulted in 371 million kilograms of trustea-verified tea available in the market, representing 30% of the total Indian tea produced. Under the program, 25,565 smallholders have been trained and 350,000 workers involved to date.

- In 2016, the second phase of trustea was defined and developed with partners to start in 2017. By 2018, trustea aims to achieve 500 million kilograms of trustea-verified tea available in the market, a robust and credible verification scheme with a strong impact focus, and with particular emphasis on small tea growers and agrochemicals.

##### Role of IDH

Convening the stakeholders and coordinating the governance of the program, leading meetings such as the trustea program committee (coming together every six-eight weeks) and the funders steering group, providing a local team on the ground, driving the learning agenda and M&E for the program, and providing co-funding.

##### Deviations

There was some delay in the development of the 2020 strategy at the end of 2016.

#### Planned activity II

Form and launch an independent legal entity to manage the trustea program on a day-to-day basis.

##### Achievement

The foundation for the trustea code management company (independent entity) was laid in 2016, with all underlying documentation prepared. The actual registration process is expected to be finalized by mid-2017.

##### Role of IDH

Facilitating the registration process in close collaboration with Solidaridad.

##### Deviations

The original plan was to launch the trustea code management company in 2016. However, due to a delay in the finalization of the registration process, this will now be mid-2017.



### Planned activity III

Work with Solidaridad in India and the Vietnam Tea Association in Vietnam to train smallholder farmers and factory staff on safe use of agrochemicals.

#### Achievement

- In Vietnam, there has been high demand for agri-teams removing the responsibility for spraying from the farmers. More teams have therefore been established: 29 instead of the planned 13. The agri-teams have reached 3,100 farmers.
- In India, no separate training has taken place apart from the trustea training and the agrochemicals component embedded into the code.

#### Role of IDH

Leading and participating in monthly tea discussion group calls with Vietnamese stakeholders, guiding project meetings, and providing co-funding for the activities. Conducting a broader study on agrochemicals in Vietnam, including tea.

#### Deviations

- Progress in Vietnam is slower than expected as it is taking longer to convince the factories to get on board. Also, coordination with the government is crucial for the success of the interventions.
- In India, besides trustea and the agrochemicals component in the trustea code, no separate interventions have been established. A scoping exercise is still on going.

### Key achievement on improved sector governance

Following the success of the National Sustainability Curriculum (NSC) in coffee in Vietnam, an NSC is also being developed in tea. In partnership with the Ministry of Agriculture and Rural Development (MARD), the Vietnamese Tea Association (VITAS), Unilever and IDH, the development of an NSC for tea in Vietnam was initiated in 2016, with the objective to solve key issues in the Vietnamese tea industry by aligning on common training material. The development of the NSC will be led by the Department of Crop Production, and MARD will ensure that the NSC becomes the common training material on tea in Vietnam. In parallel, MARD is revising the legislation on agrochemical usage, which include guidelines to farmers regarding responsible agrochemical management, and this will be incorporated into the NSC.

## Link to IDH impact themes

**Smallholder livelihoods:** After eight years of farmer field school (FFS) trainings in Kenya with KTDA and Unilever, by mid-2016 over 85,000 farmers had been through FFS. This led to an improved relationship between farmers and the KTDA, increased the number of women in leadership capacities, and improved nutrition and diversification of FFS farmers. In Tanzania, the FFS work is still ongoing; currently 12 FFSs are established with an increased focus on capacity building and strengthening farmer governance.



**Living wage and improved working conditions:** One year after starting the journey towards a competitive and profitable Malawian tea sector where workers earn a living wage and smallholders are thriving, the Malawi Tea 2020 coalition has made significant progress. The coalition, which comprises companies all along the tea value chain, including producers, retailers, unions, NGOs, and government agencies, has successfully narrowed the gap between current wages and a living wage by 20%.



**Responsible agrochemical management:** In Vietnam, efforts together with VITAS, MARD and Unilever have led to the responsibility for spraying agrochemicals being moved from the farmer level to the factory level, and embedded into a so-called agri-team structure. This has led to a more consistent and efficient approach on responsible agrochemical management.



**Gender equality and empowerment:** A successful scoping exercise on gender has been concluded in Kenya. This led to the establishment of a “stop GBV platform” driving a joint agenda on reducing gender-based violence on tea plantations in Kenya. Based on the initial platform meetings, IDH identified the need to develop a practical roadmap for tea plantations regarding GBV based on the best practices available, and bring together the existing training material on GBV into one aligned training kit.



### Lessons Learned

- Living wage discussions in the Malawi Tea 2020 program are complex but doable, albeit not easy and very time consuming for the conveners. This program should serve as an example (inside and outside of IDH) of how to make progress within a complex multi-stakeholder setting.
- Creating a safe and trusting atmosphere with stakeholders around sensitive issues such as gender-based violence takes time, and should be done well before any discussions on field-level activities can take place.
- For trust to achieve deeper impact, the next phase should emphasize quality over quantity, with a clear focus on Assam. In this area, a lot of complex (social) issues are prevalent, but Assam is also one of the most important sourcing regions for tea buyers.

## Deviations from the program strategy 2020

Under the responsible agrochemical management impact theme with a focus on health & safety, IDH needs more time to explore the agrochemicals intervention in India, and specifically the role and added value IDH can play. Harmonization of different agrochemicals lists is critical; however, this is more of a government task. Before IDH can develop a concrete intervention, further analysis needs to be done on what role IDH can play and what interventions might be feasible in this context.

## Risk Assessment

Risk	Mitigating action undertaken
Funding constraints for tea replanting on tea estates and expensive greenfield smallholder development; high risk profile, long-term funding needed.	Discussions are ongoing with development banks and impact investors on how to overcome the high risk profile and long-term funding requirement.
Living wage program in Malawi may accelerate mechanization, which would increase unemployment in the Malawi tea sector.	The trade unions are closely involved in the wage negotiation process, and after the last round of wage increases no redundancies were made.
Tea price volatility could threaten smallholder livelihoods.	IDH is developing a smallholder resilience program, with a focus on income diversification to strengthen farmers' livelihoods.
Bad publicity could jeopardize the appetite of donors and companies to step in, or may encourage them to withdraw from the program.	Through our work, we aim to turn the negative publicity into constructive dialogue with the industry on these difficult issues, and show what does work. This has also resulted in companies becoming more engaged and moving into action.

# KPI Table Tea

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Target 2016	Results 2016
<b>Result Area 1 – Change in business practices</b>					
1	Private sector (sustainability) investments in the program	€9.4 million (situation up to 2015) Ratio of 1:1.1	Ratio of 1:1.5	€5 million Ratio of 1:1.5	€5,935,545 Ratio of 1:3.7
2	Market share by program partners (percentage of global production volume)	21%	30%	18%	21%
3	Number of business cases developed to show the potential of sustainable practices	0	20	NA	NA
4	Sustainability embedded at corporate level	0			
5	Uptake rate of sustainable production by program partners (percentage of sustainable procurement out of total procurement by program partners)	Not yet available	40%	10%	30%
<b>Result Area 2 – Improved sector governance</b>					
6	Representation and commitment of key-stakeholders in multi-stakeholder processes or coalitions	See narrative on the next page			
7	Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program	See narrative on the next page			
8	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0 See narrative on the next page	4	2	2
<b>Result Area 3 – Improved field-level sustainability</b>					
9	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	43,000 smallholders and 150,000 workers	140,000 smallholders and 200,000 workers	40,000 smallholders and 50,000 workers	165,044 total 60,160 male 74,697 female 30,187 farmers 30,187 under smallholder livelihoods 16,962 under RAM <sup>2</sup> in Vietnam and India 134,857 workers All trained on living conditions and RAM
10	Number of smallholder producers organized/aggregated by the program	43,000	140,000	40,000	30,187 No gender break-down available yet.
11	Volume of sustainably produced tea (metric tons)	220,000	600,000	200,000	371,000 trustee-verified tea available
12	Adoption rate by producers/workers of improved practices (percentage of target producers and/or workers that adopted the new practices)	0%	70%	50%	66%
13	Area where trained practices are applied either on farmland or in protection area (hectares)	30,530	350,000	160,000	94,975

2 Responsible agrochemical management

#### KPI 4. Sustainability embedded at corporate level

- **Baseline:** NA
- **Target 2020:** Until 2020, the tea program will work to further embed sustainability at corporate level in the companies the program works with. The focus is on the following issues:
  - Establishing a living wage in Malawi;
  - Mitigation of gender-based violence in Kenya;
  - Reducing agrochemical usage in India.
- **Target 2016:** NA
- **Results 2016:**
  - **Malawi Living wage:** In Malawi, the first Collective Bargaining Agreement (CBA) in the history of the Malawian Tea industry has been signed between unions and the Malawian Tea Association (TAML), which has increased the minimum daily wage for workers (adjusted to exchange rates) and is set for the next two years (until mid-2018).
  - **Gender in Kenya:** IDH established a platform to address gender-based violence (GBV) in the tea industry in Kenya. IDH convenes the platform of five industry and three NGO partners.

#### KPI 6. Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders that are members of the multi-stakeholder processes associated with the cotton program are satisfied with the effectiveness of these processes
- **Target 2016:** NA
- **Results 2016:** The impact evaluator also assessed the satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program. On average, the partners of the tea program who participated in the sector survey rated the indicator 8.4 out of 10 (n=20).

#### KPI 7. Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders that are members of the multi-stakeholder processes associated with the cotton program are satisfied with the effectiveness of these processes.
- **Target 2016:** NA
- **Results 2016:** The impact evaluator also assessed the satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program. On average, the partners of the tea program who participated in the sector survey rated the indicator 8.4 out of 10 (n=20).

#### KPI 8. Changes in policies and regulatory environment in line with increased sustainability and management of natural resources

- **Baseline:** See KPI table.
- **Target 2020:** At least four policies in the areas of agrochemicals, gender and wages embedded in Vietnam, India, Malawi and Kenya.
- **Target 2016:** Rollout of sexual harassment and gender-based violence policy in Malawi and implementation of plant protection code in India through trustee.
- **Results 2016:** The plant protection code in India is updated on a regular basis. Over the course of 2016, the eighth version of the PPC was prepared, to be launched in January 2017. The development of a gender policy in Malawi is on its way, but is still under development.

## Comments

- **KPI 1:** The baseline is based on the information included in the Annual Report 2015 covering the period 2008-2015. The target for 2020 according to the latest projection for the tea budget is €9.85 million meaning a total investment of €24.6 million (not €42 million) following the ratio. The reason for the higher private-sector contribution to the tea program is the fact that we only recently received one of the financial project audits, covering 2014 and 2015. This has been included in the 2016 financial figures and represents €3.5 million of the private-sector contribution. However, if we leave this out of scope for the ratio calculation, the tea program has still managed a ratio of 1:1.6 (compared to the target of 1:1.5).
- **KPI 3:** No business cases planned for 2016.
- **KPI 4:** No baseline value is expected for this indicator as it provides an annual assessment of the current situation of sustainability embedded at corporate level in companies the program works with in terms of elements the program teams defined in the annual plan phase. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 6:** No baseline value for this indicator is expected as it provides an annual assessment of the representation and commitment of sector stakeholders in the multi-stakeholder processes and coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 7:** No baseline value for this indicator is expected as it provides an annual assessment of the satisfaction about the effectiveness of the multi-stakeholder processes or coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.



- **KPI 9:** Smallholders and workers trained on sustainable production, environmental and social issues in Malawi, Rwanda, Tanzania, Kenya, India, and Vietnam. The distinction between men and women only includes trained workers. A distinction between men and women cannot be made for trained farmers.
- **KPI 11:** The 2016 target was set as a cumulative target; therefore the reported volume is also cumulative. The additional volume in 2016 was 144,000 metric tons.
- **KPI 13:** This is the 2016 number only. In total, the cumulative result for 2016 is 222,026 hectares. The target set for 2016 proved to be unrealistically high (almost 50% of the 2020 target in the first year), so we did not reach it.



# Aquaculture

## Impact focus



Responsible agro-chemical management

The main sustainability challenges in the global aquaculture sector include:

1. Market growth outpaces the development of approaches and tools necessary for the sustainable development of the sector.
2. The main supply chain risks are related to responsible aquaculture health and feed management.
3. A very fragmented sector makes sector-wide coordinated interventions almost nonexistent.
4. Poor availability and/or use of data related to production practices and traceability hamper effective sector response to the key issues.
5. Systemic constraints in the aquaculture sector in Sub-Saharan Africa hamper investments that could unlock responsible sector growth and contribute to food security in the region.



### Main sustainability issues targeted

- Aquatic animal health management
- Aqua feeds and traceability of ingredients

### Private partners

AAC, AllerAqua, Anova Seafood, Asda, Belize Shrimp Growers Association, Beaver Street Fisheries, Blueyou Consulting, the Co-operative, DKSH, Ecohub, FEMEG, The Fishin' Co., Foppen, Geaconnection, Grupos Granjas Marinas, Hainan Tilapia Sustainability Alliance, Highliner, Lyons Seafood, Marks & Spencer, Mayonna, Migros, Morrisons, Nordic Seafood, Phata Cooperative, Royal Greenland, Sainsbury's, Seafarms,

Seafood Connection, Skretting, SONGA, Tesco, Thai Union, Waitrose, Queens, 13 Vietnamese shrimp-producing companies, six Vietnamese Pangasius-producing companies, ASC Feed Project Partners, and GSSI partners

### Public partners

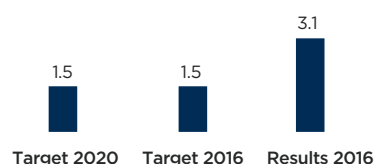
FAO member countries, Vietnam (MARD), Indonesia (MOMAF), and Ecuador (ProEcuador)

### Other partners

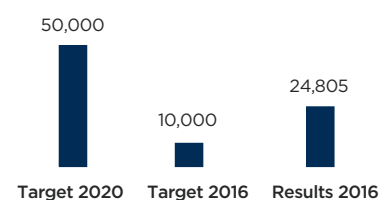
ASC, China Blue, GAA, GIZ, GSSI, ICAFIS/VINAFIS, Imani, Issara Institute, New England Aquarium, SFP, Sociedad Latinoamericana de Acuicultura, Seafood Task Force, UPEI, VASEP, WorldFish, WUR, and WWF

### KPI Progress 2016

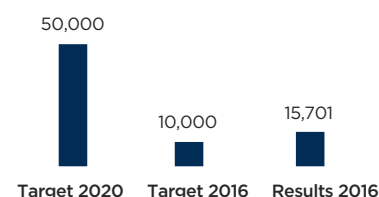
IDH-private sector (sustainability) investments ratio



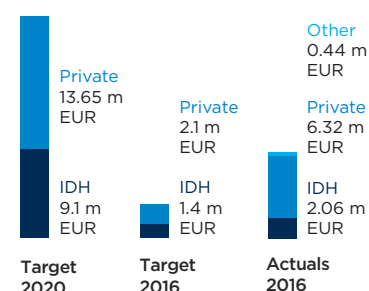
Number of producers/workers/ community members trained



Area where trained practices are applied (hectares)



### Financial Progress 2016

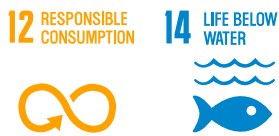


IDH's Aquaculture program aims to support and develop a global, multi-stakeholder platform which can identify priorities and align resources from the industry, specifically addressing health and feed as key components of the sector needing improvement through sourcing practices.

On the ground, IDH supports the sector to implement a data-driven and collaborative (at zone level) approach to responsible health and feed management, and to drive improved traceability throughout the value chain.

In Sub-Saharan Africa, Ghana has been pinpointed as the country where IDH will intervene to remove bottlenecks affecting development of the sector. These interventions will trigger scaling up investments like the construction of a large aquaculture feed mill, leveraging required capacity-building activities in relation to local raw material sourcing, and dissemination of health and feed practices to local tilapia producers. The availability of good quality fingerlings will also be addressed to contribute to improved production.

#### Relevant Sustainable Development Goals for Aquaculture



## Key activities, results and role of IDH

### IMPACT CLAIM 1

**IDH contributes to the development and adoption of sourcing guidelines (including specific feed and health management best practices) for aquaculture certification and improvement models. Reduction in adverse environmental aquaculture farm practices by 2020.**

### Planned activity I

Attend at least two Global Seafood Sustainability Initiative (GSSI) platform Steering Board meetings to ensure membership grows, benchmarking takes place, and improvement models are included as a new work stream.

### Achievement

Attended nine GSSI Steering Board (SB) meetings in 2016, which resulted in ten new companies joining as funding partners, five seafood certification schemes starting the benchmarking process, of which two successfully completed it, thereby gaining GSSI recognition for meeting all relevant requirements. Lastly, the GSSI SB decided to support the IDH co-funded scoping study in 2017 to determine if GSSI could become the strategic sector platform for sustainable seafood.

### Role of IDH

Negotiating the second phase of both partnerships in Tanzania with Unilever and in Rwanda with the Wood Foundation, with a primary focus on improving smallholder livelihoods and safeguarding the public good.

### Planned activity II

- Attend at least two Aquaculture Stewardship Council (ASC) Supervisory Board meetings with a focus on supporting the development and roll-out of three projects (ASC Feed, model for group certification and integrity).
- Attend at least one ASC Feed Dialogue meeting.

### Achievement

Attended four ASC Supervisory Board meetings and one ASC Feed Dialogue project meeting, which resulted in the further development of the draft ASC Feed standard. A working group developing the draft group certification standard was led and pilot audits were carried out. In addition, the draft 2017-2021 ASC strategy recognized certification integrity as an important reputational risk which will be addressed in 2017.

### Role of IDH

Co-funding the ASC Feed Project, which will deliver a global reference for responsible aquaculture feeds. In addition, as SB member IDH accelerated the development of the group certification standard.

### Key achievement on change in business practices

Due to IDH convening efforts, through a project with WWF Mesoamerica on ASC certification for shrimp farmers, shrimp growers in Belize worked together to implement better management practices to comply with the social and environmental standards of ASC. They did this within the Belize Shrimp Growers Association (BSGA). This process strengthened the BSGA to work as a cluster, sharing knowledge and looking for collective solutions to production challenges. Through the BSGA the shrimp growers now work together at the farm level and this collaboration opens opportunities for further collaboration on zone management.

### Planned activity III

Engage 30 retail and trade partners through visits/contacts to discuss IDH's 2020 focus and gain commitment to platform.

### Achievement

Engaged over 35 private-sector companies in discussions about IDH's 2020 strategy through involving both the GSSI membership and its newly established IDH Aquaculture Steering Committee, through which commitment was gained for the establishment of a strategic seafood industry platform.

### Role of IDH

Acting as GSSI SB member and Chair of the IDH Aquaculture Steering Committee.

### IMPACT CLAIM 2

**The development of a proof of concept for improved on-farm feed and disease risk mitigation strategies and market access. Increase sustainability of 1.5 million metric tons of aqua feed, and reduce fish mortality by 25%.**

### Planned activity I

- Speak at one key global aquaculture event.
- Hold at least 10 individual meetings with top-ten feed and health suppliers, and hold two group meetings.
- Position FIT Fund to support at least two improvement Best Aquaculture Practices (iBAP) projects.
- Organize annual IDH supplier day to align our interventions with private-sector agenda.
- Build strategic alliance with other key partners, such as at least five IPs, three NGOs, and one funder.

### Achievement

- Made presentation at GOAL2016 in Guangzhou.
- Held individual meetings with Skretting and De Heus on feed supply and Africa. Attended one ASC Feed Steering Committee meeting, including a number of key feed players. One group meeting was held in Ho Chi Minh City where UPEI presented the initial findings of the pilot of adopting a more data-driven approach to health and feed.

- Supported one iBAP project under the FIT umbrella.
- Launched IDH Aquaculture Steering Committee, including two key NGOs, five private-sector companies, and one funder.

#### Role of IDH

- Sharing vision on how adoption of data-driven approach for the sector can strengthen health and disease management and improve production efficiency.
- Positioning IDH's role in the pre-competitive improvement space.
- Convening critical stakeholders in the aquaculture industry around key sustainability challenges.

#### Deviations

- Instead of holding individual meetings with health and feed suppliers, it was decided to focus on the Vietnam pilot with UPEI.
- One iBAP project was contracted.
- Considering the limited appetite of previous events, it was decided not to organize a supplier day but instead to use the Steering Committee as a means of validating our agenda and strategy.
- The two most relevant NGOs in the aquaculture industry (WWF and SFP) have signed up to the IDH Aquaculture Steering Committee.

#### Planned activity II

Discuss and agree data analysis through a health management tool by the University of Prince Edward Island (UPEI) to be shared with relevant FIT Fund project partners.

#### Achievement

Held multi-stakeholder workshop in Vietnam, bringing together various public- and private-sector organizations around the collection and analysis of data.

#### Role of IDH

Convening public- and private-sector stakeholders around the potential gains for collection and analysis of production data, as a means of improving health and disease management and optimizing production efficiency.

#### Planned activity III

Build common agenda with at least ten companies in improved feed and health management (including zonal/landscape approach).

#### Achievement

Reached out to companies at various events and one-on-one engagements. Identified several opportunities, including in Vietnam (Vinh Hoan), Thailand (Beaver Street Fisheries, SeaFresh, Marine Gold), Belize (SeaFresh), China (HTSA, The Fishin' Co.) and Indonesia (AAC).

#### Role of IDH

Leading agenda setting around health/feed management through a data-driven and zonal/landscape approach.

#### IMPACT CLAIM 3

Investments in 10,000 metric tons of aquaculture production with a focus on responsible health and feed management practices (as defined under impact claim 2) and fish-handling practices in a selected number of African countries (most likely Ghana and Nigeria) by 2020.

#### Planned activity I

- Continue to scope sector dynamics in key countries through active outreach to feed companies, farmers, etc.
- Build strategic alliance with other key partners, such as feed companies, IPs and NGOs.

#### Achievement

- Scoping fixed at Ghana as this poses the strongest opportunity for IDH to unlock private-sector investments for further sector growth.
- Strong engagement with one international feed manufacturer, and NDA signed around potential joint project in Ghana. Engagement with knowledge experts including Imani and public-sector players such as the World Bank. Alignment is also being sought with the Dutch and Swiss embassies in Ghana.



#### Role of IDH

- Developing key partnerships, which can remove critical bottlenecks for sector growth.
- Following initial scoping activities, the interventions in Ghana should focus on feed, seed and capacity building. These are the areas where IDH is seeking partnerships in order to create business opportunities that drive public good, such as high-performing feeds and seeds, and adoption of better practices by producers.

#### Deviations

In 2016, the focus was on developing the key partnership with an international feed manufacturer. As the project becomes more concrete in 2017, relevant NGOs/IPs will be engaged.

#### Planned activity II

Explore investment appetite with local and international private sector to invest in scaling up and professionalizing responsible aquaculture in Africa through a multi-stakeholder meeting in one of the target countries.

#### Achievement

Confirmed investment appetite with international feed manufacturer for significant investments into the Ghana aquaculture sector.

#### Role of IDH

Aligning investment agenda to include critical bottlenecks for sector growth.

#### Deviations

No stakeholder meeting has taken place yet; considering the initial planning of the joint partnership, this will likely take place in Q3/4 2017.

#### Key achievement on improved sector governance

Thanks to IDH, the Global Seafood Sustainability Initiative (GSSI) board agreed to explore whether the GSSI's ambition of managing a benchmarking tool could be pushed further into becoming an organization for the alignment of stakeholders towards addressing the sector's priorities.

#### Planned activity III

Support IPs to develop field-level project proposals with local and international partners to scale up and professionalize the aquaculture sector, taking into account feed and health management practices.

#### Achievement

Development of ambitious proposal underway and expected to be ready for assessment by IDH in Q2 2017.

#### Role of IDH

Actively engaging in partnership and joint development of strategy and proposal.

#### Deviations

The potential partnership poses an opportunity to intervene at the feed, seed and capacity-building level within one project instead of multiple projects.

## Link to IDH impact themes

**Responsible agrochemical management:** There is a strong link between aquatic animal health problems and the use of agrochemicals to prevent or respond to such problems (e.g. antibiotics). All 16 projects supported through the Farmers in Transition (FIT) Fund addressed aquatic animal health management through promotion of responsible practices in prevention, monitoring and response to aquatic animal health problems.



In addition, in collaboration with the University of Prince Edwards Island (UPEI) and a number of public- and private-sector players in Vietnam (such as the Ministry of Agriculture and Rural Development, Minh Phu, etc.) a first step was taken towards adopting a stronger data-driven approach within the aquaculture sector. IDH has also engaged with a number of stakeholders (such as the Sustainable Fisheries Partnership, WWF and aquaculture producers) including in Vietnam and Thailand, on the development and co-funding of field-level projects targeting a stronger data-driven approach.

### Lessons Learned

- Continual disease outbreaks in various regions underline the limitations of farm-level interventions and certification. This strongly points towards the adoption of a data-driven approach as well as zonal management as a means of mitigating disease impacts.
- Although there is a clear business case for the use of data to improve disease management and productivity to obtain key environmental and social benefits, moving the sector towards a more data-driven approach seems to be a bigger step than originally anticipated.
- Continuous support for capacity building at smallholder and cooperative level can unlock additional sources of finance such as the Rabo Foundation loan to the AAC in Aceh, Indonesia. This shows that improvement work that is not targeting certification can bring smallholders closer to bankability.

## Deviations from the program strategy 2020

The 2020 strategy focused on GSSI as the global platform. Although GSSI remains for us the most promising platform to organize the governance of the aquaculture sector, we will explore other platforms, mechanisms and partnerships to harness other potential opportunities and reach the impact ambition in 2020.

Some of the 2020 targets were (over)achieved through projects that were addressing broader sustainability issues and not strictly focused on the new sharper agenda on disease and feed management. For this reason, new targets have been set. IDH now focuses the means to achieve sustainable feed and disease management through a data-driven approach. The idea is that data on the farm on production methods, feed management, water quality and disease management (which are in part already captured through certification) are collected and analyzed to understand diseases, and give the farmers feedback on their management practices and on how to improve feed management.

Because of the unpredictability of disease outbreaks and the volatility of production beyond the control of the program, we removed the percentage of survival target under impact claim 2. We will, however, capture informa-

tion on both survival and risk of experiencing disease outbreaks, and look for external points of comparison.

Although smallholders are very much involved in the sector, addressing the health issue in a systematic manner first requires the engagement of larger producers, which by itself will be a challenge. The program will therefore not specifically aim at directly impacting smallholders. In general, the livelihood of small farmers is especially threatened by disease outbreaks.

Following the continuous scoping of development opportunities in the Sub-Saharan African aquaculture industry, Ghana now poses the strongest potential for IDH to unlock private-sector investments into sustainable sector growth. In the run-up to 2020, IDH will therefore focus on Ghana and the development of public-private partnerships to remove critical hurdles around the quality, availability and affordability of feeds and seeds, as well as capacity building activities towards producers, to make a meaningful and measurable impact on the Ghanaian aquaculture industry. The target will be lowered (from 10,000 to 1,000 metric tons) to reflect the one-country focus. Consequently, we will discontinue activities in other African countries (e.g. Malawi), and Nigeria will not be a focus country anymore.

## Risk Assessment

Risk	Mitigating action undertaken
Industry platform (GSSI) will not incorporate improvement projects' scope as a strategic work stream in its future activities.	Convening at GSSI board level to scope the potential for future improvement work as a strategic work stream has led to a proposed trajectory for a third-party to assess such next steps in collaboration with IDH.
Limited understanding of smallholder context and needs.	The current approach and resourcing of the program provides a very strong understanding of the sector context, including that of smallholders and large companies.
Interventions needed on both public- and private-sector sides by capable IPs in Sub-Saharan Africa.	Ongoing engagement with public- and private-sector actors in the Sub-Saharan African aquaculture space, as well as shaping the partnership with an international feed manufacturer, offers sufficient quality and capacity to deliver on the ambitious agenda.

# KPI Table Aquaculture

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Target 2016	Results 2016	
Result Area 1 – Change in business practices						
1	Private sector (sustainability) investments in the program	€11.1 million (situation up to 2015)	Ratio of 1:1.5	€2.1 million	€6.3 million	
		Ratio of 1:2.6		Ratio of 1:1.5	Ratio of 1:3.1	
2	Sustainability embedded at corporate level	See narrative on the next page				
Result Area 2 – Improved sector governance						
3	Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions	See narrative on the next page				
4	Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program	See narrative on the next page				
5	Application of voluntary standards on sustainable commodity (number of voluntary, national or international, standards, and narrative)	0	4	0	0	
		See narrative on the next page				
6	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0	4	0	0	
		See narrative on the next page				
Result Area 3 – Improved field-level sustainability						
7	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	0	50,000	10,000	24,805 total	18,014 men
						6,791 women
					20,677 farmers	All trained under RAM.
					4,128 workers	
8	Volume of sustainably produced fish and seafood (metric tons)	0	250,000	50,000	292,517 (236,089 MT shrimp; 16,963 MT tilapia; 39,565 MT pangasius)	
9	Adoption rate by producers/workers of improved practices (percentage of target producers and/or workers that adopted the new practices)	NA	50%	0%	NA	
10	Area where trained practices are applied either on farmland or in protection area (hectares)	0	50,000	10,000	15,701	

## **KPI 2. Sustainability embedded at corporate level**

- **Baseline:** NA
- **Target 2020:** Until 2020, the aquaculture program will work to further embed sustainability at corporate level in the companies the program works with. The focus is on the following issues:
  - Aquatic animal health management;
  - Aqua feeds and traceability of ingredients;
  - De-bottlenecking investments for sustainable development aquaculture in Africa.
- **Target 2016:** NA
- **Results 2016:**
  - On the adoption of a stronger data-driven approach and/or zonal management to improve aquatic animal health management, only limited improvement has been made. The industry-led zonal management approach in Hainan (with the Hai Nan Tilapia Sustainability Alliance and Fishin' Co.) has strong local support, and continuous disease pressure in shrimp farming has created awareness at certain producing companies for such approaches. In the consolidated pangasius sector, there is traction in Dong Thap (e.g. with Vinh Hoan), Vietnam, to develop an industry consortium around the adoption of a data-driven approach and zonal management to improve aquatic animal health management.
  - On aquaculture feeds and traceability, significant momentum is building up in Thailand following a mainly US and UK industry-led platform, the Seafood Task Force (which includes major retailers such as Costco, Walmart, Tesco etc.), on shrimp feeds and transparency. The taskforce work is likely to spread to more producing countries and encompass a range of seafood species.
  - On de-bottlenecking investments for sustainable development of aquaculture in Africa, the first foundations have been laid for a public-private partnership in Ghana, which will address critical hurdles on feed and seed. Formalization of the partnership with an innovative feed manufacturer (De Heus Koudijs) is expected in 2017, followed by on-the-ground implementation in 2018.

## **KPI 3. Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions**

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders are represented and committed to the multi-stakeholder processes associated with the aquaculture program.
- **Target 2016:** NA
- **Results 2016:** Thanks to IDH, the GSSI board agreed to explore whether the GSSI's ambition of managing a benchmarking tool could be pushed further into becoming an organization for the alignment of stake-

holders towards addressing the sector's priorities. In mid-2016, a consortium of KPMG and Wageningen University responsible for reporting on IDH's impact in the period 2016-2020, conducted a sector survey among IDH partners. The results of this survey are used for the baseline impact report, but also for this indicator on the representation in and commitment to multi-stakeholder processes or coalitions. On average, the partners of the aquaculture program who participated in the sector survey rated the indicator 8.0 out of 10 (n=21).

## **KPI 4. Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program**

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders that are member of the multi-stakeholder processes associated with the aquaculture program are satisfied with the effectiveness of these processes.
- **Target 2016:** NA
- **Results 2016:** The impact evaluator also assessed satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program. On average, the partners of the aquaculture program who participated in the sector survey rated the indicator 7.9 out of 10 (n=22).

## **KPI 5. Application of voluntary standards on sustainable commodity (number of voluntary, national or international standards, and narrative)**

- **Baseline:** See KPI table.
- **Target 2020:** The adoption of population-based and/or zonal management approaches to fish health is recognized by the sector broadly. Examples of the application of this approach exist in four focus countries (including Vietnam and Thailand) and are well disseminated.
- **Target 2016:** See KPI table.
- **Results 2016:** The adoption of population-based and/or zonal management approaches to fish health is not recognized by the sector in any of the focus countries. IDH is actively convening sector stakeholders in Thailand (Surat Thani) and Vietnam (Dong Thap) to adopt such an approach.

## **KPI 6. Changes in policies and regulatory environment in line with increased sustainability and management of natural resources**

- **Baseline:** See KPI table.
- **Target 2020:** Four focus countries (including Vietnam and Thailand) recognize the importance of a popula-



tion-based, zonal management approach and develop policies to support it.

- **Target 2016:** See KPI table.
- **Results 2016:** No policies have been developed to support a population-based and/or zonal management approach.

## Comments

- **KPI 1:** We over-achieved on this target; implementing partners asked for more funds to do this, balancing with higher private-sector co-financing. In addition, there were issues with exchange rates as the euro got weaker.
- **KPI 2:** No baseline value is expected for this indicator as it provides an annual assessment of the current situation of sustainability embedded at corporate level in companies the program works with, in terms of elements the program teams defined in the annual plan phase. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 3:** No baseline value for this indicator is expected as it provides an annual assessment of the represen-

tation and commitment of sector stakeholders in the multi-stakeholder processes and coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.

- **KPI 4:** No baseline value for this indicator is expected as it provides an annual assessment of the satisfaction about the effectiveness of the multi-stakeholder processes or coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 7 and 10:** Reported data was provided by implementing partners (IPs). The number of farmers for ASC-related projects is based on the number of farmers working on the farm; the number of hectares is based on the size of the farm. Both are measured as part of the ASC audit. For non-ASC related projects, questionnaires and interviews were used by IPs to gather the data.
- **KPI 8:** The target was set to reflect the new disease-driven strategy (2016-2020). The reporting also includes volumes produced through the old strategy (2011-2015), which included improvement more broadly and not strictly focused on disease/zonal management.



# Coffee

## Impact focus



Smallholder livelihoods



Responsible agrochemical management



Gender equality and empowerment

Coffee was the first cash crop where voluntary standards reached scale, especially to address livelihood challenges for smallholder farmers. Certification/verification, although recognized as an important sustainability tool, has not sufficiently addressed the systemic issues for mainstream coffee. These relate to unsustainable production practices, especially low yields and quality (resulting in farmer poverty, lack of access to finance) and climate change.



### Main sustainability issues targeted

- Smallholder productivity
- Sustainable input availability and use
- Farmer organization
- Farmer access to finance and bankability
- Effectiveness of extension services
- Climate-smart agriculture
- Gender and youth
- Income diversification
- Farmer livelihoods

### Private partners

ECOM, Jacobs Douwe Egberts (JDE), Lavazza, Nestlé, Mother Parker's Tea & Coffee Inc., Olam, PT Asal Jaya, J. M. Smucker Company, Simon Lévelt, and Tchibo

### Public partners

Governments of Brazil, Colombia, Ethiopia, Indonesia, Tanzania, Uganda and Vietnam, and the International Coffee Organization (ICO)

### Other partners

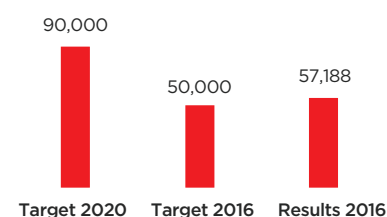
Conservation International, Royal Dutch Coffee and Tea Association (KN-VKT), European Coffee Federation (ECF), Hans R Neumann Stiftung, Hivos, Global Coffee Platform, Coffee Quality Institute (CQI) Partnership for Gender Equity, Specialty Coffee Association of America (SCAA), and Sustainable Coffee Challenge (SCC)

## KPI Progress 2016

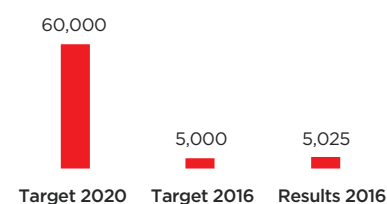
IDH-private sector (sustainability) investments ratio



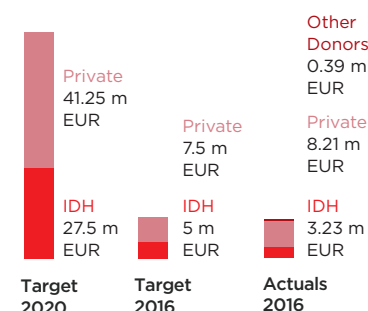
Number of producers/workers/ community members trained



Number of producers/workers reached by service delivery



## Financial Progress 2016



To overcome these issues, the IDH-led Sustainable Coffee Program (SCP) targets mainstream impact for coffee farming by scaling up to a more systemic approach to sustainable coffee production. The SCP has stretched the pre-competitive collaboration in the sector by convening front-running roasters, trade and NGOs in a committed sector platform (representing 30% of global coffee demand) in and around the coffee supply chains.

In 2016, the SCP transitioned into the Global Coffee Platform (GCP). The GCP was launched in early 2016 and the first membership assembly took place on October 5, 2016. The GCP includes the platform function of the old 4C Association (the standardization and verification system now exists in a new organization called the CAS) and the activities of the SCP (the pre-competitive part of the IDH coffee program). For IDH's coffee program, this means that its pre-competitive activities will be carried forward by the GCP secretariat in partnership with the IDH coffee program.

In addition, we are also scoping a new program in East Africa focused on increasing smallholder resilience through income diversification and farming as a business. This will contribute to achieving our first impact claim: improving livelihoods of 40,000 farmers in East Africa.

#### Relevant Sustainable Development Goals for Coffee



## Key activities, results and role of IDH

### IMPACT CLAIM 1

**In two of the following countries (Ethiopia, Indonesia, Tanzania, and Uganda), with the support of IDH, the coffee industry has implemented innovative service delivery approaches that (directly) improve productivity and livelihoods of 40,000 farmers, helping them become economically viable within five years (making them resilient beyond short-term donor funding).**

### Planned activity I

**Together with key implementing partners, begin developing, implementing and monitoring prototypes needed to assess the business models for innovative service delivery that support economically viable farming systems.**

### Achievement

The SDM seminar held in May 2016 drew three main conclusions:

1. Farmers need better service for more of their crops in order to grow into viable family farm businesses. Since this is not the expertise of coffee companies, partnerships with others need to be established.
2. Not all farmers are the same; different service needs require different service packages.
3. Access to investment capital is one of the key bottlenecks that needs to be addressed.

We have been working with several partners on innovative ways to address all three.

For access to finance, we are about to sign a deal with a major coffee exporter and Dutch commercial bank that will give 28,000 farmers in Uganda access to inputs on credit and cash loans for off-season expenses, while strengthening 30 farmer groups by offering them working capital to increase the coffee flowing through the groups.

For multi-crop service delivery, we are engaging with two exporters in Uganda (one international and one domestic) to develop a service delivery package that is broader than coffee but channeled through the coffee exporter's extension structure (expected to be contracted in Q3 2017). For tailor-made service packages, we are currently doing two segmen-

tation analyses to identify different farmer segments and develop service packages accordingly (project expected to be contracted Q3/Q4 2017).

### Role of IDH

Using the SDM analyses to trigger a discussion among key implementing agencies from both private sector and NGOs. This led to the identification of the three improvement areas mentioned. IDH is now taking a more proactive role in identifying partners who are willing to innovate on these and jointly develop the project. This allows IDH to take a more learning-while-doing approach to project development and fully utilize our findings from phase 1 and 2 of the SDM study to improve project design.

### Deviations

- We do not expect to reach farmers in Ethiopia because the setup of the supply chain there does not allow exporters to work with farmers directly. Our proof of concept is very much focused on developing economically viable service delivery mechanisms with exporters.
- This means that some of the 40,000 farmers will be reached through field-level projects in Tanzania, Uganda and Indonesia. The rest will be reached through the finance deal in Uganda (expected to impact 28,000 farmers but it remains to be seen how many of those will become completely economically viable). Others will be reached through the multi-crop prototype projects. However, since these projects are more innovative we expect our partners to prefer to test them on a smaller scale of 1,000-2,000 farmers per prototype. If this approach proves successful then there is room to scale up.

### Planned activity II

**Complete phase 2 of the service delivery model study and co-develop phase 3 together with key partners.**

### Achievement

Phase 3 of the SDM study is taking the form of an innovation lab which is further to be defined in 2017 and goes beyond just coffee. For coffee, we will use the SDM approach in all our new project developments, meaning that we will look carefully at the economic viability of the model, which will ensure we leave a viable model behind after project implementation.

### Role of IDH

The SDM approach is becoming more and more part of IDH's DNA. Rather than purely focusing on project impact at farm level and the exit strategy of the project, we now take a more holistic approach to assess the economic viability of the model at both farm level and service provider level. Accelerating the shift from peasant farming to family farm enterprises goes hand in hand with an economically viable service provision. Just focusing on one without the other leads to a risk of either building stronger farm enterprises that are left without service supply once donor funding ends, or strong service supply that is left without demand for the services as farming practices have not improved. IDH's contribution to the project is to apply this lens and ensure economically viable private sector-driven service delivery models.

### Deviations

Phase 3 of the service delivery model study for coffee means that we will internalize the learning and apply it more widely throughout our project investments.

### Planned activity III

**Organize cross-IP learning workshops in countries/regions where field-level projects are being implemented. During these workshops, share lessons learned and present new insights (e.g. from SDM analysis or innovative FLPs).**

### Achievement

- In 2016, three cross-IP learning workshops were held in Vietnam, Indonesia and Colombia (held Feb 2017 but part of 2016 plan).
- The Vietnam workshop was supported by IDH only in terms of advice and participation, as it was owned and driven by the Vietnam Coffee Coordination Board (VCCB). This is a promising development as the VCCB is able to mobilize a broader range of project implementers; the fact that they are able to independently organize such workshops is what IDH eventually aims to achieve in all countries where we have helped to set up or strengthen these coffee platforms.
- The Indonesia workshop was the first of its kind in the country, and was characterized by strong public representation and participation. The various local government institutions were interested to see what the private-sector partners are doing and how this can be supported/strengthened by

government initiatives. This has led to stronger trust and coordination between the public agencies and private partners.

- In Colombia, the focus was strongly on the social side of project implementation. How to ensure sufficient commitment, motivation and capacity of staff on the ground? How to engage farmers in the design and implementation of the project, ensuring the intervention matches their needs? These questions are highly relevant to projects anywhere in the world, and we anticipate sharing the Colombia report more proactively among the GCP network.

#### Role of IDH

- In Vietnam, supporting the VCCB in organizing the workshop, as well as introducing the concept of the workshop through successfully organizing an IDH-led workshop in 2015.
- In Indonesia, owning and driving the workshop, from design and funding to organization and follow-up.
- In Colombia, funding the workshop and providing guidance on how to organize it and which topics to focus on. The actual organization and follow-up from the workshop was done by our national coordinator Solidaridad.

#### Key achievement on change in business practices

As a result of IDH's convening efforts in Uganda, one of the main trade houses is now in the final stage of formally committing to significantly scale up their practice to buy directly from farmer groups. They will do so through a partnership with an international financial institution and will share the risks on smallholder farmers' loans with IDH. For both the trade house and the financial institution these are significant changes in their business practices, as it will be the first time that they take risks on a portfolio of smallholder farmer loans.

#### IMPACT CLAIM 2

**Well-functioning public-private dialogue platforms in six countries that bring stakeholders together around a common national sustainability agenda that improves coordination, policies and international credibility by 2020:**

- Improvement in income for smallholder farmers via 20% increase in coffee yields for 20% of farmers (impacting 700,000 farming families indirectly) in Africa (Burundi, Ethiopia, Uganda, Tanzania) and Indonesia.**
- Adoption of climate- and resource-smart farming practices by 30% of Lam Dong farmers and 20% of Central Highland farmers.**
- Improved gender equality and improved nutrition in target countries.**

#### Planned activity I

Continue to support the establishment of public-private dialogue platforms in Indonesia, Vietnam, Brazil and Tanzania through our national coordinators based in-country, while ensuring inclusion of climate-smart coffee farming in the curriculum. In East Africa and Indonesia, support gender and youth-specific programs and support further rollout of the curriculum at scale.

#### Indonesia

- SCP national coordinator (hired and guided by IDH) is the secretariat of the Indonesia coffee platform (SCOPI) and leads the platform.
- SCP national coordinator (hired and guided by IDH) takes the lead in developing a national sustainability curriculum (NSC).

#### Vietnam

SCP national coordinators (hired and guided by IDH) implement the following activities for the platform:

- Establish inter-ministerial expert group in VCCB;
- Consult within the inter-ministerial expert group in VCCB on key policies (e.g., Coffee Fund) and programs (e.g., SCP, VnSAT, ISLA);
- Align VCCB with the Partnerships for Sustainable Agriculture in Vietnam (PSAV) in MARD.

SCP National coordinators (hired and guided by IDH) implement the following activities for the NSC development and rollout:

- Review and coordinate coffee training programs at national and provincial levels;



- Establish an accreditation system (of existing materials versus the NSC);
- Communicate NSC through vocational training, NGO training, and online communication tools;
- Jointly develop and implement action plans with the landscape program, climate change program, etc. for aligned support to companies.

#### **Brazil**

- SCP national coordinator (hired and guided by IDH) consolidates National Advisory Board (NAB) and paves the way for the Coffee Sustainability Platform.
- Pave the way for endorsement, which will lead institutions that belong to NAB and Brazil Working Group (BWG) to use their own resources and activities to address the NSC bottlenecks.

#### **Tanzania**

The Platform led by the SCP national coordinator (hired and guided by IDH) will further develop its Terms of Reference, enhance its membership, and broaden its leadership to include a co-chairing arrangement involving the public and private sectors. It will build its capacity to engage on issues identified through the development of policy briefs to inform decision makers. It will strengthen its advocacy links with local government to ensure coffee development is prioritized in terms of both income from coffee and implementation of phase 2 of the Agriculture Sector Development Program (ASDP).

#### **Uganda**

The Sustainable Coffee Program (SCP) will continue to support bringing together key players in the coffee sector in Uganda, government ministries and institutions, private-sector associations and firms, NGOs, research, and producers. The purpose is to strengthen the implementation of the national coffee strategy, targeting a good proportion of the 1.7 million coffee farming households in Uganda. The program will develop over-arching, holistic and innovative strategies that will make a long-term, sustainable impact on the productivity and quality of Uganda's coffee.

### **Achievement**

#### **Indonesia and Vietnam**

Source: IDH, 2016

- 13,200 farmers trained in the use of the NSC, with 123 active master trainers and 25 lead farmers trained as co-trainers.
- Government has issued decree on the NSC development, and the SCOPI steering committee has approved the NSC schedule development. It is expected to be launched in mid-June 2017.

- In 2016, the activities of SCOPI taskforces (TF) were aligned among the TF members and they all developed a program for 2017. TF transfer technology was able to develop NSC Robusta, while TF Banned Pesticides completed the research on banned pesticides in Indonesia.
- On A2F, SCOPI has developed strong cooperation with Agri-ProFocus and other stakeholders on aligning an A2F program for 2017. The SCOPI A2F TF will lead this program.
- Inter-ministerial expert group (with representatives from the Ministry of Plan and Investment, Ministry of Industry and Trade, Ministry of Natural Resource and Environment, and Ministry of Finance and Farmer Association) has been established, which led to improved information sharing between key ministries on coffee issues, joint discussion on sector priorities, and strengthened cross-ministerial cooperation. The expert group has contributed to the selection of the sector priorities, and has provided technical inputs to the development of the Coffee Fund.
- VCCB has further established itself as an effective public-private platform and ensures close collaboration and alignment within the sector – for example, with VnSAT and by jointly organizing consultation workshops.

#### **Brazil**

- National Advisory Board (NAB) and Brazil Working Group (BWG) consolidated and expanded during 2016.
- Through a stakeholder consultation process of the Coffee Sustainability Curriculum (CSC), 18 key issues for the Brazilian coffee sector were identified, and the continuous rollout of the NSC with partners has led to further endorsement. For example, the partnership with SENAR - Federal Agency for Agricultural Training, created the Remote Senar course on sustainability and CSC and conducted the first courses.

#### **Tanzania**

- The Terms of Reference of the National Coffee Stakeholder Committee were defined in a consultative process involving the relevant public- and private-sector players. The process was completed in December 2016 and awaits ratification by the National Coffee Conference in May 2017.
- Advocacy links strengthened with local governments through development of district profiles for local governments in Kilimanjaro, Arusha, Mbeya and Ruvuma, focusing on three key areas: production trends, seedling production, income from coffee tax and how it's utilized. Agriculture Sector



Development Plan phase 2 to be launched in July 2017, with coffee as one of the priority cash crops advocated for local government to invest in.

- NSC has been launched in all eight production zones. The national extension delivery system acknowledges the training and examination process for NSC trainees.

#### Uganda

- Agreed Uganda Coffee Platform National Steering Committee (NSC) Terms of Reference and member focal areas in early 2016.
- Uploaded NSC extension videos to YouTube, and shared links with the sector in May 2016.
- Completed 60 youth and 180 coffee community-based facilitators training of trainers in original six pilot districts for NSC rollout.
- Established NSC multi-stakeholder examination committee.
- Held successful 2015 annual stakeholder meeting with over 150 participants.
- Held successful Vision 2020 workshop in June 2016 with 55 key coffee stakeholders.
- Contributed to the Technical Working Group development of the National Coffee Communications Strategy.

#### Role of IDH

##### Indonesia

Implementing the Indonesia program for GCP with the IDH team in Jakarta. They work together with the GCP Indonesia manager and the SCOPI director (who are both hosted by the IDH office in Jakarta). Given that SCOPI is still a relatively new organization, strong support and guidance from IDH is important. We expect SCOPI to be supported by local member resources and the GCP partnership throughout 2017, allowing self-sufficiency beyond IDH.

##### Vietnam

Providing support and technical input to the SCP national coordinators (VCCB) to implement the planned activities.

##### Brazil

Supporting the national coordinator to implement the agreed activities as well as providing strategic guidance.

#### Tanzania

Giving strategic guidance regarding the implementation in Tanzania through bi-weekly update calls with the national coordinator in Tanzania (Café Africa Tanzania). Close coordination between IDH and the Coffee Partnership for Tanzania (CPT) has contributed to mutual benefits and avoided duplication. For example, the seedling production issue is faced by all of the CPT private partners; sharing their concerns in the safe environment of the CPT helped IDH and Café Africa better facilitate the dialogue at sector level.

#### Uganda

Giving strategic guidance regarding the implementation in Uganda through bi-weekly update calls with the national coordinator in Uganda (Café Africa Uganda). The chair of the National Steering Committee (Francis Chesang) attended the first GCP membership assembly in Geneva. This ensured a closer alignment between the national and global platform dynamics and objectives.

#### Key achievement on improved sector governance

The national sustainability curriculum (NSC) in Indonesia led to a governmental decree safeguarding the NSC as the main coffee curriculum within the law. This is an important step towards the institutionalization of the curriculum, as it ensures the proper governance of the curriculum through a steering committee as well as the fact that the government will install an accreditation system. In Uganda, the NSC has had a similarly positive impact on policy discussion. Here, the public-private dialogue process to establish and roll out the NSC has been recognized as good practice. This has led to more involvement of the private sector in the development of the roadmap towards Uganda's 2020 strategic targets for coffee: a process initiated by presidential decree and implemented by the office of the Prime Minister.

## Deviations

### Vietnam

- The inter-ministerial expert group has met less frequently than planned due to the lack of availability of key people from Ministries as they are involved in numerous commitments.
- The NSC needs to be revised before it can become the standard reference document owned by MARD for the sustainable production of coffee. This revision will be conducted in 2017.
- There has been a delay in the process of aligning NSC with coffee-relevant extension material, despite a plan being developed and presented to the subcommittee of VCCB. MARD has decided that the NSC would become the standard reference document.

### Tanzania and Uganda

- The transition from SCP to GCP took more time than anticipated – especially in countries like Tanzania but also in Uganda, where the former 4C Association had no presence and was less known. More time was needed to explain the context and objectives of the SCP merging with the 4C Association to form the GCP. While the transition to the GCP has helped solidify alignment of some of the national sector objectives with Vision 2020 goals, the transition also reduced the time available for policy dialogue.

### Uganda

- The transition to the GCP in Uganda also influenced the ongoing sector engagement.
- The Managing Director (MD) of the Uganda Coffee Development Authority (UCDA) has changed and we have been able to establish a good relationship with the new MD.

### Planned activity II

Exchange knowledge with the UNDP Green Commodities Program – National Commodity Platform in Peru.

## Achievement

- The Ethiopia UNDP activity to establish a coffee platform was revised in 2016, and IDH provided advice to UNDP on the revision of its strategy. Despite several attempts to reach out to UNDP (both Ethiopia-based and HQ staff), we have not been able to get feedback from them as to what their

new strategy covers and how it can be aligned with IDH's strategy.

- IDH has been in contact with UNDP Green Commodities Program with the scoping activities of the Global Coffee Platform, where Peru has been identified as one of the focus countries.

## Role of IDH

- Maintaining contact with UNDP for Ethiopia; however, lack of concrete IDH activity in coffee in Ethiopia means close coordination was not necessary.
- Informing and aligning with the UNDP Green Commodity Program in Peru about the GCP approach developed.

## Deviations

Ethiopia exchange and coordination took place up until the point where UNDP changed its strategy. At the moment, it is unclear what UNDP does in Ethiopia and coffee. Given that IDH and GCP are no longer actively focusing on Ethiopia, the need to align with UNDP is no longer there.

### IMPACT CLAIM 3

**The Global Coffee Platform (GCP) convenes at least 40% of international coffee industry (and other stakeholders) in dialogue with the most important coffee-producing countries to double global pre-competitive PPP investments under the GCP umbrella. The aim is to develop and implement policies for tangible improvements in smallholder livelihoods, adaptation to climate change, and access to finance.**

### Planned activity I

Engage with a wide group of public and private coffee stakeholders around the common vision for the Global Coffee Platform. Prepare, and if possible conclude, the institutionalization of such a platform.

## Achievement

- In 2016, there was strong engagement with key stakeholders from the public and private sectors to create the Global Coffee Platform (GCP). The GCP was launched with key support from IDH in April 2016 and has been institutionalized throughout the year.

- In October 2016, the first Membership Assembly took place, during which key stakeholders of the coffee sector and members of GCP came together and approved the GCP's work plan.

#### Achievement

- In 2016, there was strong engagement with key stakeholders from the public and private sectors to create the Global Coffee Platform (GCP). The GCP was launched with key support from IDH in April 2016 and has been institutionalized throughout the year.
- In October 2016, the first Membership Assembly took place, during which key stakeholders of the coffee sector and members of GCP came together and approved the GCP's work plan.

#### Role of IDH

Providing financial as well technical support to GCP, while also taking the lead on bringing the sector-wide collaboration together. Concretely this means that IDH employees were seconded to GCP on management, operational and regional levels to work together as part of the GCP global team.

#### Deviations

The initialization of the Global Coffee Platform is still ongoing.

#### Planned activity II

**Organize and support studies and events around key GCP themes (climate change, economic viability of coffee farming, gender and youth, national sustainability curricula, national platforms) to support and promote more collaboration in the sector.**

#### Achievement

- IDH developed a study as a practical guide for the establishment and running of a national platform, where key lessons learned are shared.
- Thematic breakout sessions were hosted during the first Membership Assembly of GCP to the Collective Action Networks: gender and youth and climate change.
- To inform and develop the GCP's country-specific plans, a workshop with key stakeholders was conducted to identify the key sustainability issues in each of the focus countries, to be used in planning the activities in 2017.

#### Role of IDH

Providing technical support to GCP, while also taking the lead on bringing the sector-wide collaboration together. Concretely this means that IDH employees were seconded to GCP on management, regional and operational levels to work together as part of the GCP global team.

#### Deviations

Due to the launch of the Global Coffee Platform, a key focus was on setting up the organization. The more concrete delivery on GCP themes will be continued in 2017.

#### Planned activity III

**Work together with ICO in at least two countries to support implementation of a national coffee-sector strategy, and channel additional funding and investments there.**

#### Achievement

ICO has fully committed to the Vision 2020/2030 consultation workshops (of which ICO, IDH and GCP are the core partners) that IDH and GCP helped facilitate through the national platforms and IDH-contracted national coordinators. These workshops were held in eight countries and will form the basis for the GCP 2017 country plans. ICO has actively participated in the first Membership Assembly of GCP.

#### Role of IDH

Engaging closely through GCP with ICO to strengthen the relationship.

#### Deviations

This project has been delayed due to changes in the management structure of ICO.

## Link to IDH impact themes



**Smallholder livelihoods:** IDH has been able to reach over 300,000 smallholder households with improved market access, training on improved production methods, access to affordable and good-quality inputs, and support with farmer group organizational capacity building. The Global Coffee Platform has been positioned as a farmer-centric organization, meaning that the key objective is to ensure that coffee provides a viable business and source of livelihood for producers. The GCP works on creating the right enabling environment for this, while IDH's direct investments in field-level projects contribute to best practices in showing the potential income and livelihood improvements from coffee production at producer level.



**Responsible agrochemical management:** See the landscape program chapter for coffee activities in Vietnam.



In 2016, the **gender equality and empowerment** strategy for addressing gender related issues was under design. It will be discussed in the next report.

### Lessons Learned

- In order to develop innovative prototype projects, we need to be more proactive in our project development. The last four years have given us a good picture of the different initiatives in the coffee sector, and allowed us to build stronger relationships with the private sector. We have a better picture of the strategies and commitments of our partners, and are therefore better able to identify who are our best partners to work on certain innovations. Actively supporting these organizations to jointly develop a project allows us to better safeguard our interests and more closely monitor the progress of the project. This way, we are better able to ensure successful prototypes lead to our proof of concept, and fully understand the factors that have contributed to that success. Sufficiently understanding these success factors is important in developing the roadmap to scale up.
- Creation of a new organization takes time, particularly when integrating two teams with different locations and cultures. The formation of the Global Coffee Platform took a lot more management time to organize and restructure, leading to a delay in external focus and delivery.
- In times of transition, communication with key sector stakeholders and associations to ensure that they are aware and up-to-date with developments is very important. Messages need to be clear and simple, focusing on the value proposition rather than the process.

## Deviations from the program strategy 2020

Rather than publishing another call for proposals for field-level projects, we have decided to use 2017 to jointly develop two-three strong prototype projects together with selected partners. Partners have been selected based on their commitment and investment appetite in IDH's smallholder impact claims, track record in working with smallholder farmers (partially in IDH funded projects), capacity to implement, and willingness to learn and share lessons. Our experience over the last four years has given us a good understanding of the inter-

ests and commitment of our different partners, and we can therefore better target those partners that are open to innovate with us. Taking a more proactive approach towards these partners allows us to better integrate learnings from previous projects and our SDM studies, and to ensure that projects work towards achieving our proof of concept and first impact claim. Final investment decisions are made by an independent board comprising external and internal experts.

## Risk Assessment

Risk	Mitigating action undertaken
The GCP does not materialize fast enough, and robust sector support for global agenda fades.	<ul style="list-style-type: none"> <li>Helped develop a strong value proposition for the GCP addressing the different types of members (traders, roasters, producers, etc.) to highlight the added value for each group.</li> <li>Closely engaged with the private sector beyond founding members.</li> <li>Aligned with other global initiatives such as the Sustainable Coffee Challenge to avoid duplication of activities and strengthen alignment.</li> <li>Ensured that most of our investment in the GCP was channeled towards activities at national level, the results of which are independent of the success of GCP.</li> </ul>
Changing sector dynamics results in increased competitiveness and a reduced willingness to share.	<ul style="list-style-type: none"> <li>Closely engaged with senior management in key private sector beyond mid-level management.</li> <li>Managed to get the key traders and roasters to join the GCP.</li> </ul>
Ethiopia political challenges reversing supply chain transparency initiatives. General East African political changes and challenges.	<ul style="list-style-type: none"> <li>We have decided not to proceed with investments in Ethiopia in 2017 (depending on GCP focus this could change at a later stage). The lack of a clear commitment from the Ethiopian government to work together with (international) sector players means we felt it would be too risky to invest additional time and resources in setting up a constructive public-private policy dialogue.</li> <li>Kenya has shown great interest, and the GCP has therefore decided to work with several partners (including UTZ Certified) to scope the possibilities to work on a public-private dialogue in Kenya.</li> <li>The political situation in Uganda is reasonably stable after elections early last year. There seems to be strong commitment from the government to invest heavily in the coffee sector. The GCP is exploring the best entry points to ensure that the public commitment is matched and aligned with private initiatives.</li> <li>The political situation in Tanzania is uncertain after a new president took office in 2016, and the Tanzanian Coffee Board still has an interim director. Major reforms are being made, which leads to uncertainty at private-sector level. The GCP can benefit from this as the urgency to engage in public-private dialogue seems higher now than before.</li> </ul>
Slowdown of program scaling due to insufficient other donor funding (e.g. due to disproportionate shift of donors to food crops).	<ul style="list-style-type: none"> <li>IDH is still focusing on fundraising for coffee field-level projects. By prototyping multi-crop service delivery models, fundraising efforts can focus on a broader range of donors. We expect that a strong prototype project that will deliver services to farmers on cash crops, food crops and nutritional improvements, and address household joint decision making (gender relations), will provide us with a strong proposition towards donors.</li> </ul>

# KPI Table Coffee

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Target 2016	Results 2016
<b>Result Area 1 – Change in business practices</b>					
1	Private sector (sustainability) investments in the program	€19.8 million (situation up to 2015) Ratio of 1:1.8	Ratio of 1:1.5	€8 million	€8,210,365 Ratio of 1:2.5
2	Market share by program partners (percentage of global production volume)	28%	Roasters: 30% Traders: 50%	30%	Roasters: 25% Traders: 45%
3	Business cases developed to show the potential of sustainable practices	0	3	NA	NA
4	Sustainability embedded at corporate level	See narrative on page 83			
5	Uptake rate of sustainable production by program partners (percentage of sustainable procurement out of total procurement by program partners)	Not yet available	Not yet available	NA	NA
<b>Result Area 2 – Improved sector governance</b>					
6	Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions	See narrative on page 83			
7	Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program	See narrative on page 83			
8	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0  See narrative on page 83	10 (6 already identified)	2	1 policy changed, 1 policy (government strategy with multiple policy implications) in the process of being revised



# KPI Table Coffee continued

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Target 2016	Results 2016	
Result Area 3 - Improved field-level sustainability						
9	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	220,000 <sup>1</sup>	90,000	500,000 <sup>2</sup>	57,188 total	35,382 men
						21,806 women
		0 <sup>3</sup>		5,000 with spillover to 50,000 (indirect)	5,025 farmers direct	2,947 men
		0 <sup>4</sup>				2,078 women
						All trained under small-holder livelihoods
10	Number of producers/workers reached by service delivery	0	60,000	5,000 with spillover to 100,000	5,025	2,947 men
						2,078 women
						All trained under small-holder livelihoods
11	Number of trainers, auditors and/or other government staff trained in the program	0	1,000	200	2,135	1,577 men
						558 women
12	Adoption rate by producers/workers of improved practices (percentage of target producers and/or workers that adopted the new practices)	0	75%	50%	44%	

1. These are projects from first phase investments that ran into 2016 but ended by the end of 2016. We will not report on these beyond 2016.

2. Original phase 1 target, which also included farmers reached indirectly (i.e. farmers reached by trainers trained through IDH investments).

3. These are projects from the phase 1 strategy but contracted in 2015 and running till 2018, 2019 or 2020 (varies per project). We will continue to report on these.

4. These are proof of concept (POC) prototype projects of which most are being contracted in 2017 and will start showing results in 2018. The current figures reported are from the first POC project in Uganda which started in June 2016.

#### KPI 4. Sustainability embedded at corporate level

- **Baseline:** NA
- **Target 2020:** Until 2020, the coffee program will work in partnership with GCP to further embed sustainability at corporate level in the companies the program works with. The focus is on the following issues:
  - Gender and youth;
  - Climate-change adaptation;
  - Economic viability of coffee farming.

These are the topics for which GCP and IDH see the highest need to work on a sector-wide agenda and action plan and for which GCP is best positioned to make an impact. We have yet to establish a system to measure the change in which sustainability is embedded at corporate level. IDH and GCP will work on this together.

- **Target 2016:** NA
- **Results 2016:** As 2016 was the founding year of the Global Coffee Platform there was a strong focus on the institutionalization of the organization. The three sustainability issues are being addressed in the work streams in cooperation with experts on these topics. These work streams were presented to members during the first membership assembly in October 2016 and have further developed their TORs. This was an ongoing process in 2016 and is being used as basis for implementation in 2017.
  - In Uganda, IDH is working with one of the main trade houses on a project that will significantly scale up their practice to buy directly from farmer groups. They will do so through partnership with an international financial institution, and share the risks on smallholder farmer loans with IDH. For both the trade house and the financial institution these are significant changes in their business practices as it will be the first time that they take risks on a portfolio of smallholder farmer loans.

#### KPI 6. Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders are represented and committed to the multi-stakeholder processes associated with the coffee program.
- **Target 2016:** NA
- **Results 2016:** In mid-2016 a consortium of KPMG and Wageningen University responsible for reporting on IDH's impact in the period 2016-2020, conducted a sector survey among IDH partners. The results of this survey are used for the baseline impact report, but also for this indicator on the representation in and commitment to multi-stakeholder processes or coalitions. On average, the partners of the coffee program

who participated in the sector survey rated the indicator 7.8 out of 10 (n=35).

#### KPI 7. Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders that are members of the multi-stakeholder processes associated with the coffee program are satisfied with the effectiveness of these processes.
- **Target 2016:** NA
- **Results 2016:** The impact evaluator also assessed the satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program. On average, the partners of the coffee program who participated in the sector survey rated the indicator 7.7 out of 10 (n=35).

#### KPI 8. Changes in policies and regulatory environment in line with increased sustainability and management of natural resources

- **Baseline:** See KPI table.
- **Target 2020:** The program is working on:
  - Uganda: Extension service policy
  - Tanzania: Tax policy
  - Vietnam: Agrochemicals and coffee professionalization
  - Indonesia: Coffee roadmap and IS StandardThe additional four policies will be developed as opportunities arise.
- **Target 2016:** See KPI table.
- **Results 2016:** The NSC in Indonesia led to a governmental decree safeguarding the NSC as the main coffee curriculum within the law. This is an important step towards the institutionalization of the curriculum, as it ensures the proper governance of the curriculum through a steering committee as well as the fact that the government will install an accreditation system. In Uganda, the NSC has had a similarly positive impact on policy discussion. Here, the public-private dialogue process to establish and roll out the NSC has been recognized as good practice. This has led to more involvement of the private sector in the development of the roadmap towards Uganda's 2020 strategic targets for coffee: a process initiated by presidential decree and implemented by the office of the Prime Minister.

## Comments

- **KPI 1:** Private sector ratio is higher than budgeted due to corrections in the IDH contribution which result in a lower IDH contribution 2016. Private sector level 2016 is in line with target.
- **KPI 2:** Targets might be revised based on input from GCP membership in 2017. The 2016 result is based on GCP membership as per January 1, 2017.
- **KPI 3:** The development of the business cases has not started yet in 2016 due the prioritization of the institutionalization of the Global Coffee Platform (GCP).
- **KPI 4:** No baseline value is expected for this indicator as it provides an annual assessment of the current situation of sustainability embedded at corporate level in companies the program works with, in terms of elements the program teams defined in the annual plan phase. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 5:** At the current stage, due to the establishment of a new organization and the ongoing development of measurement methods, such as the global progress framework. In the terms of participation, commitments of members include the integration of sustainability into their businesses, be it through external third-party certification/verification, or other innovative, accepted methods of assurance for BCC. This indicator will be measured by looking at the global compliance with the GCP baseline common code (which will also cover other voluntary standards) and the national sustainability curricula. GCP is currently working on a measurement tool for this. Once the tool is available, a baseline can be defined and we can set realistic targets from that starting point.
- **KPI 6:** No baseline value for this indicator is expected as it provides an annual assessment of the representation and commitment of sector stakeholders in the multi-stakeholder processes and coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 7:** No baseline value for this indicator is expected as it provides an annual assessment of the satisfaction about the effectiveness of the multi-stakeholder processes or coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 9:** Of the 2020 target of 90,000 farmers, around 30% of those trained are expected to be women. Training topics include water management, soil management, financial literacy, and associations management. The reported 2016 result is based on projects that started in 2016 and run for a period of three-five years. When considering projects that began earlier than 2015 and continued into 2016, the result is a total of 332,742 farmers by the end of 2016. Of this total, 72,984 were women.
- **KPI 11:** Tanzania: 90 (68 men, 22 women); Uganda: 360 (representing 180 agronomist/extension workers, of which 41 are women, and 180 coffee community-based facilitators, of which 45 are women – i.e. the total number of women is 86); Indonesia: 193 (34 women); Brazil: 1492 (416 women). The 2020 target has already been achieved because the 2016 result includes projects that started before the new 2016-2020 strategy phase.
- **KPI 12:** The 2016 result is the adoption rate for field-level projects (FLPs) that ended in 2016, which was 73%. The adoption rate for FLPs that started in 2016 is logically lower as these projects have been running for a maximum of one year.



# Cotton

## Impact focus



Smallholder livelihoods



Responsible agrochemical management

99% of the world's cotton farmers (across 70 countries) are smallholders, who produce approximately 75% of the 24-25 million metric tons of cotton produced globally. In addition to agrochemical and water use, key issues in cotton production, particularly for smallholders, are low income due to increasing costs of production, impact on soil quality and biodiversity, working conditions, health & safety, and child labor.



### Main sustainability issues targeted

- Excessive water and agrochemical (chemical pesticides and fertilizer) usage
- Degradation of soil health and risks to biodiversity
- Child labor
- Smallholder profitability

### Private partners

ASOS, Adidas, Bestseller, C&A, IKEA, H&M, Levi Strauss & Co, Marks & Spencer, Nike, VF Corporation, Tommy Hilfiger, CottonConnect, Pratibha Syntex, STAC, Spectrum International, Basil Commodities, CMDT, OLAM, Sanam, and Changzhou Keteng Trading

### Public partners

National level in Mozambique, provincial level in Maharashtra (India) and Shandong and Xinjiang (China), city government in Songzi (Hubei province in China) and Yuli County (Xinjiang)

### Other partners

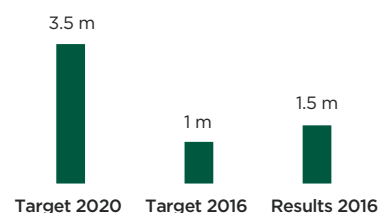
CAIM, AFPRO, Solidaridad, WWF India, WWF Pakistan, ACF, Dilasa, APROCA, PRDIS, MYKAPS, We Care Society, Vrutti, Deshpande Foundation, CABI, Lok Sanjh, REED Society, IPUD, SAROB, Cooperatives - Nongxi, Songzi and ZhongWang

## KPI Progress 2016

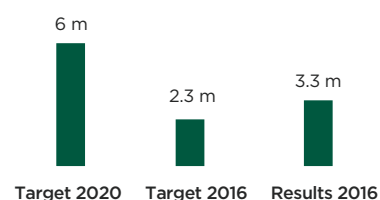
IDH-private sector (sustainability) investments ratio



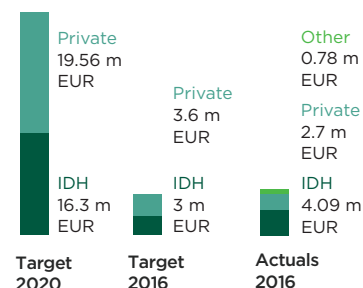
Number of producers/workers/ community members trained



Number of producers/workers reached by service delivery



## Financial Progress 2016



The primary objective of the cotton program is to make cotton farming more sustainable by using less inputs and optimizing results, contributing to a higher profitability from cotton cultivation and improved livelihoods as a result. To do so, IDH works with the Better Cotton Initiative (BCI), a multi-stakeholder program and second-generation standard that goes beyond certification by focusing on continuous improvement at farm level. BCI is a not-for-profit organization that owns the global standards for Better Cotton (BC), and is responsible for Monitoring & Evaluation (validation) and licensing of BC farmers. They also engage on bringing together cotton's complex supply chain, from farmers to retailers. IDH's role is to bring innovation and leadership as strategic partner to the BCI Growth & Innovation Fund (BCI GIF). IDH plays five roles in supporting the BCI:

1. Manager of the BCI Growth & Innovation Fund (strategic partner and fund manager)
2. Member of the BCI Buyer & Investor Committee (BIC)
3. Voting member of the Field Impact and Investment Committee (FIIC)
4. Funder of the BCI GIF
5. Independent director on the BCI Council

In 2016-2020, IDH will be the strategic partner to the BCI GIF – successor to the BCFTP and the investment vehicle that will continue to be the key driver of farm-level capacity creation (training). In addition, IDH's role will involve strategic and innovation leadership, including fundraising and demand creation. IDH also intends to scope, define, pilot, and expand key interventions that relate to livelihoods in the cotton farming ecosystem. At the village level, these may go beyond the production principles of the Better Cotton standard. The interventions will focus on one or two of the key factors most likely to contribute to an improvement in livelihoods, such as access to water.

#### Relevant Sustainable Development Goals for Cotton



## Key activities, results and role of IDH

### IMPACT CLAIM 1

**Increased supply creation reaches BCI 2020 goal: Better Cotton will be 30% of global cotton production (approx. 6 million metric tons of Better Cotton) across 6 million hectares, by 3.5 million farmers. IDH sourcing to embedded service delivery.**

### Planned activity I

Generate a 10% increase in hectares under Better Cotton principles and practices in 2016-2017 compared to 2015-2016.

#### Achievement

Better Cotton principles and practices were applied on 3.3 million hectares in 2016 (2 million in 2015), resulting in an estimated 3.1 million metric tons of Better Cotton lint produced.

#### Role of IDH

- Working with the BCI GIF implementing partners to drive cost efficiencies in existing projects within the GIF portfolio, which accounted for 90% of total BCI farmers in 2016. IDH was the largest funder to the GIF (35% of the fund value) with the remaining 65% contributed by the private sector.
- Funding an app for farmer training (currently in development) as a multi-purpose training and record-keeping solution.
- Working with CAIM (a government of Maharashtra initiative and BCI IP) in a learning role in India to scale their project and build internal capacity. CAIM worked with 75,000 farmers in 2016 (almost a fifth of the India portfolio) and will work with 150,000 farmers in 2017.

### Planned activity II

In compliance with the Better Cotton standard, train farmers will be on the agronomic and environmental criteria.

#### Achievement

In the cotton season 2016-2017, nearly 1.3 million farmers were licensed (out of 1.5 million trained). 600,000 farmers were from BCI direct countries, and the rest from partnership countries and standards.

### Role of IDH

- Working with the BCI GIF implementing partners to drive cost efficiencies in existing projects within the GIF portfolio, which accounted for 90% of total BCI farmers in 2016. IDH was the largest funder to the GIF (35% of the fund value) with the remaining 65% contributed by the private sector.
- Funding an app for farmer training (currently in development) as a multi-purpose training and record-keeping solution.
- Working with CAIM (a government of Maharashtra initiative and BCI IP) in a learning role in India to scale their project and build internal capacity. CAIM worked with 75,000 farmers in 2016 (almost a fifth of the India portfolio) and will work with 150,000 farmers in 2017.

### Planned activity III

**Conduct the necessary monitoring and evaluation as per the Better Cotton Assurance Program.**

### Achievement

In the cotton season 2016-2017, nearly 1.3 million farmers were licensed (out of 1.5 million trained). 600,000 farmers were from BCI direct countries, and the rest from partnership countries and standards.

### Role of IDH

- Working with the BCI GIF implementing partners to drive cost efficiencies in existing projects within the GIF portfolio, which accounted for 90% of total BCI farmers in 2016. IDH was the largest funder to the GIF (35% of the fund value) with the remaining 65% contributed by the private sector.
- Funding an app for farmer training (currently in development) as a multi-purpose training and record-keeping solution.
- Working with CAIM (a government of Maharashtra initiative and BCI IP) in a learning role in India to scale their project and build internal capacity. CAIM worked with 75,000 farmers in 2016 (almost a fifth of the India portfolio) and will work with 150,000 farmers in 2017.

### IMPACT CLAIM 2

**Better Cotton farmers (3.5 million farmers and their families) by 2020 farm according to decent work criteria, resulting in a positive impact on social conditions at the farm level.**

### Planned activity I

**Run pilot livelihood projects beyond the cotton season with the same farmers but focused on gender empowerment and/or water management instead.**

### Achievement

Two pilot projects were started in 2016:

- India: Climate resilience and livelihood enhancement through community participation and leadership with KVK Durgapur, in four villages.
- Mozambique: Climate resilience and perennial engagement with the Dutch embassy, AFPRO as IP, and concession holders.

### Role of IDH

- Funding both the India and Mozambique projects (almost €300,000 per year) on climate resilience.
- Engaging two specialists in gender empowerment and watershed management to provide knowledge and support to the implementation partners.

### Deviations

The gender empowerment integration strategy is still being developed and planned via the pilot interventions. As the strategy is not yet finalized, gender equality and empowerment is not yet included as an IDH impact theme applicable to the program.

### Key achievement on change in business practices

Thanks to IDH support in the Better Cotton Initiative (BCI) GAP Inc. publicly declared its new goals on sustainable fibers (100% by 2021) and six GIF brands – Adidas, IKEA, Marks & Spencer, ASOS, BESTELLER, and Nike – were recognized as among the top 10 in terms of Better Cotton procured against their total cotton footprint. H&M ranks 11th on volume as a percentage of its total cotton consumption in 2016, due to its size.



### Planned activity II

Monitor social indicators as per the standard across the portfolio.

#### Achievement

In the cotton season 2016-2017, 1.5 million farmers were trained on decent work principles, including awareness of child labor, working conditions, and health & safety measures on the farm.

#### Role of IDH

Funding the GIF (with 35% of the fund value, we were the largest funder) with the remaining 65% contributed by the private sector. The GIF portfolio accounted for 90% of total BCI farmers in 2016.

### Planned activity III

Initiate a detailed needs assessment of the village system (130 villages under four CMRCs) to link to the business capability and opportunity of the CMRCs.

#### Achievement

Needs assessment was completed and the following activities were identified and planned: Better Cotton implementation, farm implement bank, and goat farm on collective basis.

#### Role of IDH

- Engaging a gender specialist to integrate and enhance the role of women farmers and trainers in the Better Cotton project. (Currently, about 30% of the trainers are women.)
- Working with implementing partner MAVIM to develop a cost-benefit analysis and business plan for the activities.

#### Deviations

Major changes in CMRC management slowed down in the implementation of the farm implement bank, and the initiation of the goat farm was put on hold as a result.

### Planned activity IV

In Mozambique, initiate a scoping exercise to identify the feasibility of a community-based water management program. Improve yield of food crop and cash crops (cotton) that have a direct impact on yield and livelihood.

#### Achievement

A feasibility and learning study was completed by Dalberg with a tool to look at various scenarios for intervention.

#### Role of IDH

- Launching the Mozambique Climate Resilience Platform, supported by the Dutch Embassy.
- Starting up efforts to fundraise locally in Mozambique, to provide impetus for local investment into capital, setup and implementation.

### IMPACT CLAIM 3

- The program companies demonstrate and showcase commitment to their sustainability goals – making it a license to operate.
- Five countries or provincial state governments have embedded BCI criteria for cotton farming.
- Increase in the number of BCI partnership countries/standards – as result of benchmarking with existing national standards or embedding in national policies (KPI 2.8).
- BCI GIF is financially sustainable and has a balanced portfolio of private and public funding.
- Retailer brands are committed to Better Cotton in their procurement and BCI as an organization – a combination of private volume base fee, public sector money, and supply chain contribution.

### Planned activity I

- Fund and convene the FIIC Investors Committee (IC).
- Hold a seat on the BIC.
- Be a BCI Council member.

#### Achievement

- The Annual Operating Plan presented by IDH (as strategic partner to the GIF) was approved by the BCI Council.

- IDH engaged intensively with the implementing partners to achieve the increased scale while maintaining 2015 cost levels through optimization of project structures and processes.
- IDH also engaged an external expert to build capacities for innovation in the GIF – the GIF Innovation Framework is currently in the development and testing stage.

#### Role of IDH

- Facilitating the Buyer & Investor Committee (formerly, Investors Committee) and the Field Investment and Impact Committee (formerly, Project Assessment Committee).
- Funding the BCI GIF, and working with the BCI team on a GIF fundraising strategy.
- Bringing two new public funders (Australian Department of Foreign Affairs and Trade and German Government-BMZ) to the GIF.
- Facilitating the financial transition from the BCFTP to BCI GIF.
- Actively involving the BCI teams (HQ and in-country) in all steps of the fund management process to build awareness and greater synergies.

#### Planned activity II

**Engage with provincial and state governments in India to explore the possibility of embedding and financing projects.**

#### Achievement

IDH and BCI have jointly engaged with CAIM. CAIM has implemented a Better Cotton project with 75,000 farmers, sourcing funds from the GIF, IFAD and provincial government (GIF accounts for 30% of the project costs). The project itself engages with farmer households holistically and all year round, with convergence of several livelihood- and agriculture-based interventions.

#### Role of IDH

Convening and funding as the first mover with CAIM, before introducing the relationship to BCI to explore options for embedding and upscaling. Working towards a sustainable exit within the government machinery and with the support of other back-funders like IFAD.

#### Deviations

The CAIM program comes to an end in its current form in December 2018, so it is crucial to work towards a transition plan with the current funders, CAIM management and BCI.

### Key achievement on improved sector governance

As part of BCI, IDH helped two new members join the BCI Growth & Innovation Fund (GIF) on the Buyer & Investor Committee in 2016: retailer ASOS and public funder BMZ. This is a clear signal of the growing representation and commitment of governance bodies of the GIF.

#### Planned activity III

**Engage with and support provincial governments in China to adopt BCI criteria.**

#### Achievement

The ongoing government engagements in China include:

- XPCC (semi-government organization): accounts for 25% of China's cotton production and about 85% of the Better Cotton volumes in China.
- Yuli County: engaging with a farmers' cooperative in 2016, which has become a local partner to CottonConnect to directly implement a project that covers 50% of the county's farmers in 2017.
- Songzi City government: implementing and agricultural extension project with 40,000 farmers.

#### Role of IDH

- Engaging with the BCI Country Manager and the implementing partners (IPs) to arrive at project structures, financing and cost structures that are optimized and geared towards self-reliance right from the start. All three IPs mentioned have increased their contributions to the project implementation, and are looking to bridge the gap to implement on their own within the next three years.
- Exploring opportunities with BCI for farmer graduation or engagement of mature farmers through technology; physical resource centers based on needs-based counsel (nascent stage).

#### Planned activity IV

Engage with the retail brands and their supply chain partners and BCI to ensure that the uptake of BCI from farm to finished product continues to grow year on year.

#### Achievement

- The 11 brand and retail members of the BCI GIF Buyer & Investor Committee account for most of the Better Cotton uptake (461,000 metric tons of lint in 2016 – almost double the previous year).
- In 2016, six GIF BIC brands were recognized for being among the Top 10 in terms of Better Cotton procured against their total cotton footprint.

#### Role of IDH

- Driving the demand and experience-sharing agenda at the GIF Buyer & Investor Committee meetings through the year.
- Mentoring during the 2010–2015 phase: this led to the success that all the BIC brands met and exceeded their 2016 Better Cotton sourcing goals, and are on target to meet their procurement targets.

## Link to IDH impact themes

The impact themes relevant for cotton are responsible **agrochemical management** and **smallholder livelihoods**. The program contributes to these themes through implementation of the Better Cotton standard. In the cotton season 2016-2017, 1.5 million farmers were trained on the Better Cotton production principles, which include social, economic and environmental criteria for cotton cultivation. Out of these, 1.3 million farmers were licensed – in other words, the farmers showed visible improvement in their adoption of the practices and principles of the Better Cotton Standard, resulting in comparatively higher yields, lower costs of production and, therefore, improved profitability from cotton cultivation. (Using a method of comparison against control farmer groups, BCI will report on these indicators at the end of 2017 in the Harvest Reports released on their website.) This means that in 2016, at least 1.3 million smallholders showed visible improvements in the following areas:



- Responsible **agrochemical management**: The farmers were able to show visible improvements in their adoption of integrated pest management (healthy crops, control of the pest population, maintaining natural enemies, pest resistance management, field observation and application); use of registered and correctly labelled pesticides; following the Stockholm Convention; training their hired or family labor on health & safety practices while applying pesticides (healthy, skilled and trained employees aged 18 or older).



- **Smallholder livelihoods**: In pilot projects in Maharashtra, India and Mozambique, the aim is to engage with smallholder cotton farmers and the community around them to identify the factors for improving livelihood and designing service delivery models or interventions accordingly. Currently, the projects are in a set-up phase; we will design the monitoring and results framework to measure the impact on smallholders throughout the project duration.

## Lessons Learned

- Innovation and embedding: With a goal of training 3.5 million farmers by 2020, the program partners acknowledge that the current funding model and sources will be inadequate to achieve our goal. We therefore need to define new models for farmer engagement (for both new and existing farmers) by piloting alternative methods for service delivery of the BC standard, capacity building of the frontline field staff, and ongoing engagement of mature farmers in the BC system. Leveraging the innovative capacities of NGOs, as well as the cost efficiencies of private-sector mid-stream players, will result in Better Cotton production at relatively low cost through nearly a million smallholders. IDH has already started to develop app-based solutions for farmer training in India, with the potential to replicate in other geographies after trial and testing. In the role of strategic partner, IDH has also taken the lead in the conceptualization of the GIF Innovation Framework – a visionary tool towards meeting the ambitious Better Cotton goals of 30% share of global production by 2020.
- Fund management and project approval cycles: With the experience gained in the last six years in fund management of the BCFTP, IDH (as GIF Secretariat) was able to design and develop the BCI GIF processes in an agile manner. We also managed to maintain continuity with IPs during the switchover to the BCI GIF in the first investment cycle. In 2016, IDH introduced several instrumental improvements during the application and assessment stages, particularly the development of country program statements for BCI, while continuously engaging the BCI in-country teams to seamlessly align country strategy and funding strategy.
- Data collection and assurance: With the growth in the GIF portfolio and the amount of data being collected, both at field level and through the fund management process, there is a need to build IT systems that allow for efficient input and analysis of the information being collected. As this data set grows year on year, the GIF Secretariat (held by IDH and BCI) will be further stretched to process the same amount manually. Correspondingly, the database for assurance being developed by BCI, and the conceptualized RFP system being developed by IDH, should be interlinked to allow for alignment between planning, contracting, monitoring, reporting and validation of the information and data collected by IDH and BCI throughout the season.

## Deviations from the program strategy 2020

In 2016, the cotton program revised the field-level KPIs in absolute numbers to reflect the market trends. While the ambition for Better Cotton as a mainstream standard remains 30% of global production, in absolute numbers, this translates to 6 million metric tons of Better Cotton lint (instead of 8 million), produced by 3.5 million farms (instead of 5 million). This adjustment was made be-

cause the estimate for future production when the target was set in 2010 was higher than the actual production trends over the past three years. The drop is due to competition from synthetic fibers on the market side, and price competition from other commodity crops on the production side.

## Risk Assessment

Risk	Mitigating action undertaken
Timely establishment of the BCI GIF legal and operational frameworks.	While the GIF was launched in January 2016, it wasn't until mid-year that the fund was incorporated. In anticipation of procedural delays, BCI gave IDH the power of attorney to operate on behalf of the GIF for signing the funding agreements with the implementing partners and managing the financial disbursements through the former BCFTP bank accounts. This timely action ensured a smooth funding and investment cycle, and neither the relationships nor field-level implementation was affected by the otherwise probable disrupted cash flow.
Securing availability of funds for the BCI GIF investment cycle 2016-2017.	To manage the cash flow of the fund at the time of contracting for 2016-2017, IDH facilitated the process whereby the GIF brands continued to pay the minimum financial contribution upfront to secure their position on the Buyer & Investors Committee (discounted against their procurement). Simultaneously, BCI and IDH continued to drive uptake at brand level and jointly make efforts towards fundraising for the GIF. In addition, IDH played a key role in bringing in new public funders to the GIF – DFAT (for Pakistan) and BMZ, thereby diversifying sources of funding to the GIF.
Farmer engagement models – hitting the highest operational efficiency in projects in key countries without reaching the tipping point in transformation.	In addition to the multi-year licensing system introduced by BCI, IDH also consulted the BCI GIF implementing partners on driving cost efficiencies by optimizing producer unit structures, and by looking at training costs per farmer, keeping in mind the maturity of the projects and their engagement with the same farmers over the years. App-based training solutions are also being developed by IDH for Better Cotton implementation. This is a lower cost method to continue to engage with mature farmers in the program, who are most likely to continue to follow Better Cotton practices having seen the results of doing so, without requiring the handholding and intensive training that are requirements of the BCI Assurance Program as it is defined today. This has also been marked as an area for innovation for the BCI GIF.

# KPI Table Cotton

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Target 2016	Results 2016
Result Area 1 – Change in business practices					
1	Private sector (sustainability) investments in the program	€21.6 million (situation up to 2015)	Ratio of 1:1.2	€2.5 million additional funding	€4,090,249
		Ratio of 1:1.6			1:0.66
2	Market share by program partners (percentage of global production volume)	Not yet available	Not yet available	1.25%	2%
3	Sustainability embedded at corporate level	See narrative on the next page			
4	Uptake rate of sustainable production by program partners (percentage of sustainable procurement out of total procurement by program partners)	9%	17%	12%	18%
Result Area 2 – Improved sector governance					
5	Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions	See narrative on the next page			
6	Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program	See narrative on the next page			
7	Application of voluntary standards on sustainable commodity (number of voluntary, national or international, standards, and narrative)	3	5 (additional ones)	No target for 2016	0
		See narrative on the next page			
Result Area 3 – Improved field-level sustainability					
8	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	1.5 million farmers	3.5 million farmers	1 million farmers 200,000 workers (of which 50,000 women)	1.5 million farmers
9	Volume of sustainably produced cotton (metric tons)	3 million	6 million	2.5 million	2.6 million
10	Adoption rate by producers/workers of improved practices (percentage of target producers and/or workers that adopted the new practices)	Not yet available	75%	75%	89%
11	Area where trained practices are applied either on farmland or in protection area (hectares)	3.5 million	6 million	2.3 million	3.3 million



### KPI 3. Sustainability embedded at corporate level

- **Baseline:** NA
- **Target 2020:** Until 2020, the cotton program will work to further embed sustainability at corporate level in the companies the program works with. The focus is on the following issues:
  - Commitment of the top management;
  - Public declaration of sustainability goals;
  - Key Performance Indicators (KPIs) and targets at the procurement level;
  - Sustainability progress reporting in the public domain;
  - Embedding in the procurement system of the company via product specifications;
  - Sustainable procurement as a preferential criterion towards suppliers.
- **Target 2016:** NA
- **Results 2016:** The variables set out in the target are well established in terms of precedence and practice as criteria to receive a seat on the governance committees of the BCI GIF. The 11 brand and retailer members of the BCI GIF Buyer & Investor Committee have public statements on their roadmap towards sustainable procurement. Currently, they account for the majority of the Better Cotton procurement (all BIC members hit their procurement goals in 2016). Having achieved synergy between their sustainability and commercial procurement departments in terms of mutual accountability. Some successes include:
  - GAP Inc. publically declared their new goals on sustainable fibers: 100% by 2021
  - Six GIF brands – Adidas, IKEA, Marks & Spencer, ASOS, BESTELLER, and Nike – were also recognized for being among the Top 10 in terms of Better Cotton procured against their total cotton footprint.
  - H&M ranks 11th as Better Cotton consumer on volume as a percentage of its total cotton consumption in 2016, due to its size.

### KPI 5. Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders are represented and committed to the multi-stakeholder processes associated with the cotton program.
- **Target 2016:** NA
- **Results 2016:** In mid-2016, a consortium of KPMG and Wageningen University responsible for reporting on IDH's impact in the period 2016-2020, conducted a

sector survey among IDH partners. The results of this survey are used for the baseline impact report, but also for this indicator on the representation in and commitment to multi-stakeholder processes or coalitions. On average, the partners of the cotton program who participated in the sector survey rated the indicator 9.3 out of 10 (n=11).

- In 2016, two new members joined the BCI Growth & Innovation Fund on the Buyer & Investor Committee – retailer ASOS and public funder BMZ. This is a clear signal of the growing representation and commitment of governance bodies of the GIF.

### KPI 6. Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders that are members of the multi-stakeholder processes associated with the cotton program are satisfied with the effectiveness of these processes.
- **Target 2016:** NA
- **Results 2016:** The impact evaluator also assessed satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program. On average, the partners of the cotton program who participated in the sector survey rated the indicator 8.6 out of 10 (n=12).

### KPI 7. Application of voluntary standards on sustainable commodity

- **Baseline:** BCI is currently working with provincial governments and trade associations in India, China, Brazil, Pakistan, Mali and Mozambique. However, other than Brazil and Mozambique, there has been no implementation of the BCI principles as they are currently implementing partners and are learning about the BCI standard and assurance program. BCI is also benchmarked with MyBMP in Australia and Cotton Made in Africa (CMiA). MyBMP is a voluntary farm and environmental management system which provides self-assessment mechanisms, practical tools and auditing processes to ensure that Australian cotton is produced according to best practices. Cotton Made in Africa is an initiative of the Aid by Trade Foundation (AbTF) that helps African smallholder cotton farmers to improve their living conditions.
- **Target 2020:** As strategic partner to the BCI GIF, IDH will support the BCI targets for national embedding. Pending additional work on developing an adequate definition and supporting indicators, the working model is as follows:
  - **Definition:** The BCSS is seen as fully embedded into

a country when there is an organization or institution with a national mandate that is accountable for the implementation and credibility of the BCSS (or a recognized equivalent) in the country. All funding beyond any global VBF contribution is secured and managed by this same entity.

- To be developed: Clear and measurable indicators supporting the definition that will allow BCI to evaluate the degree to which an ongoing embedding process can be said to be “national” or “fully complete”.
- While BCI is in the process of defining a target (nine countries is the number in discussion), via the strategic partnership with BCI GIF, IDH aims to support at least five countries.
- **Target 2016:** See KPI table.
- **Results 2016:** IDH continued to engage with provincial governments in India and China via the GIF; in 2016 there was no result on embedding goals.

## Comments

- **KPI 1:** With ambitious 2020 goals of 3.5 million farmers trained and 6 million MT sustainability produced cotton, we are aware that that the entire financing requirement will not be met by the market alone, therefore, by 2020, there will be other public funders besides IDH who will be donors/ funders to the GIF as well. Because of this, our 2020 target for the IDH-private sector investment ratio is lower than the baseline at the end of 2015. The low private-sector contribution in 2016 was due to reallocation of the total contribution between cotton program donors.
- **KPI 2:** No baseline information is available yet. On the 2020 target: BCI has been approached to confirm the availability of this type of information from their brands. The result for 2016 is based on 461,000 metric tons of Better Cotton lint procured by BCI brands against a global production of 23 million metric tons of regular cotton lint.
- **KPI 3:** No baseline value is expected for this indicator as it provides an annual assessment of the current situation of sustainability embedded at corporate level in companies the program works with, in terms of elements the program teams defined in the annual plan phase. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 4:** The uptake rate is measured against annual volumes of Better Cotton produced. The 2020 target is 1 million metric tons BC against 6 million metric tons produced; in 2016, 18% reflects a baseline of 2.6 million metric tons produced.
- **KPI 5:** No baseline value for this indicator is expected as it provides an annual assessment of the representation and commitment of sector stakeholders in the multi-stakeholder processes and coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 6:** No baseline value for this indicator is expected as it provides an annual assessment of the satisfaction about the effectiveness of the multi-stakeholder processes or coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 8:** BCI is developing a data collection and management system for reporting by implementing partners and validation by the M&E team. This system will be developed by 2017 and will then provide annual baselines for target setting and reporting on gender segregation of farmers. The program will not report on the number of training events, because the definition of trainings would be different across the (currently) 20 BCI countries and because the BCI system is essentially a continuous farmer training and support system. The topics of training are on the seven production principles of the Better Cotton Standard.
- **KPI 9 and 11:** The 2016 results are the same as in the interim report shared with the BCI Council in January 2017.
- **KPI 10:** BCI is still collating the results of the 2015-2016 Harvest Report. The target for 2020 is based on the minimum acceptable level as defined by BCI, and has been used as the de-facto target. Since BCI is a farmer training and continuous improvement program, compliance or licensing is not a hard KPI because:
  - farmers trained may also have adopted parts of the practices even if they did not meet the minimum criteria;
  - farmers are licensed as a Producer Unit (PU) based on verification by random sampling, not as individuals. Therefore, there may be a sub-set of unlicensed farmers who have also met minimum criteria but did not qualify as a PU.
  - The cotton program reached 1.5 million farmers, and assumes that these farmers may have adopted certain good practices from the trainings. However, we report 89% based on the verification of the BCI M&E teams, and the percentage of farmers granted a license for meeting the minimum requirements as prescribed by the Better Cotton Standard. This percentage is of a shifting base every year, as the number of farmers reached year-on-year will increase in the run-up 2020.



# Fresh and Ingredients

## Impact focus



Smallholder livelihoods



Living wage and improved working conditions



Gender equality and empowerment



Responsible agrochemical management

The fresh & ingredients (F&I) program has gained real momentum with brands, retailers, and SMEs since the formal launch in January 2016. The team has developed cross-sector strategies for each of the four impact themes that the program aims to achieve: smallholder livelihoods, living wage and improved working conditions, responsible agrochemical management, and climate change. While the latter is not an explicit impact theme of IDH, it is important to the F&I program nonetheless. This was completed by an overarching theme on gender. In line with the foundation of the program, the first F&I call for proposals was organized around impact issues rather than sectors, and several projects have been approved and contracts signed: six on smallholder livelihoods, three on working conditions, two on responsible agrochemical management, and one on climate change.

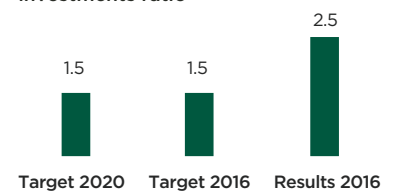


## Main sustainability issues targeted

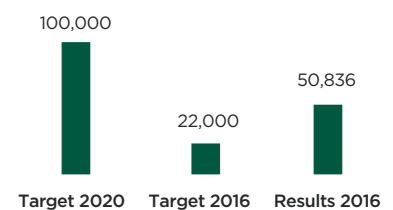
- Smallholder livelihoods
- Working conditions (living wage, gender, health & safety)
- Agrochemical usage
- Climate change (including food waste, deforestation, CO2 reduction)

## KPI Progress 2016

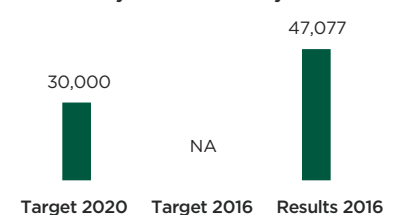
### IDH-private sector (sustainability) investments ratio



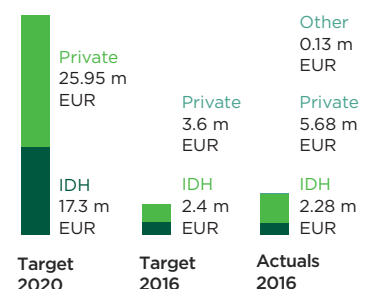
### Number of producers/workers/ community members trained



### Number of producers/workers reached by service delivery



## Financial Progress 2016



A cross-sector project portfolio is being developed. In terms of coalitions, the four already established platforms (FSI, SIFAV Fresh, SSI and SNI) have been developed and consolidated (five new members for SIFAV, three for FSI, and two for SSI). F&I's youngest platform, the Sustainable Vanilla Initiative (SVI) attracted 23 members by the end of 2016. We also launched two sector initiatives in India: the Sustainable Grapes Initiative – India, and the Sustainable Spices Initiative – India. The latter is now being formalized as an independent legal entity.

### Relevant Sustainable Development Goals for Fresh & Ingredients



The fresh & ingredients program is built on six industry platforms that include over 130 private-sector companies, sector organizations, and civil society organizations – both multinational companies and SMEs from European and African countries. The lists below provide a non-exhaustive overview of these companies involved:

#### Private partners

Ahold Delhaize, Agrofair, AIPH, Amalgamated, Anthura B.V., APPL, ANCEF, Asocolflores, Authentic Products, Bakker Barendrecht, Barry Callebaut, Jumbo, Cassia Co-op, Chiquita, Chrysal International, Coop, Costco, De Kwakel, DeMonchy Natural Products, Dole, Don Limon, Dudutech, Dümme Orange, Dutch Flower Group, EHPEA, Eosta, Euroflorist, Euroma, Eurovanille,

Exsa Europe, Fair Flowers Fair Plants (FFP), Fair-Fruit, Firmenich, FleuraMetz, FloraHolland, Floralife, Florensis, Flower Trade Consult (FTC), Fludor Benin, Friesland Campina, Frontier Coop, Fairtrasa, FV SeleQt, Fyffes, Givaudan, Glask-Racht, General Mills, Georges Helfer, Giovanelli Fruchtimport, Greenyard Fresh, Griffith Laboratories, Grøn Fokus, Harris Freeman, Hillfresh, Hispa, HPW, ICA, IKEA, Intersnack, Intertaste Jaguar, Intimex, Jayanti, Jumbo, Jungle Nuts, Kenya Flower Council, Kerry, Koppert, Kutas Levarht, Lidl, LTO Noord, Mane, Marks & Spencer, Mara Fresh, Mars, McCormick, Migotiyo Plantations, Milieu Programma Sierteelt (MPS), Nature's Pride, Nedspice, Nestlé, Netafim, Nielsen Massey, Olam, Olympic Fruit, Palki, Pfitzer BV, Pflanzen-Koelle Gartencenter, PPO Services, Prova, Rodelle, Queen Foods/Dr Oetker, Royal Lemkes, Sabatar, Sher/Afriflora, Silver Spoon, Simexco, Special Fruit, Staay Food Group, Stichting Max Havelaar, Superunie, Symrise, Syngenta, The Greenery, Timer Fruit, Total Produce, Touton, Trade & Development Group, Tuinbranche Nederland, Union Fleurs, Unispices – Wazaran, Unilever, Usibras Ghana, Van Oers, Verbruggen Juice Trading Sustainable Products Verstegen, Virginia Dare, VGB, Waterdrinker, and Yex Partner

#### Public partners

Gesellschaft für Internationale Zusammenarbeit (GIZ), Ministry of Commerce Madagascar, Ministry of Agriculture and Rural Development Vietnam, ILO-Madagascar, and USA Department of Labor

#### Other partners

Com Cashew (former African Cashew Initiative: ACI), African Cashew Alliance (ACA), Bill & Melinda Gates Foundation, CGF, TSC, Chainpoint, FairMatch Support, GSCP, GLOBALG.A.P., International Trade Centre, Hivos, WWF Kenya, HERProject, Partner Africa, ICCO, Solidaridad, Frugi Venta, ETI/SMETA, SIZA South Africa, BSCI, Fairtrade FLO-CERT, SA8000, SAN/Rainforest Alliance, IMO (Fair) for Life, Sedex, Leaf Marque, EU Organic, US Organic, PNV Madagascar, Sustainable Food Lab SFL BothEnds, KIT, SNV, WSO, Sustainably Grown/SCS, Forum for the Future, BRO (Blomsterbranchens Riksorganization), PRDIS, AFPRO, ACF, Niligiri, Azad Agro, STAC, and Vietnam Pepper Association

## Key activities, results and role of IDH

### IMPACT CLAIM 1

Enhance market transformation by increasing the volume of sustainably sourced products by 25% by 2020 in five F&I categories against a 2016 baseline.

Responsible sourcing practices to be embedded in the sourcing policies of 100 companies.

#### Planned activity I

Develop measurement methodology in four categories (and have this approved by covenant participants).

#### Achievement

The methodologies of SNI, SIFAV Fresh and FSI have been established. The work for SSI and SIFAV Processed is ongoing.

#### Role of IDH

Facilitating the adoption of a new SIFAV Fresh policy to align interpretations of social monitoring standards. Moreover, IDH supported the development of the methodology for FSI using the experience gained with SIFAV Fresh. A new covenant is being built for SSI; consolidation of targets and measurement methodology is expected in Q2 2017.

#### Planned activity II

Put baseline measurement for three categories in place.

#### Achievement

Baseline of SSI India, SNI and SIFAV Fresh completed. SIFAV Processed and FSI progress ongoing. Delay for SSI in Europe as the covenant is not yet finalized due to ongoing discussions in the SSI Steering Group. This will be done in Q2 2017 with the baseline measurement finalized in the second half of the year.

#### Role of IDH

- Driving and organizing the baseline of SSI India, SNI and SIFAV Fresh completed.
- Supporting the test of the FSI methodology and the adaptation of the measurement methodology.

#### Deviation

The FSI baseline will be conducted in 2017, together with the first measurement of responsible sourcing.

#### Planned activity III

Start responsible sourcing of measurement volume in two categories.

#### Achievement

Measurement done for SIFAV Fresh; FSI has tested the measurement methodology. Volumes in SNI are increasing, with the first companies targeting 100% responsible volume by 2019.

#### Role of IDH

Supporting the development of the methodology for FSI using the experience gained with SIFAV Fresh. Under SNI, IDH supports companies in setting up transparent, responsible sourcing structures in Africa.

#### Deviation

FSI and SSI will start measuring responsible sourcing in 2017. FSI first had to finalize testing the methodology, while SSI has to finalize the covenant (Q2 2017).

### IMPACT CLAIM 2

Sustainability targets for each category to be embedded in the supply chain by 2020.

In at least four categories, sustainability platforms to be incorporated into the sectors and develop into self-supporting initiatives.

#### Planned activity I

Convene and consolidate four category platforms.

#### Achievement

Platforms consolidated for spices (SSI), nuts (SNI), fresh fruit and vegetables (SIFAV Fresh) and flowers (FSI). FSI worked with the Dutch government to develop a sector agreement on Responsible Business Conduct (IMVO). The efforts resulted in the Dutch government being prepared to endorse FSI ambition towards responsible practices.



## Role of IDH

Reaching out to potential partners, resulting in four new private companies (from Denmark, Germany and the Netherlands) joining, as well as in one new British NGO (Forum for the Future). A new standard (Sustainably Grown) was added to the SIFAV basket of standards since it successfully passed the GSCP benchmark. IDH promoted the alignment of the FSI basket of standards with the SIFAV Fresh one. IDH maintained good relationships with FSI despite the internal changes that occurred in IDH. SSI Steering Committee was elected and chair taken over from IDH in early 2017.

### Key achievement on change in business practices

Four new private companies joined the Sustainability Initiative Fruit and Vegetables (SIFAV) in 2016, committing to map their supply chains and monitor their volumes by using the measurement methodology as agreed in the covenant. Two new private companies joined the Floriculture Sustainability Initiative (FSI), bringing the number of members to 34, also committing to map their supply chain and monitor their volumes in a similar way to the SIFAV members. All companies participating in the Sustainable Nuts Initiative (SNI) have put targets on the volumes they want to source traceably and directly from farmers trained in the projects. Two additional members joined the Sustainable Spices Initiative (SSI), which is finalizing new covenant goals such as measurement of sustainable sourcing targets.

### Planned activity II

Initiate three additional category platforms.

## Achievement

Additional platforms set up for Grapes in India (SGI-India), Vanilla (SVI), and processed fruit and vegetables (SIFAV Processed). In Vietnam, the

SSI Pepper Taskforce initiated by SSI has agreed with the local Ministry of Agriculture to develop an action plan to reduce use of agrochemicals. This was presented in April 2016 and is being monitored by the taskforce. The legal not-for-profit organization Sustainable Spice Initiative – India has been established and will soon commence recruitment of members.

## Role of IDH

Launching SGI-India in April, and SIFAV Processed in May. SSI-India reached formal entity status, building towards future and independent local funding. SSI-India and SGI-India deployed an app-based farmer engagement tool, Cropin, across 30,000 farmers in the first year. The app will provide a one-stop shop for capturing farmer data, farming practices, access to information, geo-tagging, and verification of farming practices. It will also act as a learning tool that provides farmers with access to information, along with the ability to communicate with an expert on alerts raised at the farm level. The Dutch embassy and research body NRCG are participating.

After starting activities in late 2015, SVI grew quickly in 2016, becoming a recognized global initiative and an intensive dialogue of international vanilla stakeholders and local actors in Madagascar and (starting) in Uganda, including participation of governments.

### IMPACT CLAIM 3

**Deliver 12 business cases over four programs that are replicable and scalable across the categories by 2020.**

### Planned activity I

Start multi-year projects on working conditions and livelihood.

## Achievement

We were able to generate two projects on living wages in the banana sector (Belize, Costa Rica, Ghana and Ecuador), seven on smallholder livelihood (Tanzania, Côte d'Ivoire (two), Burkina Faso, Benin, Nigeria, and Madagascar), and one on female empowerment (Ethiopia). One vanilla production and diversification project was developed. A €4 million project for child labor prevention in the vanilla supply chain in partnership with ILO Madagascar was raised.



#### Role of IDH

Signing two strong projects on living wages following the 2015 presentation on living wages to SIFAV partners. After the positive results of the pilot on female empowerment implemented in 2014-2015 in Ethiopia, IDH was able to scale the project up.

#### Deviation

SVI and local partners launched a governmental decree to protect the quality of vanilla. However, the decree lacked enforcement and failed.

### Key achievement on improved sector governance

FSI worked with the Dutch government to develop a sector agreement on Responsible Business Conduct (IMVO). The efforts resulted in the Dutch government being prepared to endorse FSI's ambition towards responsible practices.

#### Planned activity II

**Start multi-year projects on use of agrochemicals and climate change.**

#### Achievement

Implementation of projects on agrochemicals is in progress for spices and grapes in India, and spices (pepper) in Vietnam. We generated two projects on agrochemicals (one on upscaling IMP with a flowers partner in Ethiopia, and one on measuring and reducing toxicity levels with a leading floricultural standard), and on climate change (upscaling the wetlands technology in the flowers sector in Ethiopia). We are in the consolidation phase of over five projects in India on responsible agrochemical use.

#### Role of IDH

Organizing work around issues and developing strong projects on agrochemicals and climate change. In Vietnam, IDH convened the Taskforce Pepper between the private sector and Vietnamese government. One large project is in development in Vietnam with the largest global spice company and several suppliers to reduce agrochemical use.

#### Planned activity III

**Draft and test general framework on business case.**

#### Achievement

Strong business cases for sourcing from smallholders were demonstrated by the study conducted at Mara Farming in Kenya (Master's degree students from Harvard) and ITC India (SDM analysis). Study with ICA in South Africa (Harvard) is in progress. One new vanilla project (Madagascar) and two cashew projects (Burkina Faso, Côte d'Ivoire) initiated with upfront SDM analysis.

#### Role of IDH

Supporting the partners in structuring their interventions with farmers by conducting SDM analyses pre- and post-project.

## Link to IDH impact themes

**Smallholder livelihoods:** We developed the F&I smallholder inclusion proof of concept (POC), harnessing retail market demand for traceable produce to enable service delivery by private companies to train and support farmers. This will enable them to deliver sustainable products, and will improve livelihoods through access to market, diversification, and production for local and export markets. New projects were approved, some in combination with responsible agrochemical management approaches (e.g. in India). Three business cases were finalized: Marafarming, ITC, and Casia Coop.



A few supply chain examples: F&I supports a cashew nut processor in Burkina Faso to analyze and improve an SDM that provides access to training, credit, market and secondary sources of income. All produce sourced through this SDM is registered in a traceability system to adapt farmer support based on productivity data, and provide traceability to the end market. Secondly, in Madagascar the approach to smallholders starts with investments in sector governance as well as safeguarding quality and market for vanilla in a tempestuous boom-and-bust market situation. IDH also supported Mara Farming, a Kenyan grower and exporter, to work with 1,200 smallholder farmers to export French beans, snow peas and sugar snaps to the European market. Research by two Harvard University Master's students demonstrates that the smallholders involved were 99.6% more productive than the average farmer in the region, had 147% higher profitability, and 255% higher income. The study also shows that the total costs at pack house gate per type of production were 51% cheaper for Mara Farming when sourcing from smallholders than from its own farm.

**Living wage and improved working conditions:** The F&I team aims to implement different approaches to reduce gaps between current and living wages, with the goal of stimulating the banana and flower sectors to address the value chain distribution issue, thereby improving working conditions. In 2015, together with the Global Living Wage Coalition (GLWI) of ISEAL, IDH provided guidance to the SIFAV Fresh members on the living wage agenda. This resulted in contracting two new projects on living wages for the banana sector in 2016. The first one was signed with the World Banana Forum (WBF, FAO in Rome), which represents the global banana supply chain.

The project will conduct living wage studies in Ghana and Ecuador, and will disseminate and validate the findings through the involvement of relevant stakeholders in both countries. The second project was signed with major banana importer Fyffes and International Procurement Limited (IPL), a wholly owned subsidiary of ASDA that runs their whole produce retail business. The project will fill data gaps about living wages and the impact of Rainforest Alliance certification on living standards of workers in Costa Rica and Belize with the aim of developing and testing work plans to implement living wages on plantations. The studies on living wages in the flower sector in Ethiopia, Kenya and Tanzania were carried out in 2016 and will be finalized in early 2017.



The F&I team continued its efforts in aligning market demand around benchmarked social standards together with its sector platforms FSI, SIFAV and SSI. The goal is to reduce costs due to audit duplications and promote efficient verification in supply chains, to stimulate more stringent and efficient auditing of working conditions at processor and producer level, and to ultimately improve working conditions. A new standard (Sustainably Grown) was added to the SIFAV Fresh basket of standards since it successfully passed the GSCP benchmark, bringing the number of recognized social standards to eight. IDH promoted the alignment of the FSI basket of standards with the SIFAV Fresh one, and facilitated the discussion of including new private and independent standards in the SSI basket of standards.

**Responsible agrochemical management (RAM):** The F&I proof of concept for responsible agrochemical management was finalized. In Vietnam, the Sustainable Spices & Pepper Taskforce, initiated by SSI, collaborated with the local Ministry of Agriculture and Rural Development to develop an action plan to reduce use of agrochemicals. This was issued in April 2016 and is currently under implementation by government institutions, with support and monitoring by the Taskforce. IDH launched SGI-India in April and SIFAV Processed in May. SSI-India and SGI-India deployed an app-based farmer engagement tool, Cropin, across 30,000 farmers in the first year. The app will provide a one-stop shop for capturing farmer data, farming practices, access to information, geo-tagging, and verification of farming practices. It will also be a learning tool that provides farmers access to

information, along with the ability to communicate with an expert on alerts raised at the farm level. The Dutch embassy and research body NRCG are participating.



**Gender equality and empowerment:** The F&I team wants to stimulate private companies to promote gender equality in their supply chains and to show that this leads to increased worker satisfaction, better working conditions, and improved production. We do this by empowering women in the flower sector through the collaboration with FSI and its members, and by creating awareness in the other F&I sectors. In line with this intervention, in 2016 IDH decided to co-finance the second phase of the pilot project on female empowerment implemented in

the flower sector in Ethiopia, which was carried out by EHPEA and BSR HERproject. The decision was taken in light of the positive results achieved during the first pilot phase in 2014/2015: 59% of women on the targeted farms (7,000) increased their level of awareness of their rights regarding protection from sexual harassment and of hygiene, nutrition, family planning and reproductive health; 46% of the pilot project farms (12) developed and started implementing a gender policy; and 62% of the project farms (16) established active gender committees and had an effective reporting system. The contracted second phase aims to reach 20,000 workers of target farms, and to improve the practices, policies, and procedures of the 12 pilot farms and 30 new farms.



## Lessons Learned

- The new setup in which F&I has dedicated resources across a group of commodities delivers great value in our engagement with end-buyers. Retailers in particular want to connect initially on themes, and then on specific supply chains – for example, first traceability and then nuts. This interaction between issues and supply chains provides a better interaction with the end-buyers.
- Analyzing SDMs stimulates partners to understand smallholders as serious business partners that require targeted services to be retained. At the same time, SDM studies enable the program team to improve project design and foster cross-sector learning.
- The sector governance improvement as a complement to farmer field intervention is key to safeguard the Madagascar market for natural vanilla beans. It is a complex field, however, which encompasses a holistic approach and cooperation with national government. Pre-competitive collaboration of market players has proven to be possible as well as productive. We learned, however, that in periods when it's a sellers' market, with supply shortages and high prices, the international buyers have less leverage on building transparency and sustainability with suppliers and middlemen.

## Deviations from the program strategy 2020

Reaching the target of 100% sustainable sourcing in 2020 will be challenging for SIFAV partners. The new companies that joined lowered the total average of sustainably sourced products. Moreover, the shift in the German market towards a standard that does not meet the SIFAV requirements has also indirectly contributed to a lower aggregated percentage.

In India, chili farmers have had a relatively poor season due to incidences of disease and uncooperative weather, with many farmers losing their crops. In Ethiopia, recent riots and conflicts have badly affected program projects as well (including damage to project infrastructure and inputs). Shortages and speculation created an unprecedented price increase in vanilla, resulting in lower appetite of collectors and middlemen to work on sustainability and quality issues with their buyers.

Company interest in SIFAV Processed was below expectations in 2016. However, it stimulated juice companies to bring their discussions further to set up a Sustainable Juice Initiative.

Successful additional funding was achieved in a submission, together with ILO, to the US Department of Labor to help eliminate child labor from the vanilla supply chain in Madagascar.

## Risk Assessment

Risk	Mitigating action undertaken
Reputational risks for F&I program caused by partners engaging in unacceptable practices.	Conduct due diligence with partners before signing a covenant and/or peer approval by category covenant members. Always have a covenant partner as a project partner. SSI and SVI have included OECD criteria compliance for members.
Insufficient private contribution for projects, especially from retailers, and possible underspending of the agreed budget.	Thorough project design to assure commitment and value; identify projects based on need and demand of the retail side.
Highly volatile market and exchange risks can significantly influence the willingness of actors along the supply chain to work on the sustainability of specific commodities.	Follow developments closely, and define longer term agreements with our partners.
Protection of farmers against theft of crop could lead to the misuse of power at law enforcement locally in Madagascar.	Create awareness among partners and local government of this particular risk.
Conflict of interest between private partners could undermine our convening power.	Engage with all players to identify common sustainability issues. Encourage partners to see sustainability as business opportunity.
High governmental involvement in some of our programs (e.g. Madagascar, Vietnam and India), entails risk of changing policies.	Try getting agreement and commitment by the governments, choosing right partners, and understanding national politics.
Turnover of key sustainability staff/change of ownership (small and large) in the corporate world is high and can influence sustainability policies of those companies.	Keep close contact and increase amount of retailers and brands to reduce dependence on a few of them.
Crop disease outbreaks, closed borders, conflicts or draughts can negatively affect field projects.	Closely monitor project implementation, and terminate projects in close consultation with partners when necessary.

# KPI Table Fresh & ingredients

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Target 2016	Results 2016	
Result area 1 – Change in business practices						
1	Private sector (sustainability) investments in the program	€6.4 million (situation up to 2015)	Ratio of 1:1.5	€3.6 million	€5,687,391	
		Ratio of 1:0.9			Ratio of 1:2.5	
2	Business cases developed to show the potential of sustainable practices	0	12	NA	3	
3	Sustainability embedded at corporate level	See narrative on the next page				
4	Uptake rate of sustainable production by program partners (percentage of sustainable procurement out of total procurement by program partners)	Not yet available	25% increase	5% increase	16% decrease for SIFAV Fresh, even though total sustainable volumes increased 5%. Increase of 295% for traceable volumes for SNI.	
Result area 2 – Improved sector governance						
5	Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions	See narrative on the next page				
6	Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program	See narrative on the next page				
Result area 3 – Improved field-level sustainability						
7	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	0	100,000	15,000 farmers 7,000 workers	50,836 total 17,067 farmers 4,304 workers	1,157 women 422 women No male/ female distinction available
					28,456 farmers/workers specifically trained in RAM <sup>1</sup>	
					1,615 local trainers trained to provide training to workers and farmers	
8	Adoption rate by producers/workers of improved practices (percentage of target producers and/or workers that adopted the new practices)	0%	60%	0%	66%	
9	Area where trained practices are applied either on farmland or in protection area (hectares)	0	30,000	NA	47,077	

<sup>1</sup> Responsible agrochemical management

### KPI 3. Sustainability embedded at corporate level

- **Baseline:** NA
- **Target 2020:** Until 2020, the fresh & ingredients program will work to further embed sustainability at corporate level in the companies the program works with. Participating companies will commit to in and sign at least one covenant of the fresh & ingredients program. The private companies commit themselves to map their supply chains and monitor their volumes by using the measurement methodology as agreed in the covenant. To reach the targets set by the different sector platforms, the companies will need to establish specific internal policies, and dedicate resources to perform the monitoring and support their suppliers accordingly.
- **Target 2016:** NA
- **Results 2016:** Four new private companies joined SIFAV in 2016, committing to map their supply chains and monitor their volumes by using the measurement methodology as agreed in the covenant. To reach the targets set by SIFAV, the companies need to establish specific internal policies, and dedicate resources to perform the monitoring and support the suppliers to get audited/certified. The total number of private companies that joined SIFAV is 40. Two new private companies joined FSI, bringing the number of members to 34, also committing to map their supply chains and monitor their volumes in a similar way to the SIFAV members. All companies participating in SNI have put targets on the volumes they want to source traceably and directly from farmers trained in the projects. Two additional members joined SSI, which is finalizing new covenant goals such as measurement of sustainable sourcing targets. SVI has taken the decision to gradually implement traceable sourcing and is in the process of establishing targets and timelines.

### KPI 5. Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders are represented and committed to the multi-stakeholder processes associated with the fresh & ingredients program.
- **Target 2016:** NA
- **Results 2016:** In mid-2016, a consortium of KPMG and Wageningen University responsible for reporting on IDH's impact in the period 2016-2020, conducted a sector survey among IDH partners. The results of this survey are used for the baseline impact report, but also for this indicator on the representation in and commitment to multi-stakeholder processes or coalitions. On average, the partners of the fresh & ingredients program who participated in the sector survey

rated the indicator 8.5 out of 10 (n=21). New members joined the F&I platforms (SSI, SNI, SIFAV Fresh and FSI). Moreover, FSI worked with the Dutch government to develop a sector agreement on Responsible Business Conduct (IMVO). The efforts resulted in the Dutch government being prepared to endorse the FSI's ambition towards responsible practices.

### KPI 6. Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders that are members of the multi-stakeholder processes associated with the fresh & ingredients program are satisfied with the effectiveness of these processes.
- **Target 2016:** NA
- **Results 2016:** The impact evaluator also assessed the satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program. On average, the partners of the fresh & ingredients program who participated in the sector survey rated the indicator 8.5 out of 10 (n=21).

## Comments

- **KPI 1:** The private sector contribution results 2016 include (one-off) 2015 partner contributions that were only reported to IDH after year end close.
- **KPI 2:** The Marafarming, ITC and Cassia COOP studies analyzed the smallholder business case in participating in global supply chains. The first two reached positive conclusions in terms of business cases for both smallholders and companies working with them, while the third one was instrumental in showing that the ROI for farmers certifying their cassia production is negative in the long term – requiring additional incentives (beyond premiums) to ensure long-term profitability.
- **KPI 3:** No baseline value is expected for this indicator as it provides an annual assessment of the current situation of sustainability embedded at corporate level in companies the program works with, in terms of elements the program teams defined in the annual plan phase. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 4:** The aggregated percentage of sustainable produce sourced by the SIFAV Fresh members in 2015 dropped to 50%. In 2014, it registered 66%, thus marking a decrease of 16%. Despite the drop in the aggregated percentage, the total sustainable volumes sourced by members increased by 5%, reaching 1,235,300 metric tons. Similarly, traceable volumes



sourced by SNI participants increased from 5,078 metric tons in 2015 to 15,000 metric tons in 2016, an increase of 295%. In flowers, the baseline will be 2016 data, which will be measured in 2017.

- **KPI 5:** No baseline value for this indicator is expected as it provides an annual assessment of the representation and commitment of sector stakeholders in the multi-stakeholder processes and coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 6:** No baseline value for this indicator is expected as it provides an annual assessment of the satisfaction about the effectiveness of the multi-stakeholder processes or coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 7:** Not all projects have segregated data available for farmers/workers or male/female. The large majority doesn't distinguish between them. Therefore, the overall numbers reported are higher than the sum of farmers and workers, or male and female. The target

of training 15,000 farmers was surpassed, even if only the segregated farmers are considered. Therefore, it is likely that more farmers were trained on the ground.

- **KPI 8:** The total percentage comes from several fruit and vegetables and spices projects, which registered different values. The percentage is weighted based on number of farmers in the project. Not all projects were able to measure this indicator since they only recently started. The formula used to calculate the totals is:  $[\# \text{ farmers (p.1)} * \text{adopt rate (p.1)} + \# \text{ farmers (p.x)} * \text{adopt rate (p.x)}] / \# \text{ total farmers (tot p)}$ . The 2020 target has already been achieved because the 2016 result includes projects that started before the new 2016-2020 strategy phase.
- **KPI 9:** This area only comes from several fruit and vegetables (12,996 hectares) and spices (34,081 hectares). For nuts, we work with the number of farmers because the number of hectares is often unknown, unreliable, or misleading. The total area would therefore be substantially larger but difficult to quantify. In formulating the 2020 target, we were conservative in terms of hectares. Especially with Spices and Grapes in India we were able to contract larger projects, which are now in the initial phase and will continue for the coming years.



# Apparel

## Impact focus



Living wage and improved working conditions



Gender equality and empowerment

The aim of IDH's apparel program is to create an apparel and footwear sector that is safer, cleaner, and fairer through three sets of interventions:

1. A collaborative program with wide industry support to collectively address occupational health and safety (OHS) and building safety risks in multiple countries in a harmonized way;
2. Mill programs that reduce the environmental harm of textile production, especially focused on water and waste water reduction, active in China (to be concluded in 2017) and Vietnam (ongoing), in scoping phase in Pakistan;
3. A program focused on worker management dialogue and productivity in Vietnam.

In addition, IDH is supporting the enabling environment for large-scale change by working on:

- Public-private platforms and dialogue to foster supportive policies and public support for sustainable business practices;
- Creating and supporting financial mechanisms to incentivize investment in sustainability improvements.



### Main sustainability issues targeted

- Working conditions
- Health and safety of workers
- Environmental performance on energy use
- Water waste

### Private partners

**In Race to the Top Vietnam:** Nike, Gap Inc., Levi Strauss & Co., Marks & Spencer, PUMA, SAITEX, and Walmart.

**In the Pakistan Buyers' Forum:** 24 buyers, including H&M, Li & Fung, IKEA, INDITEX, and JC Penney.

**In the SME project:** 27 SMEs, including NOA NOA, Kaffe, Kabooki/LEGO-

wear, Jackpot, Mammut, Expresso, Vlisco, Schijvens, Miss Green, and C&A Foundation.

### Public partners

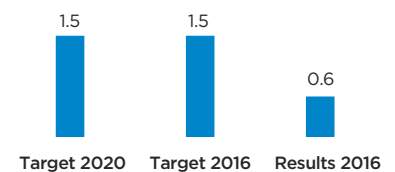
Governments of Denmark, the Netherlands, Pakistan and Vietnam, and USAID

### Other partners

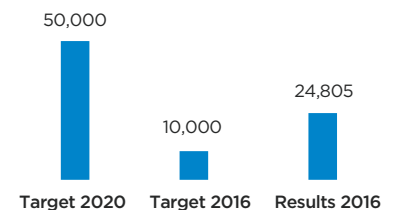
Sustainable Apparel Coalition (SAC), Global Green Growth Forum (3GF), IFC, Better Work, ILO, Just Solutions Network, Danish Fashion Institute, Reset Carbon, Social Responsible Operations, Impactt Ltd., Natural Resource Defense Council (NRDC), Vitas, Lefaso, Vcosa, Vinatex, UNIDO

## KPI Progress 2016

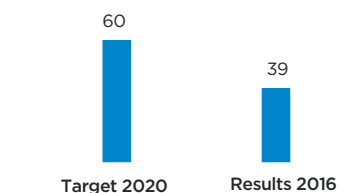
IDH-private sector (sustainability) investments ratio



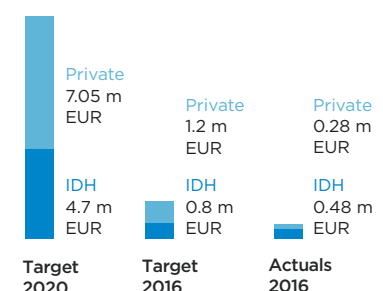
Number of producers/workers/community members trained



Number of facilities with sustainable production practices and social standards applied



## Financial Progress 2016



To overcome these issues, the IDH-led Sustainable Coffee Program (SCP) targets mainstream impact for coffee farming by scaling up to a more systemic approach to sustainable coffee production. The SCP has stretched the pre-competitive collaboration in the sector by convening front-running roasters, trade and NGOs in a committed sector platform (representing 30% of global coffee demand) in and around the coffee supply chains.

In 2016, the SCP transitioned into the Global Coffee Platform (GCP). The GCP was launched in early 2016 and the first membership assembly took place on October 5, 2016. The GCP includes the platform function of the old 4C Association (the standardization and verification system now exists in a new organization called the CAS) and the activities of the SCP (the pre-competitive part of the IDH coffee program). For IDH's coffee program, this means that its pre-competitive activities will be carried forward by the GCP secretariat in partnership with the IDH coffee program.

In addition, we are also scoping a new program in East Africa focused on increasing smallholder resilience through income diversification and farming as a business. This will contribute to achieving our first impact claim: improving livelihoods of 40,000 farmers in East Africa.

#### Relevant Sustainable Development Goals for Apparel



## Key activities, results and role of IDH

### IMPACT CLAIM 1

**Encourage seven brands to increase sourcing from more sustainable suppliers by 2020, by embedding awareness of key issues in the day-to-day business of apparel companies.**

#### Planned activity I

Gain commitments from buyers and stakeholders around "Race to the Top" improvement initiatives and investments in Vietnam, and Buyers' Forum work stream agenda in Pakistan.

#### Achievement

Attracted significant co-investment from buying community in initiatives in Vietnam; identified first scoping partners for the PaCT program in Pakistan.

#### Role of IDH

Leading and organizing all Race to the Top initiatives in Vietnam, supporting the developments of the Pakistan Buyers' Forum.

#### Deviation

Shifting from the locally developed nascent pilot projects in Pakistan to rolling out pre-existing international programs for bigger impact in the longer term.

#### Planned activity II

Design and pilot financial investment (support) vehicles in Vietnam and Pakistan.

#### Achievement

Currently developing a large guarantee fund with the first anchor investor confirmed to help catalyze sustainable investment.

#### Role of IDH

Developing the Apparel Acceleration fund as part of Fashion for Good, a larger collaboration with brands, brand foundations and other sector stakeholders to move the industry towards better fashion production.

### Planned activity III

Identify and develop an adequate pool of key service providers to carry/drive improvements in Vietnam and Pakistan.

#### Achievement

Identified and trained service providers for the initiatives in Vietnam. One master trainer training two Vietnamese organizations on worker dialogue, and one master trainer training one Vietnamese organization on cleaner production and Higg Index usage. Identified first experts for services in Pakistan and for services on Zero Discharge of Hazardous Chemicals in Vietnam.

#### Role of IDH

Leading and organizing the identification and training of the experts for the services that have been designed with key program stakeholders.

### IMPACT CLAIM 2

**Reduce the occurrence of illegal social and environmental practices relevant to the sector, by improving public-private country/sector governance support tools for the enforcement of (or investment in) legal requirements.**

### Planned activity I

Set up PPP in Vietnam and identify road to PPP in Pakistan; help drive efforts on public policy and local enforcement through supporting the Buyers' Forum.

#### Achievement

PPP in Vietnam formally signed by Ministry of Industry and Trade, Ministry of Labor, Invalids & Social Affairs, and the Ministry of Natural Resources and the Environment. PPP dialogue formally approved by Ministry of Commerce in Pakistan; policy dialogue to take place in the first Buyers' Forum meeting in 2017.

#### Role of IDH

Undertaking and organizing the creation of the PPP in Vietnam, and supporting the creation of the PPP in Pakistan.

### Key achievement on change in business practices

Multiple brands (6 in 2016) committed to work with IDH on the creation and adoption of a common framework and harmonized reference standard and assessment protocol for building safety, related to structural, electrical, and fire safety.

### Planned activity II

Design and implement harmonized standards pilot in Vietnam.

#### Achievement

Executed improvement programs with metrics recognized by multiple brands. Scoped a harmonized reference standard for building safety.

#### Role of IDH

Leading the creation and use of harmonized tools for both the Race to the Top and OHS programs.

#### Deviation

Developing the standards in a more regional approach (especially for building safety, including Vietnam) to enhance the impact at larger scale.

### Planned activity III

Set up Sustainability Investment Project Counter and facility in Vietnam and Pakistan.

#### Achievement

Co-invested in social and environmental programs in Vietnam; supported pilots and development of program in Pakistan.

#### Role of IDH

Leading the creation and co-financing of activities in Vietnam; supporting initiatives in Pakistan with best practices and contacts; preparing for a larger scale program that will make use of sustainable investment.

### Deviation

Pivoting the approach in Pakistan from locally developed pilot projects to larger international ones. This meant that the co-investment in Pakistan was not used in 2016, as it is earmarked for supporting the creation of a PaCT-like program.

### IMPACT CLAIM 3

- **60,000 workers to benefit from improved working conditions, related to: wages, OHS conditions, social dialogue and/or less overtime by 2020.**
- **Improve the application of OHS practices, and reduce OHS incidents, at 60 suppliers by 2020.**
- **60 suppliers to participate in two PPP activities by 2020.**

### Planned activity I

Develop model mill/factory in Vietnam.

### Achievement

Conducted first pilot projects to improve factory and mill performance, in seven factories and four mills at first, as well as initiating collaboration between the Vietnamese government, UNIDO, and private sector for the creation of Eco-Industrial Parks (as a model for industrial development).

### Role of IDH

Leading pilot projects and facilitating and supporting public and private partner engagement in creation of Eco-Industrial Parks.

### Key achievement on improved sector governance

Through undertaking and organizing the creation of the public-private partnership (PPP) in Vietnam, and supporting the creation of the PPP in Pakistan, the PPP in Vietnam was formally signed by the Ministry of Industry and Trade, Ministry of Labor, Invalids & Social Affairs, and the Ministry of Natural Resources and the Environment, as well as sector associations and the Race to the Top Steering Group members, committing to jointly work on scaling up the Race to the Top program and discussing policies and incentives. The PPP dialogue in Pakistan was formally supported by the Ministry of Commerce.

### Planned activity II

Co-invest in improvement interventions/programs.

### Achievement

- Co-invested in Vietnam, contributed to Buyers' Forum in Pakistan, and set up financing for India and Cambodia longer term. Wrapped up funding for cleaner production improvement program in China.
- Currently engaged 13 factories for worker management dialogue; in seven the work has started, reaching over 12,000 workers in the first piloting stage. In total, more than 38 facilities engaged and supported in environmental and social capacity building in China and Vietnam, and preparing for Pakistan intervention and OHS interventions.

### Role of IDH


Co-investing to pilot innovative approaches and create impetus to scale up.

### Deviations

Scaling of the program slightly slower than expected (12,000 instead of 15,000). This is in part because of complications of onboarding factories in an entirely new program, and in part because most of the facilities are on average smaller than usual.

## Link to IDH impact themes

**Living wage and improved working conditions:** IDH is supporting:

- Social and Labor Convergence project, which is engaging multiple organizations in moving towards and accepting a single standard for social compliance. This will create a stronger push for, and greater ease of adoption of, socially sustainable practices.
- 
- Race to the Top Vietnam, for which IDH is:
    - Working with brands and retailers to engage factory workers and management in capacity building efforts with social dialogue and supervisor sensitivity training experts (Better Work/ILO, Just Solutions Network, SROps);
    - Engaging the Ministry of Labor (MOLISA) in policy discussions on dialogue;
  - Fostering worker management dialogue and productivity in collaboration with industry and public partners, which empowers workers and creates worker panels that aim to continuously improve working conditions inside factories, and creates a better national framework for worker management dialogue.

In addition, IDH is developing a collaborative program with wide industry support to collectively address occupational health and safety (OHS) and building safety risks in multiple countries in a harmonized way.



In 2016, the **gender equality and empowerment** strategy for addressing gender related issues was under design. It will be discussed in the next report.

### Lessons Learned

- Front-running brands are showing an interest in working on OHS issues, which is reflected by engagement with local stakeholders as well. Structural, fire, and electrical safety are key issues to engage with on a regional scale (outside of Bangladesh where capacity building is underway).
- The Small- and Medium-sized Enterprise (SME) pilot that supports SMEs to comply with the SAC Higg index shows strong interest from SMEs in collaborating with overarching industry platforms. However, they are sometimes challenged by their limited CSR teams' bandwidth, which underlines
- In Pakistan, it is important to move from nascent pilot projects to leveraging currently existing industry best practices to ensure brand HQ buy-in and maximum impact in the longer term.

### Deviations from the program strategy 2020

There were no real deviations. We are focusing on the environmental impact of water consumption and untreated waste water, as well as piloting a new project in Vietnam to initiate, deepen and embed worker management dialogue in the sector. One change is the intensified focus on OHS issues, related to structural, fire and electrical safety, which is now getting more attention. However, this still fits with the original 2020 targets



## Risk Assessment

Risk	Mitigating action undertaken
Private-sector CSR resources used up by fixing day-to-day issues and compliance problems.	Align closely with key agendas of the private sector (look at scalability of impact programs, local public policy engagement, creation of the enabling environment in parallel with impact programs, and intensified focus on OHS).
If no trust between buyers, suppliers and other system actors can be created on cost-benefit sharing, initiatives will not scale.	The first steps here have been taken, kicking off collaborative programs with brands and suppliers as well as other supply chain actors. The scaling should come from proving the benefit. It is important to create very clear reports and visuals on the mutual benefit of impact programs, to underline the gains made and engage additional partners.
Lack of private-sector investment that is on par with private-sector ambitions for scaling up the programs.	Deepen relationships with key decision makers within buying companies to align with strategic agendas, and clearly communicate necessary commitments upfront with long-term planning where possible.
Lack of ownership from the public sector in Race to the Top countries.	Deepen relationships with public sector and brands where possible, e.g. by signing the cooperation agreement in Vietnam and hosting the secretary of the Ministry of Commerce in Pakistan during a Buyers' Forum meeting.

# KPI Table Apparel

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Target 2016	Results 2016	
Result area 1 – Change in business practices						
1	Private sector (sustainability) investments in the program	€0.8 million (situation up to 2015)	Ratio of 1:1.5	€600,000	€279,260	
		Ratio of 1:1			1:0.6	
2	Business cases developed to show the potential of sustainable practices	0	10	NA	2	
3	Sustainability embedded at corporate level	See narrative on the next page				
Result area 2 – Improved sector governance						
4	Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions	See narrative on the next page				
5	Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program	See narrative on the next page				
6	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0	4	0	0	
		See narrative on the next page				
Result area 3 – Improved field-level sustainability						
7	Number of producers/workers reached by service delivery	0	60,000	15,000	12,000 total	2,500 men
						9,500 women
					195 directly	180 workers
					15 engineers	
8	Number of trainers, auditors and/or other government staff trained in the program	0	100	0	18 total	16 men
						2 women
9	Adoption rate by producers/workers of improved practices (percentage of target producers and/or workers that adopted the new practices)	0%	100%	0%	China: 50-60% Vietnam environmental program: 15% Vietnam social program: TBD	
10	Number of facilities with sustainable production practices and social standards applied	0	60	NA	39	

### KPI 3. Sustainability embedded at corporate level

- **Baseline:** NA
- **Target 2020:** Until 2020, the apparel program will work to further embed sustainability at corporate level in the companies the program works with. The focus is on the following issues:
  - Working conditions;
  - Occupational health and safety (OHS);
  - Chemicals;
  - Energy usage.
- **Target 2016:** NA
- **Results 2016:** Multiple brands (six in 2016) committed to work with IDH on the creation and adoption of a common framework and harmonized reference standard and assessment protocol for building safety, related to structural, electrical, and fire safety.

### KPI 4. Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders are represented and committed to the multi-stakeholder processes associated with the apparel program.
- **Target 2016:** NA
- **Results 2016:** Good representation from private and public sector and international organizations. Working with three ministries and three local associations in Vietnam as well as Better Work, the SAC, IFC and 3GF. Working with the EKN, ILO, IFC and two ministries in Pakistan. Working with one NGO and the IFC in China. In all programs, many international brands and retailers are involved. Currently working on informing policy and engaging governments on better sustainability policies. In Vietnam, focusing on waste water and renewable energy as well as making worker engagement experts available to the sector. Supported the uptake of a new renewable energy package in Vietnam, which has been passed by the Prime Minister in mid-April 2017.

### KPI 5. Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders that are members of the multi-stakeholder processes associated with the apparel program are satisfied with the effectiveness of these processes.
- **Target 2016:** NA
- **Results 2016:** The impact evaluator assessed satisfaction about the effectiveness of multi-stakeholder

processes or coalitions associated with the program. On average, the partners of the apparel program who participated in the sector survey rated the indicator 8.3 out of 10 (n=8).

### KPI 6. Changes in policies and regulatory environment in line with increased sustainability and management of natural resources

- **Baseline:** See KPI table.
- **Target 2020:** Expected policy changes target improving inspections, better regulatory frameworks for environmental protection, trade and tax policy rewarding sustainable business practices (versus disadvantages for polluting business practices), and enabling better working conditions.
- **Target 2016:** Starting with 10 suppliers in two countries, improve processes on environmental/Higg score and ILO norms.
- **Results 2016:** The priority for 2016 was solidifying the platforms for public policy engagement, which has been done.

## Comments

- **KPI 1:** The private sector ratio is lower than targeted as the private sector contribution of the Race to the Top is excluded.
- **KPI 2:** The result for 2016 includes mill optimization, and productivity and engagement programs.
- **KPI 3:** No baseline value is expected for this indicator as it provides an annual assessment of the current situation of sustainability embedded at corporate level in companies the program works with, in terms of elements the program teams defined in the annual plan phase. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 4:** No baseline value for this indicator is expected as it provides an annual assessment of the representation and commitment of sector stakeholders in the multi-stakeholder processes and coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 5:** No baseline value for this indicator is expected as it provides an annual assessment of the satisfaction about the effectiveness of the multi-stakeholder processes or coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 7:** Approximately 180 workers were trained and engaged in election processes for the eight factories engaged in social sustainability programs in Vietnam,

representing approx. 12,000 workers that will benefit from increased worker management dialogue. 15 engineers were trained on better environmental practices in Vietnam. Training of professionals in China was done in previous years. For the total amount of workers reached, we are counting only the workers who are serviced by the social improvement programs. However, through the service provision for environmental improvements in China and Vietnam, an additional approx. 17,000 workers have been reached by the program. These people are gaining experience in working in upgraded mills with better environmental practices.

- **KPI 8:** The target for 2016 was to engage the Vietnamese and Pakistani governments in dialogue on capacity building, initiating support for public enforcement. In 2016, 15 engineers were trained to improve technical knowledge in a technical training program, which focused on energy, air compressor, cooling system management and waste water treatment practices. Three experts were trained on dialogue and social sustainability.

- **KPI 9:** Adoption rates differ greatly across programs. For China it is around 50-60%. For Vietnam's social programs, it is 100% so far, but it is still too early to tell if it will truly be embedded in the factories. For the factories enrolled in environmental capacity building in Vietnam, it is around 15%. We are working on further embedding the findings over 2017-2020.
- **KPI 10:** This KPI's description for apparel has been changed from "number of processing facilities with sustainable production practices and social standards applied" to "number of facilities with sustainable production practices and social standards applied" to better reflect the program's work. In 2016, there were five facilities with sustainable environmental production practices in Vietnam, eight facilities with sustainable productivity and worker engagement practices in Vietnam, and 26 mills in China.



# Tropical Timber

## Impact focus



Mitigation of deforestation

Tropical forests continue to disappear and degrade at an alarming rate. The timber program aims to contribute to a reduction in deforestation, and works via a two-tier approach: on the one hand, by increasing sustainable (including legal) supply of tropical timber; and on the other hand, by increasing demand for sustainable tropical timber through the Sustainable Tropical Timber Coalition (STTC).



### Main sustainability issues targeted

Deforestation and forest degradation

### Private partners

Danzer, Wijma, Rougier, numerous other concession holders and approximately 25 companies in Europe (including Kingfisher, IKEA and Tetrapak), European Timber Trade Federation, and Danish, French, Spanish and German timber trade federation

### Public partners

Dutch government, numerous local authorities in Europe, including the municipalities of Amsterdam, Madrid, Berlin, Beijing and Barcelona

### Other partners

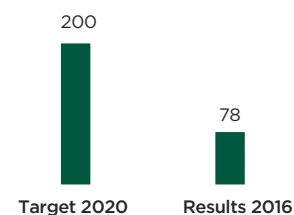
WWF, FSC, PEFC, ICLEI, Copade, GIZ, Atibt, European Forest Institute, Stichting Probos, and national FSC offices in various European countries

## KPI Progress 2016

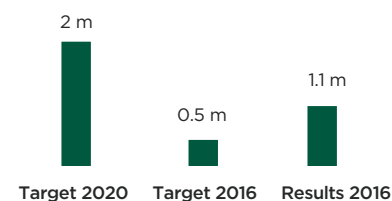
IDH-private sector (sustainability) investments ratio



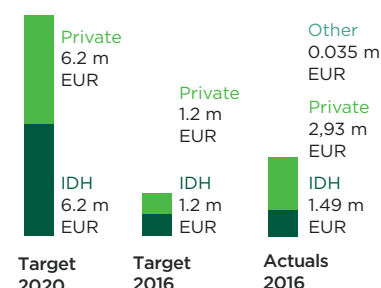
Number of producers/workers/community members trained



Number of producers/workers reached by service delivery



## Financial Progress 2016



Due to the competing business cases for land use for other commodities, certification and sustainable forest management alone will not stop deforestation. IDH's landscapes work contributes to green-growth land-use planning, on the premise that by working on land-use planning with multiple stakeholders in a certain region or landscape, the business case for sustainable forest management is strengthened and more can be achieved. To strengthen this business case, solid demand for sustainable tropical timber is also needed. By helping companies, municipalities and trade federations to implement sustainable tropical timber sourcing policies, IDH aims for European demand to increase and push for sustainable production in the producing regions.

#### Relevant Sustainable Development Goals for Tropical Timber



## Key activities, results and role of IDH

### IMPACT CLAIM 1

**European demand for sustainable tropical timber to reach to 50% by the end of 2020.**

### Planned activity I

Fund the European Timber Trade Federation (ETTF) to increase the number of participants in the Sustainable Tropical Timber Coalition (STTC), including trade federations, and develop action plans with them to increase demand for sustainable tropical timber (STT) in Europe.

### Achievement

Policy plans with specific targets for promoting procurement of sustainable tropical timber were developed and signed with four trade federations, namely Denmark, Germany, Spain and France. In addition, seven action plans were signed for promotion of STT, with World Timber Products, Wale, Latham, AITIM, Biomaderas, Asoma, Copade and FSC Denmark and its partners. Lastly, three more action plans were signed with municipalities in Beijing, Berlin and Madrid.

### Role of IDH

Co-funding and co-development of policy plans, action plans and strategy of the STTC.

### Deviation

- Action plans have been developed with four of the five targeted trade federations. ETTF experienced difficulty in supporting the development of policies on STT with the federations; much more support was required in this process than anticipated.
- The STTC tasks had been divided into private and public sectors. The strategy for the public sector was for ICLEI to engage the municipalities or local governments. However, little progress was made in mobilizing municipal governments, so the decision was made in 2016 to no longer focus on the public element of the STTC.
- Lastly, by the end of 2016, ETTF indicated that it preferred to discontinue its role as an implementing partner for the STTC, due to lack of administrative capacity. The decision was made to hand the contract management responsibility back to IDH.



## Key achievement on change in business practices

Through co-funding and co-development of action plans through the Sustainable Tropical Timber Coalition (STTC), seven new projects were signed for the promotion of STT with World Timber Products, Wale, Latham, AITIM, Biomaderas, Asoma, Copade and FSC Denmark and its partners, increasing the commitment of the private sector to the STTC.

### Planned activity II

**Support projects that will solve key issues preventing STT from entering the European market.**

#### Achievement

- In 2016, the results of the Life Cycle Assessments on materials for pile planking and window sills became public. The advantages of using tropical timber for these applications is now 100% clear, making it easier for the sector to promote timber.
- A project with ATIBT was contracted, in which a common catalog for tropical timber species will be created, accessible to all European timber federations and their members. The catalog will contain essential information on traits per specie, including lesser known timber species, and their sustainability aspects.
- The Value and Impact Analysis (VIA) initiative with ISEAL prepared communication for companies on the added value of sourcing certified timber. The companies need well supported evidence in order to communicate with confidence regarding the social and environmental benefits of certification.
- Part of a project with Boogaerdt, a Dutch timber exporter, includes verifying the sustainability of teak from Myanmar. After recent news from [Denmark](#), ensuring legality from Myanmar is essential.

#### Role of IDH

Co-funding both projects and distributing the results through the STTC.

#### Deviation

In the VIA project, scientists took the lead on preparing claims and statements, after which the com-

munication department intended to work on these statements. The difference between the scientific statements and communication-ready claims proved to be larger and more time consuming than expected, so the project has been extended for half a year.

### Planned activity III

**Facilitate European STTC working groups on public procurement to support an increasing public demand for STT.**

#### Achievement

The annual STTC conference was held on sustainable public procurement and was co-funded by the Dutch Ministry of Infrastructure & Environment (a member of the working group on public procurement). It was a success, as a large group of stakeholders from various European countries attended.

#### Role of IDH

Co-funding the organization of the conference and actively supporting the development of the agenda.

#### Deviation

The strategy for the public procurement working group changed quickly after its establishment. It was decided that to generate the most impact, the working group should be linked to the STTC conference in June 2016.

### IMPACT CLAIM 2

**Economically viable and sustainably managed forests within ISLA or VPA frameworks in Peru, Liberia, Indonesia (Kalimantan), Brazil (Mato Grosso), the Republic of Congo, Vietnam and Kenya, through effective public-private platforms and dialogue.**

### Planned activity I

**Develop detailed regional/ country strategies and work plans for Brazil, Indonesia, Liberia, Vietnam, Peru, Republic of Congo and Kenya in building on ISLA landscape strategies and VPA processes where possible.**

### Achievement

Possible collaborations with the VPA processes in Africa, and with the European Forestry Institute (EFI) were explored. In Liberia, a collaboration on promoting sustainable forest management is emerging, and a project with community forestry is being scoped.

### Deviation

Kenya was scoped, but was concluded to have no added value. Côte d'Ivoire has been added instead, but the company involved in this process needs more time. Interventions in the landscapes in Brazil and Indonesia are still under scoping, because landscape programs take time to develop before the timber program can be added. The June 2016 steering committee visit of to the Republic of Congo formalized the scoping efforts there, but a mismatch between private-sector initiatives and IDH's strategy resulted in this process being stopped.

### Key achievement on improved sector governance

Through co-funding and co-development of policy plans, IDH contributed to the signing of policy plans with specific targets for promoting procurement of sustainable tropical timber by four trade federations, namely Denmark, Germany, Spain and France. In addition, three projects for the promotion of STT were signed with the municipalities of Beijing, Berlin and Madrid.

### IMPACT CLAIM 3

**Prevent deforestation by sustainable forest management.**

### Planned activity I

**Identify strategic locations for certification+ packages.**

### Achievement

- When the accreditation of PAFC certification in Gabon is finished, three companies will certify: Precious Woods, Rougier and CBG.
- In 2016, the certification programs in Peru, Indonesia and Suriname were finalized. All three programs achieved their certification targets – achieving 384,310 hectares in Peru, 2.25 million hectares in Indonesia and 428,954 hectares in Suriname in prevented deforestation. The program in Peru supported the stabilization of the total amount of 1 million certified hectares in the country. The closing event of Indonesia (The Borneo Initiative, TBI) was very well attended. TBI will continue without IDH funding. Guyana was extended; however, Iwokrama was certified in 2016, achieving 371,680 hectares.

### Deviation

Engaging ATIBT to convene the companies for the PAFC certification, and co-funding.

## Link to IDH impact themes

**Mitigation of deforestation:** Through the STTC and the ETTF, the program has mobilized new energy and commitments for procurement of sustainable tropical timber in a number of key European markets. This is expected to lead to increased and strengthened market demand for sustainable tropical timber, improving the business case for sustainable forest management (SFM), and

thereby reducing forest degradation and deforestation (putting less pressure on forests for conversion to other land uses).



### Lessons Learned

- In the landscapes where IDH is supporting sustainable land use and land-use planning, illegal deforestation mainly takes place to supply local or regional markets. The potential of bringing such forests under SFM arrangements for export-quality sustainable tropical timber is limited. Local and regional demand for sustainable timber will need to be strengthened for stronger impact of SFM on deforestation and forest degradation.
- It is essential to ensure all parties have the same expectations and understanding of how to manage and implement a program.
- The timber sector is mostly made up of small- and medium-sized enterprises. Supporting European demand for sustainable tropical timber therefore means working with many smaller organizations (compared to the type of partners IDH works with in other deforestation commodity sectors, e.g. palm oil, soy and cocoa).

### Deviations from the program strategy 2020

As the European Timber Trade Federation will no longer be the implementing partner for the STTC, this gave us the opportunity to review our strategy of promoting sustainable tropical timber procurement in Europe. With the current energy surrounding the expansion of the Amsterdam Declaration to other deforestation commodities, including timber, the mobilization of a European covenant on tropical timber and pulp & paper will be explored in 2017. Based on a paper including the latest numbers on (sustainable) tropical timber and pulp & paper in Europe, IDH will convene European governments followed by the private sector. The STTC annual conference and currently contracted projects will continue, but no new projects will be added to the STTC. The remaining funds will be put on hold, to be used when the next steps after the Amsterdam Declaration have been determined.

## Risk Assessment

Risk	Mitigating action undertaken
Demand does not pick up due to negative image.	Demand has picked up due to better economic situation. Negative image of tropical timber is still an issue, however.
Disagreement on the definition, or different standards, of sustainable timber.	Dialogue in 2016 was very much focused on the Intact Forest Landscape discussion at FSC, and companies were preparing alternative strategies (such as double certification).
Prototype projects on sustainable forest management cannot start without other activities in the ISLA program.	Not yet a problem for 2016, so no mitigating actions were taken.

# KPI Table Tropical Timber

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Target 2016	Results 2016
Result area 1 – Change in business practices					
1	Private sector (sustainability) investments in the pro-gram	€9.1 million (situation up to 2015)	Ratio of 1:1	€400,000	€2,927,908
		Ratio of 0:0.8		Ratio of 1:1.5	Ratio of 1:2.0
2	Sustainability embedded at corporate level	See narrative below			
3	Uptake rate of sustainable production by program part-ners (percentage of sustainable procurement out of total procurement by program partners)	35%	90%	60%	35%
Result area 2 – Improved sector governance					
4	Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions	See narrative below			
5	Satisfaction about the effectiveness of multi-stakehold-er processes or coalitions associated with the program	See narrative below			
6	Application of voluntary standards on sustainable com-modity (number of voluntary, national or international, standards, and narrative)	0	To be defined	NA	2
		See narrative below			
Result area 3 – Improved field-level sustainability					
7	Number of producers/workers/community members trained on key subjects for sustainable production, en-vironmental and social issues	0	200	NA	78
8	Volume of sustainably produced timber	0	10% in-crease	0	0
9	Adoption rate by producers/workers of improved prac-tices (percentage of target producers and/or workers who adopted the new practices)	0	100%	100%	100%
10	Area where trained practices are applied either on farm-land or in protection area (hectares)	0	2 million	500,000	1,099,088

## KPI 2. Sustainability embedded at corporate level

- **Baseline:** NA
- **Target 2020:** Until 2020, the timber program will work to further embed sustainability at corporate level in the companies the program works with. The focus is on sourcing of sustainable tropical timber.
- **Target 2016:** NA

- **Results 2016:** Through IDH support, the company WALE is working on marketing one specific lesser-known timber species from Gabon, called Gombe. Lesser known timber species (LKTS) is important, as exploring other species of timber adds value to sustainably managed concessions, therefore improving the business case.

#### KPI 4. Representation and commitment of key stakeholders in multi-stakeholder processes or coalitions

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders are represented and committed to the multi-stakeholder processes associated with the timber program.
- **Target 2016:** NA
- **Results 2016:** In mid-2016, a consortium of KPMG and Wageningen University responsible for reporting on IDH's impact in the period 2016-2020, conducted a sector survey among IDH partners. The results of this survey are used for the baseline impact report, but also for this indicator on the representation in and commitment to multi-stakeholder processes or coalitions. On average, the partners of the timber program who participated in the sector survey rated the indicator 8.2 out of 10 (n=11).

#### KPI 5. Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program

- **Baseline:** NA
- **Target 2020:** Until 2020, the main sector stakeholders that are members of the multi-stakeholder processes associated with the timber program are satisfied with the effectiveness of these processes.
- **Target 2016:** NA
- **Results 2016:** The impact evaluator also assessed satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program. On average, the partners of the timber program who participated in the sector survey rated the indicator 8.0 out of 10 (n=12).

#### KPI 6. Application of voluntary standards on sustainable commodity (number of voluntary, national or international, standards, and narrative)

- **Baseline:** See KPI table.
- **Target 2020:** See KPI table.
- **Target 2016:** See KPI table.
- **Results 2016:** PEFC and FSC are the certifications used by the sector. However, our program is currently more focused on the demand side. In 2016, as implementing party of the STTC, the ETTF worked towards promoting the sustainable sourcing policy as adopted by the Dutch timber trade federation in five focus countries: Denmark, Germany, Spain, Italy, and France. Projects have been signed with the timber trade federations in Denmark, Germany, Spain and France.

## Comments

- **KPI 2:** No baseline value is expected for this indicator as it provides an annual assessment of the current situation of sustainability embedded at corporate level in companies the program works with, in terms of elements the program teams defined in the annual plan phase. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 3:** Due to projects starting and closing, there were no changes to this indicator (relative to baseline).
- **KPI 4:** No baseline value for this indicator is expected as it provides an annual assessment of the representation and commitment of sector stakeholders in the multi-stakeholder processes and coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 5:** No baseline value for this indicator is expected as it provides an annual assessment of the satisfaction about the effectiveness of the multi-stakeholder processes or coalitions associated with the program. No target was set for 2016 since the KPI measurement protocol changed.
- **KPI 7:** GIZ gave legal trainings in Peru to 24 government representatives, 40 from the private sector (concessionaires and traders), and 14 from NGOs/civil society.
- **KPI 10:** As the certification projects from the previous phase were closing in 2016, this is the amount of hectares certified in 2016 only.



# Palm Oil (market outreach)

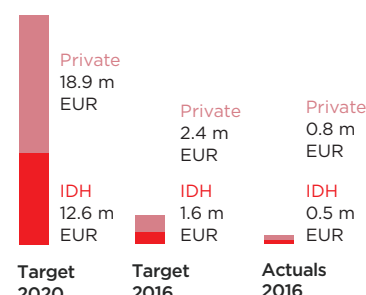
Impact focus



Mitigation of  
deforestation

IDH, MVO and the Netherlands Oils and Fats Industry established the European Sustainable Palm Oil (ESPO) project in 2015. The project was initiated to stimulate the uptake of more sustainable palm oil in Europe, and its objective is to achieve 100% sustainable palm oil in Europe by 2020. This will be achieved by supporting the various national palm oil initiatives per European Union country, and by encouraging the respective EU governments to create the right framework to support the national initiatives in achieving their goals

## Financial Progress 2016



### Main sustainability issues targeted

Deforestation

### Private partners

Caobisco, Fediol, Imace, FDF, Livsmedelföretagen, Alliance Francaise Pour une huile de palme durable, Italian Union for Sustainable Palm Oil, Belgische Alliantie voor duurzame palmolie, Fodevarer national palm oil initiatives from Sweden, UK, Spain, Germany, Denmark, and the Netherlands

### Public partners

Governments of Denmark, France, Germany, Norway, the Netherlands, and the UK

### Other partners

Consumer Goods Forum, MVO, ESPO, EPOA, and RSPO

## Relevant Sustainable Development Goals for Palm Oil





The primary focus is the food, home and personal care, and feed industries, as the national initiatives are currently focusing on these sectors. The project will also include palm oil for technical applications. Palm oil used for bio-fuel, as directed by the EU Renewable Energy Directive 2008 (RED), will also be taken into account. ESPO works in close collaboration with various national initiatives on sustainable palm oil, the RSPO and umbrella EU associations, such as Caobisco (confectionary), Fediol (traders/refineries) and Imace (margarines), and connects to the green sourcing areas. ESPO supports the national initiatives in achieving the ambitious target set for 2020. In the course of 2016, the palm oil program was largely integrated into the overall IDH landscape program. The supply side of the palm oil program is therefore reported within the “Landscapes Annual Report”, while this report covers the demand side only.

## Key activities, results and role of IDH

### IMPACT CLAIM 1

**Contribute to avoided deforestation by developing sustainable palm oil in supply sheds, avoiding the release of up to 2 million metric tons of carbon (when compared to business as usual scenario) by 2020 (related only to market outreach)**

### Planned activity I

Support national initiatives to develop and implement specific, time-bound and cost-effective action plans to achieve 100% sustainable palm oil per country by 2020.

#### Achievement

In 2016, ESPO supported seven national alliances for sustainable palm oil in their activities. Activities are focused around outreach, stakeholder engagement, events and meetings, and media monitoring and outreach via social media, websites or journalists. ESPO supports the national initiatives in cooperation with the European Palm Oil Alliance (EPOA). Co-funding is managed by MVO – the Netherlands Oils and Fats Industry.

#### Role of IDH

Convening meetings between national initiatives and European umbrella organizations. Co-funding and knowledge sharing.

#### Deviation

Due to a difficult market and political situation, the Polish national initiative has not yet been initiated.

### Planned activity II

Implement a monitoring system to gain insight on the share of certified sustainable palm oil products and derivatives used in Europe (including food, feed, biofuel, and technical).

#### Achievement

Together with the RSPO and EPOA, ESPO produced a monitoring report on the use of sustainable palm oil in Europe. The report gives the latest information on palm oil trade flows and use of sustainable palm

oil in Europe. The report was used by companies, NGOs and governments to show progress and challenges in achieving 100% sustainable palm oil in Europe by 2020.

#### Role of IDH

Commissioning and co-funding.

#### Deviation

Due to anti-competition law issues, we could not publish national figures for some countries.

#### Planned activity III

**Drive the change towards 100% certified/verified sustainable palm oil that is traceable to plantation, with mill level as an intermediate step. Support the aspiration of those members wishing to achieve traceability to plantation by 2020.**

#### Achievement

- During the European RSPO meeting, we convened a meeting to discuss the possibility of extending the e-trace platform to include non-certified mills, with the objective of having a traceability system that is capable of covering all mills in the world regardless of certification (note: e-trace is the electronic traceability platform that RSPO uses). RSPO agreed and the function is now live.
- We also co-hosted two webinars on traceability for Consumer Goods Forum members.

#### Role of IDH

Convening meetings, co-hosting webinars, facilitating the Traceability Working Group.

#### Planned activity III

**Support EU governments in general, and the Dutch Ministry of Foreign Affairs and International Trade and Development in particular, in gaining endorsement for the “Amsterdam Palm Oil Declaration” from EU member states.**

#### Achievement

- Six governments have so far endorsed the Amsterdam Declaration to support efforts on improving sustainable palm oil uptake. By partnering

with EPOA, ESPO was able to make important progress. Norway endorsed the declaration in 2016 after Denmark, France, Germany, Netherlands and the United Kingdom. Belgium and Italy are expected to follow in 2017. Through government endorsement, ESPO will help build a critical mass movement towards 100% sustainable palm oil uptake in Europe.

- Together with the Dutch Ministry of Foreign Affairs, we convened the Trade and Development in Sustainable Commodities meeting – a European multi-stakeholder dialogue about palm oil. The signatories of the Amsterdam Declaration used this meeting to install a secretariat with a six-month rotating chairmanship, and are considering including sustainable palm oil in their public procurement policies.

#### Role of IDH

Convening the meetings, providing support to the signatory governments (knowledge, best practices, etc.), advising them on their role towards the private sector.

#### Deviation

We had hoped that Belgium would sign the Amsterdam Declaration in 2016. This did not materialize yet due to ongoing discussion of a minor part of the text.

#### Planned activity IV

**Facilitate the dialogue on sustainable palm oil in Europe between the various stakeholders, including upstream and downstream partners and relevant NGOs.**

#### Achievement

The second ESPO/IDH alignment meeting was held, whose objective was to inform, update, and align both the NGO and ESPO objectives and activities in reaching 100% sustainable palm oil in 2020 in Europe.

#### Role of IDH

Convening the meeting.

## Link to IDH impact themes

The work done on market outreach for palm oil relates to the IDH impact theme on **mitigation of deforestation**



### Lessons Learned

- Downstream partners are moving away from certification towards a verified sourcing area approach.
- Each European country within the ESPO project needs a tailored approach towards industry, government, and NGOs, as in some countries the sentiment is towards health and nutrition, while in other countries sustainability is the main concern.

### Deviations from the program strategy 2020

There are no significant deviations.

## Risk Assessment

Risk	Mitigating action undertaken
Sentiment in some European countries towards “No Palm Oil”.	A number of NGOs, including WWF and Greenpeace, have issued statements to the effect that “no palm oil is not the solution; sustainable palm oil is”.
Lack of market demand to realize continuous improvement.	Continuous discussion with downstream partners, with a focus on our landscape and verified sourcing areas approach.

# KPI Table Palm Oil

#	Key Performance Indicator	Baseline	Target 2020	Target 2016	Results 2016
<b>Result area 1 – Change in business practices</b>					
1	Private sector (sustainability) investments in the program	€1,301	€2,400,000	€800,000	€892,000
		Ratio of 1:2	Ratio of 1:2	Ratio of 1:2	Ratio of 1:2.85
2	Uptake rate of sustainable production by program partners (million tons)	3.4 million tons	7.9 million tons (total volume Europe)	100%	Update per country: France 96%, Belgium 100%, Netherlands 84%, Sweden 97%, UK 72%, Germany 79% (not all countries have reported)
					Signatory countries to the Amsterdam Declaration: UK, Netherlands, France, Norway, Denmark, Germany.

## Comments

- **KPI 1:** At the beginning of 2016, IDH's budget was €400,000, and the private sector contribution was €902,000, coming from RSPO, national initiatives and EPOA. Because of a lower than anticipated IDH contribution (€303,000) the co-funding ratio in 2016 (1:2.97) is higher than the target.
- **KPI 2:** The baseline for 2016 is calculated by taking the 2016 baseline uptake rate (44%) and multiplying it by 7.9 million tons (total volume Europe). The target for 2020 is for the total volume in Europe (7.9 million tons) to be sustainably produced.



# Soy (market outreach)

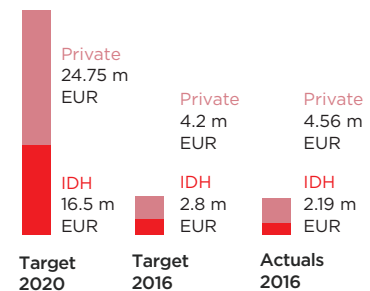
## Impact focus



Mitigation of deforestation

Our soy market convening aims to generate mainstream transition to sustainable soy for 50% of the EU market in 2020, based on a step-by-step approach of a minimum of legal compliance with continuous improvement towards zero net deforestation and RTRS or equivalent levels. IDH does this via a two-tier approach. The first tier supports the retail and other buyers with sourcing RTRS or equivalent level soy, the second leverages legality requirements in Brazil to raise the bar in sustainable soy production and trade of the full sector.

## Financial Progress 2016



## Main sustainability issues targeted

Deforestation

## Private partners

Agrifirm, Aapresid, Abiove, ADM, Agrex, Asda, AgriUniekvallei, Ahold Delhaize, AIBA, AIC, Amaggi, APDC, Aprosoja, Arla, Bel Company, Bemefa, C1000, CAAF, CAT Sorriso, CBL, Cefetra, Centrico, COV, Dakofo, DAP, De Heus, DVT, Fapcen, Fediol, Fefac, FHL, Fiagril, ForFarmers, Friesland Campina, Gebana, Jumbo, Kiñewen, Kumagro, Läntmannen, Lidl, Los Grobo, LTO, Marks & Spencer, MVO, Nevedi, Nidera, Noble PY, Nu-treco, NZO, Payco,

Rabobank, Sainsbury's, Sindicato Coromandel, Sindicato LEM, SNIA, SuperUnie, Syngenta, Tesco, Technocampo, Unicoop, Unilever, Viluco, and Vion

## Public partners

Aliança da Terra, FMB, IPAM, ISA, IUCN, Natuur & Milieu, Solidaridad, TNC, Tropical Forest Alliance TFA, UNDP, WWF, St. Ketentransitie Verantwoorde Soja, Dutch embassies in Argentina and Brazil, local and state governments in Brazil and Paraguay

## Other partners

Consumer Goods Forum, RTRS, and Proterra

## Relevant Sustainable Development Goals for Soy

12 RESPONSIBLE CONSUMPTION

15 LIFE ABOVE WATER



IDH convened front-running European retailers to conduct a footprint analysis to determine the appropriate scope of their soy sourcing policies. IDH supports the European feed and processing industries (FEFAC and Fediol) to roll out, implement, and raise the bar on their soy sourcing guidelines. At the same time, we collaborate with civil society, retail and brands to keep pressure on the continuous improvement of these guidelines towards zero net deforestation. We are convinced that the two-tier approach is the fastest and most efficient way to move the entire sector towards RTRS (or equivalent) production standards.

On the production side, IDH aims to create a physical connection between the sourced soy and the producer via an Area Mass Balance system. We leverage the soy market commitments to drive action on the ground – for example, in Mato Grosso (where one-third of soy in the EU originates). We have engaged FEFAC with the PCI coalition, and responsible sourcing guidelines are being implemented in the pilot projects with soy producers. We are working towards verified region-based sourcing in which producers are rewarded by the market for adopting sustainable land-use practices and restoration of forests, while that performance is accounted for in the PCI targets.

In early 2016, it was agreed to integrate the soy program into the landscape program, because of the full integration of the field activities of both programs, and the programs' expansion through NICFI funds. As of 2017, all of Brazil's soy KPIs will therefore be included in the landscape program. For 2016, the outreach activities and KPIs are reported in this chapter. The field activities and KPIs of the program can be found under the landscapes chapter.

## Key activities, results and role of IDH

### IMPACT CLAIM 1

**Changed sector governance and business practices to become mainstream sourcing model for responsible soy in Europe, as well as corresponding procurement commitment and systems.**

**1.05 million hectares of private forest to become protected on the farms supplying Europe.**

### Planned activity I

Create awareness and ownership with retailers and A-brand manufacturers on supply chain issues, and define ambition via a sectoral and individual approach. Work with KPMG on the footprint analysis, which aids in the operationalization of a step-by-step approach towards zero net deforestation. Facilitate retailers via knowledge on supply chains and tools, such as soy footprints, traceability systems and benchmarking.

### Achievement

- On May 23, 2016, the Consumer Goods Forum (CGF) published their new soy sourcing guidelines. Like FEFAC, it uses a continuous improvement approach, starting with legislation. For the first time, complying with FEFAC Sourcing Guidelines is a requirement, aligning the feed industry with retail. This is partially due to FEFAC outreach funded by IDH.
- The final footprint report was delivered in March 2017. 72% of the soy used by the retailers was traced. One important conclusion was that for the four UK retailers, only two soy traders handle about 57% of the soy for meat, eggs and dairy products. If retailers work with these soy traders to strengthen their sustainability policies, it will have a massive impact on their total soy volumes.
- In meetings with the retailers and other parties, all have indicated dissatisfaction with the current book-and-claim approach, as it does not guarantee a zero deforestation supply chain. The footprint analysis has helped indicate clear next steps for all parties. With the number of traders being so limited, IDH is proposing to pilot verified sourcing areas and create a physical flow of responsible soy. While many challenges remain, this approach has been welcomed as a practical one. Based on the analysis, a two-pager has been written to engage retailers, and meetings to discuss next steps have been set with all of them.



### Role of IDH

Commissioning and co-financing the footprint analysis, supporting KPMG in the implementation and, based on the results, identifying logical next steps for the retailers.

### Deviation

The final version of the footprint analysis was finished in March 2017, partly due to delayed supply of information by retailers and calculation errors in the first draft. Four retailers (not five) participated: Sainsbury's, Tesco, Asda, and Marks & Spencer. These four retailers make up 65% of the UK market.

### Planned activity II

**Reach out to international traders to source sustainable soy.**

### Achievement

- In 2016, Bunge and Amaggi were intensively supported in creating/upgrading their soy sourcing guidelines in order to be benchmarked against the FEFAC Sourcing Guidelines (Cargill, ADM and Cefetra were benchmarked in 2015). A robust verification process is part of the benchmarking, and most schemes have had to implement major alterations. Currently 15 schemes are benchmarked, of which five from traders (ADM, Amaggi, Bunge, Cargill and Cefetra).
- An estimated 6.5 million metric tons of responsible soy were imported in Europe by our program partners in 2016. Of this, 3 million metric tons were RTRS compliant as well.
- In January 2017, after two years of negotiations, the Memorandum of Understanding between IDH, FEFAC, Fediol, Abiove (Brazilian Oilseed Processors Association) and AproSoja (Mato Grosso Soy and Grain producers organization) was signed. Parties agree to work in a step-by-step approach towards the production of responsible soy, most notably by ensuring SojaPlus, the AproSoja soy scheme, is benchmarked against the FEFAC Sourcing Guidelines. This will accelerate the implementation of the Forest Code, including restoration of environmental deficits. This partnership is an essential link between the soy and ISLA Mato Grosso program.

### Role of IDH

- Under the agreement with FEFAC, co-funding was available to support the traders to benchmark.
- Convening to create alignment between the Brazilian and European sides. A field project is in development with Aprosoja, as well as program with FEFAC.

### Deviation

- Meetings with traders to discuss these issues one on one have not occurred. With the footprint analysis, clear support from the retailers and the MOU with FEFAC, Fediol, Aprosoja and Abiove, we are now in a stronger position to resume these conversations.
- Sojaplus was scheduled to complete the benchmark in 2016; however, this will continue after the field-level project with IDH has started.

### Planned activity III

**Fund outreach through dairy frontrunners and the Dutch dairy association to engage other leading European dairy companies in sourcing high-end RTRS or equivalent responsible soy.**

### Achievement

- In 2015, as a result of the MOU between IDH and the Dutch dairy association, a platform of front-running companies (Arla, DMK, Danone, Friesland Campina, Bel, Sodial and Bord Bia) was set up, with the objective of sharing expertise on the transition to sustainable soy. On the January 12, 2016, the first meeting took place in Paris, where it was decided to form a working group, which was subsequently endorsed by the European Dairy Council.
- A subsequent meeting was held on September 8, in which the objectives and outcomes of the working group were agreed between members. The primary focus of the dairy platform members is the physical sourcing of responsible soy.

### Role of IDH

Supporting the dairy industry in getting a basic understanding of how transition towards sustainable soy could work, including the step-by-step approach (first legal compliance, then moving towards RTRS).

#### Deviation

- A strategy to reach the objectives of the dairy platform was not discussed during the second meeting in September. IDH postponed this to a meeting in February 2017, explaining the approach of preferential sourcing from verified areas and the link to our landscape work.
- No new members were added in 2016.

#### Planned activity III

Fund FEFAC's outreach activities.

#### Achievement

The first partnership agreement between FEFAC and IDH ended on June 30, 2016, and the next steps were determined towards the end of the reporting year. The new agreement is for one year, during which FEFAC will work on an update of the sourcing guidelines, to include an annex on supply chain models, developing a working definition on zero net deforestation, a monitoring tool, and strengthening market recognition of the soy sourcing guidelines.

#### Role of IDH

Supporting FEFAC on developing the next steps, and co-funding.

#### Deviation

Due to negotiations on the MOU, which clarified the scope of the IDH-FEFAC project, the implementation was delayed.

## Link to IDH impact themes

**Mitigation of deforestation:** Through the footprint analysis done with four UK retailers, clear next steps towards responsible soy in supply chains have been set, as parties are currently not satisfied with the book-and-claim system. This will help the program move towards physical sourcing of responsible soy, which will benefit regions where steps are being made towards sustainability. The MOU with FEFAC, Fediol, Abiove and Aprosoja enables

IDH to talk to all links in the supply chain simultaneously, promoting compliance to the Brazilian Forest Code.



### Lessons Learned

- For the four UK retailers, only two soy traders handle about 57% of the soy for meat, eggs and dairy products. If retailers work with these soy traders to strengthen their sustainability policies, it will have a massive impact on their total soy volumes.
- Our cooperation with FEFAC has in some cases led to confusion in the market about whether IDH is still fully committed to RTRS. IDH should actively communicate its position towards sourcing of responsible soy.

### Deviations from the program strategy 2020

Not applicable

## Risk Assessment

Risk	Mitigating action undertaken
Lack of supply to realize continuous improvement.	Not applicable at this time. The supply of FEFAC-compliant soy has only increased as more schemes have been benchmarked. Those benchmarked are quite clear on the continuous improvement approach.
Lack of market demand to realize continuous improvement.	Large companies have clearly indicated their dissatisfaction with the book-and-claim method, as it does not guarantee a deforestation-free supply chain. For IDH, realizing a physical supply of responsible soy is a key objective, and partners are responding positively to the preferential sourcing approach from verified areas, which will promote sustainable development in those areas. The FEFAC-compliant schemes are essential in this process, and the sourcing guidelines are clearly on a continuous improvement basis.

# KPI Table Soy

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Results 2016
<b>Result area 1 - Change in business practices</b>				
1	Market share by program partners (percentage of global production volume)	74.25%	80% (of 8 Northwest European countries)	Unknown over 2016 (currently no partners in the program; next year all the information will be available).
2	Uptake rate of sustainable production by program partners (percentage of sustainable procurement out of total procurement by program partners)	43.4% (by MOU partners, 0% for traders)	80% sourcing according to FEFAC guidelines in 8 Northwest European countries by program partners.  2 traders of which 1 ABCD source 100% according to FEFAC guidelines into Europe	55%
<b>Result area 3 - Improved field-level sustainability</b>				
3	Volume of sustainably produced soy (millions of metric tons)	5	16 (of soy legally sourced according to FEFAC guidelines of which 5.3 RTRS or equivalent)	6.5 (of which 3 RTRS)

## Comments

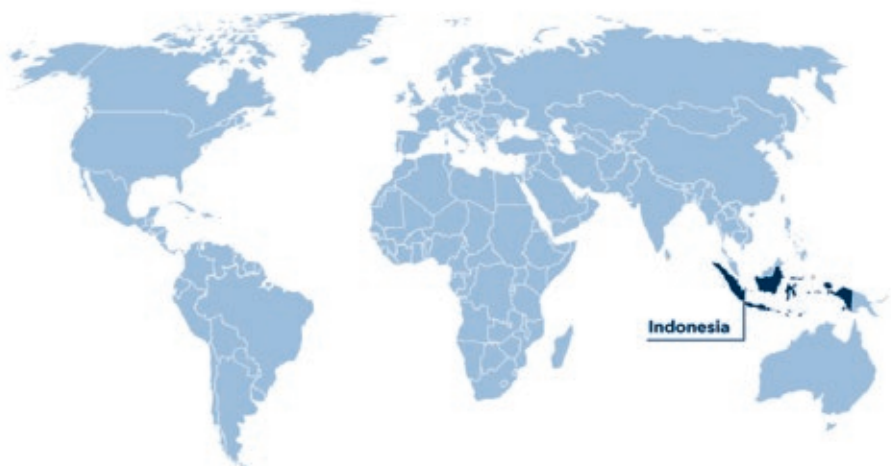
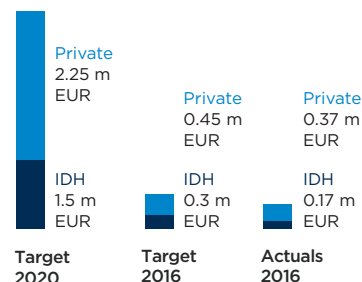
- **The KPI** “Global market share certified/verified/sustainably produced sourcing (by companies inside and outside program)” was not included in the above table as it is not part of the current IDH Result Measurement Framework. With a baseline of 31%, the target for 2020 for this indicator is to have the European market share of legally compliant soy sourced according to FEFAC guidelines and/or other responsible soy verification at 50%, of which European market share of certified produced sourcing is one third. Currently we’re seeing incremental growth.
- **KPI 1:** On baseline: Denmark: 95%; Norway aquaculture: 84%; UK: 95%; Sweden: 45%; France: 40%; Germany: 45%; the Netherlands: 95%; Belgium: 95%.
- **KPI 2:** The 2016 result is based on information from FEFAC members. Denmark: 73%; Norway aquaculture: 50%; UK: 46%; Sweden: 37%; France: 21%; Germany: 49%; the Netherlands: 100%; Belgium: 63%.
- **KPI 3:** Data from eight FEFAC front-running companies/countries, so the amount of FEFAC-compliant soy for EU28 should be higher, hence the division FEFAC/RTRS is also skewed. In 2017, we will have more complete data due to the development of the FEFAC monitoring tool.



# Tin

After building commitment from Indonesian stakeholders around the 2020 roadmap of responsible tin operation in Indonesia, the final year of the IDH Tin Working Group (TWG) involved supporting actors to start implementing the roadmap. An Indonesian convener was hired to coordinate local implementation with an emphasis on developing robust and scalable pilots around sustainable mining practices. Two pilots were prioritized: one for rehabilitating former on-shore tin mines; and one to improve occupational health and safety among miners, especially ASM. Kemitraan was hired to work specifically on the government-related topics of the roadmap (policy making and public financing).

## Financial Progress 2016



### Main sustainability issues targeted

Environmental and social impacts of tin mining

### Private partners

TWG Members Citizenship Coalition (EICC), Arcelor Mittal, Apple, ASUS, BlackBerry, Dell, HP, LG Electronics, Microsoft, Philips, Samsung, Sony, Tata Steel, the international tin industry association (ITRI)

Private partners representing the local Indonesia tin industry: PT Timah, PT RBT, PT MSP, PT AKS, Association of Indonesian Tin Exporters (AETI)

Private implementing partner: Fred Philips Consultancy

### Public partners

Regional governments of Bangka Tengah and East Belitung in Indonesia

### Other partners

PACT, Kemitraan

2016 was also the year for building the IDH's exit strategy. Through alignment and collaboration with the Electronic Industry Citizenship Coalition (EICC), and within the framework of the European PPP for Responsible Mining (EPRM), the international convening role for the Indonesia TWG will transfer from IDH to EICC. IDH worked with EICC and the TWG members and stakeholders to understand the TWG's current activity scope and participation/funding model, as well as future priorities and opportunities to encourage a responsible tin supply in Indonesia. The EICC will promote industry ownership and ensure continuity.

## Key activities, results and role of IDH

### Planned activity I

Create a locally owned and driven roadmap/CSR program in Indonesia incentivized/supported by downstream tin users. By the end of 2016, the program ran without the operational and convening management of IDH, and addressed the key social and environmental issues in both off-shore and on-shore tin mining.

### Achievement

- The development a fully-fledged industry network around responsible mining, through inclusive dialogue with the local convener and dissemination activities built into the pilots: capacity building of local partners, pre-competitive learning, collaboration between local governments and industry.
- Increasing the buy-in of local stakeholders to carry out the roadmap activities via commitments to replicate best practices from five private-sector mining companies.
- Increasing transparency and communication from end users on their sourcing aspirations to further incentivize the upstream.
- Ensuring that the connecting work of IDH is institutionalized within the supply chain, via the handover of the convening role of the TWG to the EICC in 2017.

### Role of IDH

Creating the links between the different partners:

- At local level (via the work of the convener);
- At international level through convening of the TWG members, and coordination with local convener;
- Via direct co-funding structures and knowledge sharing of pilots.

IDH also played a leading role in developing a sustainable exit strategy through engaging with the EPRM stakeholders and collaboration with EICC.

### Deviation

Including the relevant ministries in the process has been more challenging than expected because the national agenda changes frequently and hampers commitments.



## Risk Assessment

Risk	Mitigating action undertaken
Not being able to safeguard the implementation of the TWG sustainability objectives.	<p>IDH focused on strengthening the ownership of brands and industry associations for follow-up, and ensured adequate local support to the association of front-running tin miners to implement the roadmap.</p> <p>In addition, IDH worked towards an exit strategy that could further institutionalize the work within existing international programs and/or supply chain structures (e.g. EPRM, EICC).</p>
How to incentivize and reward tin smelters to implement projects aligned with the roadmap and future CSR program.	<p>IDH facilitated a dialogue with TWG downstream users to investigate strategies for keeping their engagement – financially and strategically, after 2016. This is planned to be achieved by:</p> <ul style="list-style-type: none"> <li>• Providing visibility to local front-running companies that commit to collaborate and carry forward pilot projects;</li> <li>• Enabling direct project partnerships and co-funding between international companies with local companies;</li> <li>• Placing the TWG at the heart of the electronics industry by handing over the convening role of the TWG to the EICC.</li> </ul>

# Cross-sector Initiatives

# Landscapes

IDH has focused the work of the landscape program on the concept of PPI: Production-Protection-Inclusion. IDH is implementing this concept through the development of PPI compacts in 11 landscapes in seven countries. These are agreements between public, private and civil society parties to enhance sustainable productive land and secure livelihoods in exchange for natural resource conservation. IDH convenes coalitions that develop these compacts. The compacts are based on participatory land-use planning, whereby land for production (increasing productivity), livelihoods (income diversification, resilience, access to markets) and protection (forest, water, soil) is clearly identified, and their related uses are agreed on by the landscape stakeholders and recognized by local and national governments. The compacts also include goals for each of the PPI components, a time-bound plan of action, clear definition of roles and responsibilities, and a budget for implementation. The compacts are the basis for the PPI Fund and other investors to invest in the landscapes, as well as the basis for regional sourcing by supply chain companies. This will result in coalitions that are self-sustaining, are linked to markets, and prove the business case for landscape-level interventions and investments.



## Main sustainability issues targeted

- Deforestation
- Smallholder livelihoods
- Water usage
- Agrochemical usage

## Relevant Sustainable Development Goals

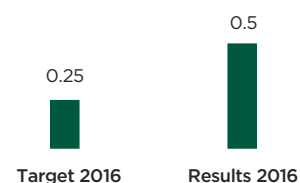


## Impact focus

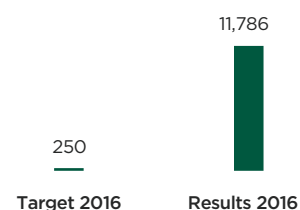


## KPI Progress 2016

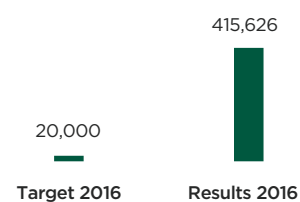
### IDH-private sector (sustainability) investments ratio



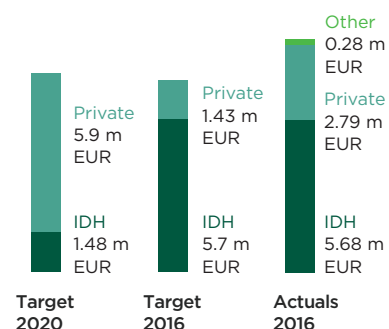
### Number of producers/workers/ community members trained



### Number of producers/workers reached by service delivery



## Financial Progress 2016



In 2016, the commodity programs for palm oil, soy, tropical timber, and pulp & paper were integrated into the landscape program. At the end of 2015, IDH also received new funding from the Norwegian Agency for Development Cooperation (NORAD) through a partnership with the Norwegian International Climate and Forest Initiative (NICFI), focusing on the high-deforestation risk landscapes in Liberia, Brazil, and Indonesia. As such, the Initiative for Sustainable Landscapes (ISLA) fully integrated into the larger IDH landscape program that now includes 11 landscapes in Liberia, Brazil, Indonesia, Côte d'Ivoire, Kenya, Ethiopia, and Vietnam. With the NICFI partnership, the integration of the commodity programs, and linking the program to innovative finance, the landscape program is now a core component of IDH's work.

## Landscape Partners



### Brazil State of Mato Grosso

#### Private partners

Archer Daniel Midlands (ADM), Amaggi, Cargill, Marfrig, Pecs, Roncador, Sicredi, and Syngenta

#### Public partners

Gabinete de Governo, Secretary of Environmental Affairs (SEMA), Secretary of Economic Affairs (SEDEC), Secretary of Family Agriculture (SEAF), Secretary of Labor and Social Affairs (SETAS), Ministério Público Federal (MPF), and Ministério Público Estadual (MPE)

#### Other partners

Abiove, Acimat, Agrolcone, AproSoja, Aprofir, Arefloresta, Aquamat, Consumer Goods Forum (CGF), Centro das Indústrias Produtoras e Exportadoras de Madeira do Estado de Mato Grosso (CIPEM), Federação da Agricultura e Pecuária do Estado de Mato Grosso (FAMATO), European Feed Manufacturers Federation (FEFAC), EU vegetable oil and protein meal industry association (Fediol), Grupo de Trabalho de Pecuária Sustentável (GTPS), International Anti-Corruption Academy (IACA), Instituto Mato-Grossense do Carne (IMAC), Roundtable for Responsible Soy (RTRS), Tropical Forest Alliance (TFA), World Economic Forum (WEF), World Resources Institute (WRI), Ação Verde, Aliança da Terra, Aliança pelo Clima e Uso da Terra (CLUA), Earth Innovation Institute, Environmental Defense Fund, Global Canopy Program, Instituto Centro da Vida, Instituto Socioambiental, Instituto da Pesquisa Ambiental da

Amazonia, The Nature Conservancy, Solidaridad, and ProForest



### Côte d'Ivoire Wider Taï forest Landscape

#### Private partners

Cargill (Cocoa), OLAM (Cocoa), MARS (Cocoa), Barry Callebaut (Cocoa), CEMOI (Cocoa), Mondelez (Cocoa), Touton (Cocoa), Ecom (Cocoa), Siat (Rubber), Société de transformation de bois du Cavally (STBC) (Timber), Althelia, Moringa, and LivelihoodFund

#### Public partners

Ministry of Planning, Ministry of Environment, Ministry of Water and Forests, Ministry of Agriculture, Société de Développement des Forêts (SODEFOR), Office Ivoirien des Parcs et Reserves (OIPR), Secrétariat Exécutif Permanent pour la REDD+ (SEP-REDD), and Conseil Café Cacao (CCC)

#### Other partners

Ministry of Planning, Ministry of Environment, Ministry of Water and Forests, Ministry of Agriculture, Société de Développement des Forêts (SODEFOR), Office Ivoirien des Parcs et Reserves (OIPR), Secrétariat Exécutif Permanent pour la REDD+ (SEP-REDD), and Conseil Café Cacao (CCC), World Agroforestry Centre (ICRAF), Ecoterra, The Forest Trust (TFT), Centre National de Recherche Agronomique (CNRA), UFEM-CI, Solidaridad, Agence Française de Développement (AFD), World Bank, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), UTZ Certified, Fondation des Parcs et Reserves, Wild Chimpanzee Foundation (WCF), World Cocoa Foundation (WCF), and Prince of Wales International Sustainability Unit (ISU)



### Ethiopia Central Rift Valley, lake Ziway watershed

#### Private partners

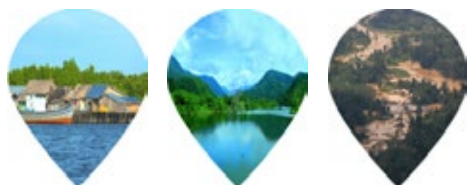
Castel Winery, Meki Batu Vegetable and Fruits Grower Farmers' Cooperative Union (MBCU), Sher Ethiopia, Braam Roses, Herburg Roses, AQ Roses, Ziway Roses, Verde Beef, and Ethiopian Horticulture Producers and Exporters Association (EHPEA)

### Public partners

Rift Valley Lakes basin authority, local government (Ziway town municipality and mayor office and ATJK district agriculture office), Ethiopian horticulture development agency (EHDA), and Horn of Africa Regional Environment Center & Network (HoA- REC&N) Pesticide Action Network UK/Ethiopia, International Water Management Institute (IWMI), Nile Basin Initiative (NBI), Eastern Nile Technical Regional Office (ENRTO), Wetlands International (WI), Addis Ababa University

### Other partners

Pesticide Action Network UK/Ethiopia, International Water Management Institute (IWMI), Nile Basin Initiative (NBI), Eastern Nile Technical Regional Office (ENRTO), Wetlands International (WI), Addis Ababa University



## Indonesia

### West-Kalimantan, Aceh, South Sumatra

#### Private partners

**Oil palm supply side:** Asian Agri, London Sumatra, Palm Oil Producers Association (GAPKI), Golden Agri Resources (GAR), Musim Mas, Cargill, Makin Group, PT Perkebunan Nusantara (PTPN) III and VII, First Resources, PT Pasifik Agro Sentosa (PAS), Bumitama, Austindo Nusantara Jaya (ANJ) Agri, Genting Plantations Berhad, Eagle High Plantations, Astra Agro Lestari, Wilmar, PT Dwi Kencana Semesta (DKS), and Mopoli Raya

**Oil palm demand side:** Unilever, Costco, Neste Oil, Johnson & Johnson, Procter & Gamble, and Indofood

**Forestry:** Asia Pulp & Paper (APP), Forest Concessionaires Association (APHI), PT Kandelina Alam, PT Ekosistem Khatulistiwa Lestari (EKL), PT Mayawana Persada, PT Wana Subur Lestari (WSL), PT Mayangkara Tanaman Industri (MTI), and PT Bina Silva Nusa (BSN)

#### Public partners

Ministry of Environment and Forestry, Ministry of Agriculture, Coordinating Ministry of Economic Affairs, Peatland Restoration Agency, Indonesia Sustainable Palm Oil (ISPO), Provincial Governments of Aceh, South Sumatra and West Kalimantan, District Governments of Musi Banyuasin (South Sumatra), Aceh Tamiang and Aceh Timur (Aceh), and Ketapang, Kubu Raya and Kayong Utara (West Kalimantan), and Crude Palm Oil (CPO) Fund

### Other partners

Round Table for Sustainable Palm Oil (RSPO), Daemeter, World Agroforestry Centre (ICRAF), Zoological Society of London (ZSL), SNV, Gita Buana, Gaia dB, Belantara Foundation, Oil Palm Smallholder Association (SPKS), Hutan Kita Institute (HaKI), Sampan Kalimantan, World Wildlife Fund (WWF) Indonesia, Kemitraan Partnership, Fauna & Flora International (FFI), Aidenvironment, Hatfield, International Animal Rescue, Aceh Climate Change Initiative, Coalition for Farmers and Fishermen of Aceh (KTNA), Semai Petani Mandiri Aceh, The Forests Trust (TFT), World Fish, Wildlife Conservation Society (WCS), Rainforest Action Network (RAN), GeoTraceability, Winrock, the Smallholders Acceleration and REDD+ Programme (SHARP), WildAsia, Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC/IFCC), and World Resources Institute (WRI)



## Kenya

### South West Mau forest

#### Private partners

Unilever Tea Kenya Limited (UTK), James Finlay's Kenya Limited (JFK), Kenya Tea Development Agency (KTDA), LEL Timber, Timber Manufacturers Association (TMA), Kenya Electricity Generating Company Limited (Kengen), Nyayo Tea Zones Dev Corporation (NTZDC), and Safaricom

#### Public partners

Various ministries (national government), counties (Kericho, Bomet, Nakuru), Kenya Water Towers Agency (KWTA), Water Resources Management Authority (WRMA), Kenya Forest Services (KFS), Kenya Forest Research Institute (KFRI), Kenya Wildlife Services (KWS), and Tea Research Institute

#### Other partners

GROW, Flora and Fauna International, Conservation International, Parley, local NGO RICCE, potential partner financial institutions including IFC, FMO, Proparco, Finafund and the African Development Bank

Targeting investment in 6-8 rural communities, and supporting food security and income diversification in at least 10 communities in the South East (Sinoe and Grand Kru)



## Liberia

### Nimba, South East Liberia, Western Liberia

#### Private partners

Arcelor Mittal, Golden Veroleum Liberia, Sime Darby Plantation Liberia, and Equatorial Palm Oil

#### Public partners

Forestry Development Authority, Ministry of Agriculture, National Bureau of Concessions, Ministry of Internal Affairs, Land Authority

#### Other partners

GROW, Flora and Fauna International, Conservation International, Parley, local NGO RICCE, potential partner financial institutions including IFC, FMO, Proparco, Finfund and the African Development Bank

Targeting investment in 6-8 rural communities, and supporting food security and income diversification in at least 10 communities in the South East (Sinoe and Grand Kru)



## Vietnam Central Highlands, province of Lam Dong

#### Private partners

Jacobs Douwe Egberts (JDE), Louis Dreyfus Company (LDC), Atlantic Commodities (ACOM), Olam, Lavazza, Simexco, Syngenta, tea producers, Thành Nghĩa Agricultural Cooperatives, and Nestlé

#### Public partners

Ministry of Agriculture and Rural Development, Provincial People's Committee, Dak Lak and Lam Dong, Departments of Agriculture and Rural Development in Dak Lak and Lam Dong, Department of Natural Resources and Environment in Dak Lak and Lam Dong, and Vietnam Sustainable Agricultural Transformation (VnSAT) Program

#### Other partners

Australian National University, Tropenbos Vietnam, Farm Tree Services, Western Highlands Agricultural Science Institute (WASI), Vietnam Coffee Coordination Board



## Key activities, results and role of IDH<sup>3</sup>

### IMPACT CLAIM 1

In global supply chain landscapes outside the program, public-private landscape governance models are replicated by leading companies and governments.

### Planned activity I

Mobilize investment from public and private co-funders for the implementation of joint actions in the landscapes.

## BRAZIL

### Achievement

IDH has contracted pilots with:

- Amaggi and Aliança da Terra);
- Grupo Roncador (beef producer) and TNC.

Four field-level projects are in development, with Grupo JD, Carrefour & IMAC, Aprosoja, IPAM and ICV. All pipeline projects are being prepared for investment, potentially as de-risking or other investment models.

### Role of IDH

Co-designing the field-level projects with a focus on the key proofs of concept, co-financing them, while remaining engaged throughout with technical support and convening.

## LIBERIA

### Achievement

- Investment from AML in conservation agreements in Northern landscape.
- Commitment from GVL to invest in outgrower loan in the South East landscape.
- Development Finance Institutions confirmed interest in production-protection oil palm outgrowers investment proposal (Liberia wide).

### Role of IDH

- Co-funding the AML-led Biodiversity Conservation program in Nimba.
- Developing investment proposal and negotiating investments for production-protection oil palm outgrowers.

### Deviations

Liberia was not included in ISLA Annual Plan 2016. The program is funded by the Government of Norway (NICFI), and was launched in Monrovia in March 2016.

## CÔTE D'IVOIRE

### Achievement

IDH secured €1.6 million in co-funding, mainly from private-sector partners (cocoa).

### Role of IDH

Convening partners, and negotiating contributions to the landscape program.

### Deviations

Investments by SODEFOR and Min du Plan postponed to 2017 – projects are in final stages of development.

## ETHIOPIA

### Achievement

€425,000 from public and private partners was secured and contracted; discussions with partners are ongoing, including strategic partnership with Wetlands International on Water Allocation Plan development by the Rift Valley Lakes.

### Role of IDH

Convening partners, negotiating contributions, initiating partnerships, and enabling initial actions on the ground.

### Deviations

More investment secured than planned.

<sup>3</sup> Because the planned activities in the 2016 Annual Report were activities for the landscape program in general (rather than per landscape), no achievements are reported for the planned 2016 activities for some landscapes. This is because it is either not a relevant activity for that specific landscape, or the activity only took place in some landscapes, with others to follow in 2017 and beyond.

## KENYA

### Achievement

- Annual contributions of €100,000 each from UTK, JFK and Safaricom Foundation; strategic partnership with Rhino Ark under development.
- Support for fence discussed with KTDA, JFK, UTK, and TMA – internal consultations ongoing; GIZ and Rhino Ark support agreed and discussions with KTDA and potential donors i.e. International Climate Initiative (IKI), and McKinsey/Partners for forest (P4F) ongoing. So far more than €750,000 secured.

### Role of IDH

Convening partners, discussing contributions, and initiating a strategic partnership with Rhino Ark.

### Deviations

Approval of co-funding from KTDA is pending approval at the head office (expected in 2017);

### Key achievement on change in business practices

IDH is setting up a large fund to drive deforestation-free agricultural production in tropical forest countries, jurisdictions, and landscapes by directly linking commodity production to forest and peat land protection. The tropical forest and agriculture focused fund aims to trigger US \$1.6 billion in private capital investments with a US \$400 million de-risking capacity. The fund has an ambitious investment agenda with social inclusion and environmental safeguarding as central pillars, delivering public- and private-sector economic growth. While the fund was officially launched in 2017, much of the preparatory work to make the fund happen occurred in 2016.

## VIETNAM

### Achievement

IDH signed contracts with Olam, JDE, Simexco and ACOM and Lavazza, all co-financing the field-level projects of the program. In 2016, the private sector invested €210,000 in these projects.

### Role of IDH

Co-designing the field-level projects and co-financing them, while remaining engaged throughout with technical support and convening.

### Planned activity II

Convene businesses in multi-stakeholder platforms in the landscapes, triggering joint actions and agenda setting

## INDONESIA

### Achievement

In West Kalimantan and South Sumatra/Jambi the private sector invested €678,000 in a total of eight projects. In addition, with the grant of NICFI, IDH has been actively looking for needs and developing a pipeline for large-scale investments in PPI projects, resulting in two concrete leads.

### Role of IDH

Actively seeking partners to form PPP partnerships in critical areas within the landscape, or on critical proof of concept deliverables.

## BRAZIL

### Achievement

The Governor of Mato Grosso presented the Produce, Conserve and Include (PCI) Strategy at COP21 in Paris in December 2015. He issued a decree in February 2016 for the installment of a committee to oversee the implementation of PCI. Regular committee meetings were scheduled until the end of 2016. IDH is a member of the PCI Coalition, a multi-stakeholder group that supported the development of the plan and includes companies such as Marfriq and Amaggi, the producers' association FAMATO, and NGOs such as Earth Innovation Institute (EII), the Amazon Environmental Research Institute (IPAM), Instituto Centro da Vida (ICV), and Instituto Socio-ambiental (ISA). With IDH support, Fernando Sampaio, of Abiec and president of GTPS, was elected as Executive Director of the PCI in August.

### Role of IDH

Convening partners to support this process: to make sure it is not only NGO driven but also driven by the private sector, involving this group is essential. The fact that land users are now joining the coalition (which was initially seen as an “NGO thing”) is very much related to our convening and mediation over the past months.

## LIBERIA

### Achievement

The National Community Oil Palm Outgrower Steering Committee was established, with key government agencies, concession holders and civil society representation. In 2016, the first two meetings took place. The aim of this multi-stakeholder Steering Committee is to drive the outgrower model into reality.

### Role of IDH

Setting up and convening in cooperation with NBC, building on the work of the National Bureau of Concessions and the consultancy organization GROW.

### Deviations

Was not included in ISLA Annual Plan 2016.

## CÔTE D’IVOIRE

### Achievement

- Key players in the cocoa sector participate in the Supervisory and Technical Committees.
- At international level, dialogue on cocoa and the forest with international industry partners in collaboration with ISU and WCF; developing supply chain commitment at the global level to address deforestation in cocoa supply chain.

### Role of IDH

Convening cocoa partners in the landscape committees; reaching out to other sectors (timber and rubber).

### Deviations

Relations with the timber and rubber industry are being built.

## ETHIOPIA

### Achievement

Sher Ethiopia PLC, Castel Winery PLC, Verde Beef PLC, Meki Batu farmers union, and other smaller flower growers are key private partners that are part of the coalition.

### Role of IDH

Convening partners in the landscape platform, by building trust and starting practical actions on the ground.

### Deviations

(Financial) commitment of private partners in the landscape lower than expected.

## KENYA

### Achievement

UTK, JFK, KTDA, TMA, and Safaricom Foundation are present in the ISLA Kenya platform: a coalition of stakeholder consisting of representatives of business, CSO and government.

### Role of IDH

Convening partners in the platform and landscape.

### Deviations

Safaricom Foundation was added as an additional private sector partner. KenGen was not active in the course of 2016 due to pending approval of participation in the ISLA program, but is expected to rejoin in 2017.

## VIETNAM

### Achievement

Businesses are represented in the Provincial Steering Committees and water and agroforestry working groups. There is also a strong connection to the public-private Global Coffee Platform (GCP) and Vietnam Coffee Coordination Board (VCCB), which adopted several landscape sustainability challenges in their multi-year strategies.

### Role of IDH

Sitting on the Steering Committees as vice chairman. Since IDH is also part of the GCP and VCCB, we

are a key force in aligning and exchanging strategies and action points between these different stakeholder groups.

## INDONESIA

### Achievement

- **All landscapes:** Traceability Working Group (TWG) transformed into Landscape Working Group (LWG), with representation of companies from the full palm oil supply chain that will be exploring and developing concepts related to verified sourcing areas and in landscapes applicable across the industry.
- **All landscapes:** IDH engaged with around 30 different palm oil and forestry companies in the development of PPI strategies in the sub-landscapes in which their concessions are located. This resulted in the start of three new pilot projects in West Kalimantan and a number of leads that are expected to mature in 2017.
- **West Kalimantan:** Launch of a partnership for sustainable commodities and landscapes, led by the Governor and supported by oil palm and forestry companies, national government representatives, and the Norwegian and Dutch Ambassadors.
- **South Sumatra:** Commitment of jurisdictional certification project of palm oil in Musi Banyuasin district presented and discussed with growers and buyers at the RSPO Round Table.
- **Aceh:** meeting with major palm oil buyers in the province with sustainability commitments (GAR, Musim Mas, Wilmar) alongside TFT and Rainforest Action Network to discuss potential opportunities and actions required to improve environmental sustainability around Leuser Ecosystem.
- **Aceh:** Established early relations with three palm oil growers in Aceh Tamiang and Timur with whom we have discussed ideas and leads for production-protection finance solutions. Potential PPI pilot projects and areas are being explored with these companies.

### Role of IDH

- TWG and LWG: Initiating the original TWG and taking responsibility for strategic directions, meeting facilitation, and coordinating joint output.
- For all other activities: Directly engaging with companies, enabling discussions between companies with adjacent plantations, and between companies, NGOs, and local and national government.

## Planned activity III

Convene the global business learning group on responsible sourcing areas to develop the sourcing guidelines for these areas with frontrunners.

## BRAZIL

### Achievement

A pilot is being developed with Aprosoja on responsible sourcing areas, based on the work done by FE-FAC under the soy program for area risk analyses.

### Role of IDH

Supporting the development of the field-level project.

### Deviations

For practical reasons, we decided not to develop a global group, but focus on local/landscape-level field testing with partners along value chains.

## INDONESIA

### Achievement

The TWG was re-structured to no longer focus on traceability as such, but on landscape verification.

### Role of IDH

Organizing TWG meetings and bilateral meetings with the member companies to discuss and design the new Working Group.

### Deviations

This strategy was revised, because technical solutions to traceability are not quite clear. However, the purpose of traceability in a landscape context still requires thinking and experimentation. We transformed the TWG into the LWG, focused on the Indonesian landscapes.

#### Planned activity IV

With the support of consultants, develop business and investment cases for companies, governments and financial institutions, both at landscape level and for specific joint actions, and disseminate these to appropriate stakeholders.

### BRAZIL

#### Achievement

To build a pipeline for the de-risking deals, we spoke to a total of 23 investees (financial institutions, investment firms and large agri-business firms), nine of which were shortlisted for pursuing deal-making in the coming months. Concrete business cases are currently being developed by TNC and Syngenta, and Alianca da Terra in cooperation with Marfrig and ADM.

#### Role of IDH

Convening all parties and supporting them in the learning process on production-protection investments.

#### Deviations

For practical reasons, we decided not to develop a global group, but focus on local/landscape-level field testing with partners along value chains.

### LIBERIA

#### Achievement

Following endorsement of the outgrower model proposed by consultants of GROW, by the Liberian cabinet and president in September, the IDH team worked with GVL and an international oil palm finance expert to develop the investment proposal for the first 4,000 hectares of community oil palm, combined with at least 20,000 hectares of forest protection. GVL and IDH pitched the investment to potential investors. Follow up and due diligence is expected 2017.

#### Role of IDH

Getting endorsement from government for outgrower model. Developing investment proposal that raised interest from both private-sector palm oil companies and development finance institutions to invest in community oil palm farms and forest protection.

#### Deviations

Was not included in ISLA Annual Plan 2016.

### KENYA

#### Achievement

- Business case for livestock intensification under development.
- Business case for fencing of the north eastern boundary of South West Mau developed, and buy-in from private sector partners secured.

#### Role of IDH

Commissioning studies to gather insight into the dairy and beef value chain, including a study into the feasibility of a game-proof fence, and convening meetings with the partners to discuss the implications.

#### Deviations

Livestock in general, rather than only dairy cattle, is found to be a main threat to the forest.

### VIETNAM

#### Achievement

A learning workshop was organized in July 2016, in which different companies, donors, and NGOs shared their approaches and knowledge on topics such as agroforestry, water-saving irrigation techniques, and farmer data collection tools. In addition, specific water and agroforestry working groups, in which new technologies and research were presented, were organized in December.

#### Role of IDH

A learning workshop was organized in July 2016, in which different companies, donors, and NGOs shared their approaches and knowledge on topics such as agroforestry, water-saving irrigation techniques, and farmer data collection tools. In addition, specific water and agroforestry working groups, in which new technologies and research were presented, were organized in December. Organizing these meetings and bringing stakeholders together for learning and sharing their (often) individual projects.

#### Deviations

Given the early stage of some of the work on water and agroforestry, further testing and piloting is needed in order to share more meaningful results.

## INDONESIA

### Achievement

The concept of de-risking investments in agricultural production linked to nature protection commitments have been explored with a number of palm, forestry, and rubber companies, resulting in two serious leads in West Kalimantan and Jambi.

### Role of IDH

Putting the production-protection financing in practice, including business development, and initiating the Production-Protection-Inclusion Fund.

#### IMPACT CLAIM 2

- **Increase in public sector investments in the six landscapes, and landscape-scale public-sector investments outside the six landscapes, building on ISLA learnings (2.9).**
- **Improved landscape competitiveness, and reputation of landscape as preferred sustainable sourcing area (2.10).**

#### Planned activity <sup>4</sup>

In each of the six landscapes, convene coalitions between key stakeholders to effectively facilitate policy dialogues and jointly work on sustainable land and water management.

## BRAZIL

### Achievement

This is part of the work done under the PCI Coalition.

Meetings with the Agricultural, Environmental and Foreign Affairs Ministries and the Brazilian Development Bank (BNDES) to promote the PPI Fund, of which the Environmental Ministry (MMA), Minister Maggi of the Agricultural Ministry, and the Brazilian Trade and Investment Promotion Agency (APEX) President Roberto Jaguaribe, endorsed the Fund at the World Economic Forum (WEF).

### Role of IDH

Acting as member of the PCI and sitting on the Strategic Committee.

### Deviations

Instead of IDH being the lead convener, we finance the PCI secretariat.

## LIBERIA

### Achievement

- **South East:** Out of the three Liberian landscapes, strongest progress was made in the South East, driving the PPI approach into reality. The partnership for the South East has solidified, with an active role played by Golden Veroleum Liberia (GVL), the FDA national team and full-time seconded staff in the landscape, and the teams of the contracted implementation partners, Flora and Fauna International and Liberian NGO Parley.
- **Nimba:** good progress was made on implementing a second round of conservation agreements, implemented by the Liberian office of Conservation International. Six conservation agreements were renewed, and four new conservation agreements were signed, between communities, the government, Arcelor Mittal and Conservation International. In these agreements, commitments are laid out on environmental protection, in exchange for livelihood support.

### Role of IDH

**South East:** drafting a free, prior and informed consent-based decision-making process, based on which the program partners provide information and build capacity with communities prior to the decision being made on the loan and forest protection agreement.

### Deviations

Was not included in ISLA Annual Plan 2016.

## CÔTE D'IVOIRE

### Achievement

- At national level, the Supervisory Committee is established and functioning, overseeing the program. The Technical Committee is discussing and developing the building blocks for the program.
- Initial discussions had with rubber sector (SIAT).
- MOU signed with SEP-REDD.

<sup>4</sup> This activity was formulated when the landscape program still only covered six landscapes. During 2016, five landscapes were added, totalling 11 landscapes across seven countries.



- Launch of national cocoa platform working group on environment and climate change led by SEP-REDD and Conseil Café Cacao, IDH and WCF as secretaries.

#### Role of IDH

Running the secretariat of the Supervisory Committee and Technical Committee, and ensuring these are well functioning and action oriented.

#### Deviations

Launch of the regional platform in Cavally (region in the landscape) has been postponed for several reasons, including unrest in the country and regional elections limiting the availability of many public officials.

### ETHIOPIA

#### Achievement

The coalition in Ethiopia consists of key public and private sectors. The active role of the private sector is unique to previous efforts and other initiatives in the landscape. Issues like the Water Allocation Plan have been discussed for the first time in Ethiopia with private sector partners on the ISLA coalition. Formalization of the governance structure and branding under development with partners.

#### Role of IDH

Convening public and private partners in the landscape in a multi-stakeholder coalition. Bringing to the table the discussion on the Water Allocation Plan by inviting water experts from the Nile Basin Initiative as well as Imarisha Naivasha basin.

#### Deviations

- High-level stakeholder meetings take place less frequently than planned as the focus has been on developing the right landscape interventions, for which smaller technical working groups were found to be more effective.
- Unrest in the country and the announcement of state of emergency affected implementation for a while, but the situation has since calmed down and our activities are back on track.

### KENYA

#### Achievement

- The ISLA Kenya board – consisting of public and private partners – jointly formulated an action plan. Quarterly ISLA board meetings are ongoing.
- ISLA started a dialogue with the central government and aims to have meetings with relevant ministers in 2017.
  - Government-level stakeholder meetings were held with the Cabinet Secretary of the Ministry of Environment and Natural Resources; funding and coordination support to ISLA Kenya was promised.
  - Visit by the Principal Secretary of the Ministry of Water and Irrigation to South West Mau.
  - Visit of the Dutch Ambassador to South West Mau; support in national-level convening.

#### Role of IDH

Hosting quarterly board meetings; organizing a series of meetings in February 2016, bringing together knowledge and stakeholders to decide on elements of an action plan.

### VIETNAM

#### Achievement

- The public-private Steering Committee in Lam Dong Province has defined a long-term vision for sustainable agriculture and natural resource management in 2025, with medium-term targets for 2020. We are working to establish a similar governance structure in Dak Lak Province.
- A dialogue led to the development of policy experiments on water pricing and water allocation in the Da Nhim river in Lam Dong Province – the first of its kind in Vietnam. A draft action plan was delivered and discussed with stakeholders in December 2016.

#### Role of IDH

- Sitting on the Steering Committee(s) as vice chairman, facilitating the meetings, and providing strategic direction and advice when requested by stakeholders.
- Contracting researchers and water experts from the Australian National University to develop the action plan in collaboration with the Ministry of

Agriculture and Rural Development. IDH ensures links between the research and the co-funded policy experiment project(s).

## Deviations

Water pricing is a complex topic that requires, in addition to the availability of good-quality data on water resources and water usage, new approaches and policies that have not been implemented before in Vietnam. It also requires serious knowledge and capacity development of the government to ensure that they understand the rationale behind policy recommendations, and are able to adjust to new policies based on implementation experiments. It has proven to be too ambitious to complete policy development and start implementing these in the same year (2016). We foresee that this will continue into 2017 and 2018.

## INDONESIA

### Achievement

- **South Sumatra:** a provincial-level green growth plan has been developed, with support from ICRAF, contracted by IDH. The plan was nearly completed in 2016 and presented at the COP 22 in Marrakech.
- **West Kalimantan:** development of green growth plan was started. The bupati of Musi Banyuasin district committed to achieve jurisdictional certification in 2020, starting with Lalan sub-district in 2018.
- **Aceh:** MOU was signed with the bupati of Aceh Timur.
- **Some major new policies have been developed:**
  - **South Sumatra:** PERDA (provincial regulation) forbidding land users from using fire to clear land.
  - **South Sumatra:** the government is conducting audits on forest and peat fire preparedness, based on the new guidelines and requirements at provincial level.
  - **West Kalimantan:** PERDA (provincial regulation) on “sustainable natural resource-based businesses” that will legally require any natural resource-related businesses to protect and keep high conservation value areas (HCVAs) in their concessions areas.
- **National level:** Perdirjen (DG Decree) on mangrove silviculture management, and signing of a co-funding agreement to model a public-private

partnership project in Kubu Raya district, West Kalimantan that will serve as an example for implementation of the decree.

### Role of IDH

- For South Sumatra and West Kalimantan green growth plans: convincing the governors of both provinces of the need for a green growth plan, and contracting consultants for technical assistance. Enabling multi-stakeholder discussions during plan development.
- For jurisdictional certification in Lalan: supporting the bupati of Musi Banyuasin with research, stakeholder convening, and development of a jurisdictional certification action plan for this district.
- For Aceh: discussing with Bupati of Aceh Timur and drafting the MOU.
- For all mentioned policies: supporting research, lobby and advocacy work behind issuance of policies and legislation. The mangrove policy was the deliverable in a project that IDH supports, led by WWF in Kubu Raya district, West Kalimantan province.

### Deviations

**Aceh:** provincial and district elections in February 2017 have prevented further meaningful political engagement since September 2016.

### Planned activity II

Facilitate policy dialogues in four landscapes (Brazil, Indonesia, Kenya, and Côte d'Ivoire) between public, private and civil stakeholders to enable better enforcement of existing laws that protect the forest.

## BRAZIL

### Achievement

This is part of the work done under the PCI Coalition. To better implement the forest code, validation of the properties registered in the Cadastro Ambiental is essential. Currently, 112,000 properties are registered in CAR database, of which only 1,700 have been analyzed and 69 verified, so CAR validation has been lagging behind. Of the 69 verified, 17 producers are awaiting approval of their PRADA. SEMA's objective is to have a system for CAR validation, which will result in an automatic PRADA, ready by March 2017. 20,000 CARs are estimated to be validated by the end of 2017.

### Role of IDH

Acting as member of the PCI Coalition and providing input (technical, partners) on this work stream.

### Deviations

Enforcement of the Forest Code is done by a government institution named IBAMA, which is suffering from severe budget cuts.

## LIBERIA

### Achievement

Ongoing government dialogue on:

1. national forest definition (to include HCV/HCS);
2. legal status of protected forest under the PPA;
3. community land rights and border dispute resolution;
4. outgrower taxation.

### Role of IDH

Flagging need for policy change, finding partners to enable change, and supporting/taking the lead on discussing issues and possible solutions with policy makers.

### Deviations

Was not included in ISLA Annual Plan 2016.

## CÔTE D'IVOIRE

### Achievement

Successful Agroforestry Forum in Soubré was held, followed by a high-level meeting in Abidjan. A learning brief on the status of agroforestry in Côte d'Ivoire developed by consultants of Kinome/ Ecotierra. The promotion of agroforestry cocoa production systems was extensively discussed, as well as the applicability of the new Forestry Code in Côte d'Ivoire.

### Role of IDH

Organizing and funding the Agroforestry Forum, and bringing together over 70 public and private partners from various sectors, such as cocoa, forestry, timber and rubber.

## CÔTE D'IVOIRE

### Achievement

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### Role of IDH

Organizing and funding the Agroforestry Forum, and bringing together over 70 public and private partners from various sectors, such as cocoa, forestry, timber and rubber.

## KENYA

### Achievement

Public and private partners are collaborating to improve policy enforcement in the landscape. Aerial surveillance flights help to guide security operations in the forest, involving magistrates KWS, BSP and KFS staff.

### Role of IDH

Developing and co-funding activities together with stakeholders.

### Deviations

Study on policy suspended; further studies of the livestock value chain were prioritized.

## INDONESIA

### Achievement

- Establishment of Forum KEE (Essential Ecosystem Zone) in West Kalimantan, creating a legal and action framework for protection of forest and peat areas outside national parks and nature reserves. KEE is backed up by existing national legislation.
- Public and private partners are collaborating to improve policy enforcement in the landscape. Aerial surveillance flights help to guide security operations in the forest, involving magistrates KWS, BSP and KFS staff.

#### Role of IDH

Supporting organization of private sector and civil society stakeholder engagement by the Forum, and in the development of indicative KEE maps.

#### Planned activity III

Form partnerships with relevant government partners in each of the six landscapes to support effective land-use management planning and implementation.

### BRAZIL

#### Achievement

Strategic consultancy on the implementation of the PCI's targets will be finalized in Q2 2017. The study is divided into two major activities:

1. A diagnosis phase, which comprises identifying initiatives and projects that are currently ongoing in the state of Mato Grosso, as well as mapping the actors involved and the actual financial resources for these activities. The aim of this phase is to deliver a baseline diagnostic of the state initiatives.
2. A planning phase to structure and plan how the PCI can be implemented. The aim of this phase is to deliver an implementation plan for 2017-2030, including land-use management planning.

#### Role of IDH

Convening public and private partners in the PCI, providing finance for the studies, and developing a pipeline for implementation.

### LIBERIA

#### Achievement

- Close cooperation with National Bureau for Concessions (NBC), Forestry Development Authority, and Ministry of Agriculture, through setting up Steering Committee, implementing the program in the landscapes, and signing of MOUs.
- A cooperation agreement was signed between IDH and the FDA, formalizing our partnership for the next five years, ensuring continued strong collaboration. A similar agreement will be signed with the Ministry of Agriculture in 2017.

#### Role of IDH

Developing a program of work with the government partners as part of the cooperation agreements and the Steering Committee

#### Deviations

Was not included in ISLA Annual Plan 2016.

### CÔTE D'IVOIRE

#### Achievement

Discussions have started to work towards a green growth plan for Cavally. The Ministry of Planning developed a proposal to improve land-use planning in Cavally on the basis of a regional management plan (*schéma régional*).

#### Role of IDH

- Initiating the development of a green growth plan for the landscape (Cavally region) and discussing the development of an MOU with partners.
- Developing a joint action plan with the Ministry of Planning on land-use planning in the landscape (*schéma régional*).

#### Deviations

Discussions with stakeholders and the Ministry of Planning are ongoing; together with political tensions, the formalization has been delayed.

### ETHIOPIA

#### Achievement

IDH facilitated the hiring of consultants to help develop an action plan for the Water Allocation Plan (WAP) that the Rift Valley Lakes Basin Authority (RVLBA) intends to develop for the Ziway Shalla Sub-basin. A strategic partnership with Wetlands International was initiated.

ISLA also enabled capacity-building training for municipality officials on solid waste management in Ziway town.

#### Role of IDH

- Building relations with government (agencies) both at local and national levels; organizing an experience-sharing visit to Lake Naivasha in Kenya for the RVLBA; and facilitating and co-hosting a consultative meeting on the Water Allocation Plan for RVLBA.

- Commissioning and co-funding the development of an action plan for the WAP.

#### Deviations

IDH to formalize long-term collaboration with RV-LBA, WI and Waternet, to align on capacity building of the RVLBA and the development of a Water Allocation Plan.

### KENYA

#### Achievement

- Close engagement of KFS, KWS, and WRMA; relationships with county governments in the landscape strengthened and to be formalized in an MOU.
- At the national level, meetings with ministries have taken place to mobilize national endorsement and support for the program.

#### Role of IDH

Building relations with government (agencies) both at the local and national levels.

#### Deviations

Formalization of partnerships with counties pending. Setbacks have been caused by changes in the political situation.

### VIETNAM

#### Achievement

An agreement has been made between IDH, DARD, and VnSAT to pilot participatory land-use planning in Gung Re commune, Di Linh district in Lam Dong Province, supported by Tropenbos Vietnam. The pilot will start early 2017.

#### Role of IDH

Bringing two companies and the government together in this project, and providing co-funding for its implementation.

#### Deviations

Bringing two companies and the government together in this project, and providing co-funding for its implementation.

### INDONESIA

#### Achievement

Partnerships, backed up by MOUs, have been formed with the provincial governments of South Sumatra and West Kalimantan, and the district governments of Musi Banyuasin (South Sumatra) and Aceh Timur (Aceh). With these governments a number of policies, green growth plans, and multi-stakeholder platforms are being or have been developed as listed under planned activity II of impact claim 2.

#### Role of IDH

Building relationships with governors, bupati, and civil servants; facilitating dialogues between the private sector, NGOs, and the government; providing technical support for plans and policies via consultants and implementing partners contracted via IDH.

#### Deviations

Aceh: provincial and district level elections in February 2017 have prevented further meaningful political engagement since September 2016.

#### Planned activity IV

**With the help of consultants and stakeholders, design the most suitable governance and supporting investment structure that enables the multi-stakeholder coalition or (if needed) an additional entity to develop projects, and attract and manage investment and grants – with a long-term (2025) horizon.**

### BRAZIL

#### Achievement

During the development of the roadmap in 2017, a governance study will be done to identify reference models and the best model for PCI. This study will be used as a baseline for a deeper legal discussion on this subject.

#### Role of IDH

Co-funding the consultancy, convening the partners, and supporting the secretariat in fundraising.

#### Deviations

As the Executive Secretary of the PCI was only elected in September and agreement of all stakeholders on the governance is required, this did not happen in 2016, but is anticipated for 2017.

## LIBERIA

### Achievement

A proposal for a long-term investment board and advisory committee has been developed, and is being refined in 2017.

### Role of IDH

Convening and supporting the design of the governance of the investment, and leading NGO engagement and community input into the design process.

### Deviations

Was not included in ISLA Annual Plan 2016.

## CÔTE D'IVOIRE

### Achievement

The Supervisory Committee and Technical Committee are functioning; the committees are chaired by public stakeholders to ensure long-term sustainability.

### Role of IDH

Supporting the Supervisory and Technical Committees.

### Deviations

Discussions on financing the coalition to be held.

## ETHIOPIA

### Achievement

The stakeholder coalition is being formalized into a Supervisory board for the landscape, overseeing the activities in the landscape.

### Role of IDH

IDH drafted a governance structure to be approved by partners in January 2017.

### Deviations

Was not included in ISLA Annual Plan 2016.

## KENYA

### Achievement

The registration of the ISLA Kenya coalition as a trust is in the final stages of the process.

### Role of IDH

Supporting the process of trust registration

### Deviations

Legal registration process is time-consuming; financial setup to be discussed.

## INDONESIA

### Achievement

In South Sumatra, the governor's team developed a governance structure in which different government agencies ensure the work of donors, NGOs and the private sector is aligned. In the longer term, this structure may be reformed to a provincial-level trust fund for sustainable landscape development.

### Role of IDH

In South Sumatra, the governor's team developed a governance structure in which different government agencies ensure the work of donors, NGOs and the private sector is aligned. In the longer term, this structure may be reformed to a provincial-level trust fund for sustainable landscape development. Facilitating connections with other sources of funding, including private investments or funds of other donors, including the World Bank and UNREDD, for example.

### Deviations

Green growth strategies and performance monitoring and verification systems are a precondition for any investment in a landscape. This needs to be worked on first before large-scale investment can be attracted.



### IMPACT CLAIM 3

Improved land and water use within public-private governance pilots executed by partners in the landscapes.

### Planned activity I

Start prototype projects co-funded by (private, public and impact) investors in at least two of the four landscapes (Côte d'Ivoire, Indonesia, Vietnam and Brazil).

## BRAZIL

### Achievement

IDH has contracted pilots with:

1. Amaggi and Aliança da Terra to create verified soy sourcing areas based on implementation of the Forest Code Regularization Program (PRA) and FEFAC sourcing guidelines (totaling 135,000 hectares);
2. Grupo Roncador (beef producer) and The Nature Conservancy (TNC) contracted to support calf suppliers to intensify production and implement PRA (total 300,000 hectares).

Four field-level projects are in development, all on restoration/intensification: one with São Marcelo (cattle rancher) and Carrefour in and around Jurueña; one with ICV in the Alta Floresta region; one with IPAM/ISA, Rabobank, EII, Cargill and Amaggi, in the municipality of Querência; and one with Aprosoja on legal compliance in soy connected to FEFAC. All pipeline projects are being prepared for investment, potentially as de-risking or other investment models.

### Role of IDH

Convening partners specifically on key interventions, and supporting them in the development of projects that are crucial for our proof of concept.

## CÔTE D'IVOIRE

### Achievement

- Barry Callebaut and CEMOI started the implementation of projects about intensification and diversification of cocoa farms in the landscape
- Ongoing pilots on agroforestry systems (with Barry Callebaut and CEMOI), the New Forest Code (with CEMOI), sensitization of communities and surveillance of the forest (with World Chimpanzee Foundation) underway.
- Pilot with SODEFOR on forest mapping of the forest reserve Goin Debe and forest surveillance in forest reserve of Cavally in contracting phase.
- Pilot with Ministry of Planning and Regional Council on regional land-use plan for Cavally for people, forest and agriculture under development.

### Role of IDH

Co-developing proposals, and facilitating dialogue with the public sector.

### Deviations

Implementation of projects by public partners (SODEFOR/Ministry of Planning) took longer than expected and are under development.

## ETHIOPIA

### Achievement

- Joint actions started: Reforestation (with Castel winery), Solid Waste Management (Sher and flower growers), GLOBALG.A.P. (Meki Batu Coop Union, EPHEA), Water Allocation Plan development started by capacity building visit to Kenya.
- Reforestation and community alternative income-generating activities started with Castel Winery and Adami Tulu Jido Kombolcha district agriculture office; Sher, Verde Beef, and flower growers to join in the following year to scale up the activities with Castel Winery.
- Municipal Solid Waste Management pilot with flower growers is successfully implemented, up-scaling to other areas in the landscape, and placement of additional bins is under development.
- Global Good Agricultural Practices (GLOBALG.A.P.) certification with MBCU cooperatives to certify fruit and vegetable-growing smallholders under GLOBALG.A.P. standard for smallholders started. Experts on agrochemical use, coordination and pack-house management at

MBCU hired; hygiene facilities (farm-level toilets) and input stores installed; trainings on safe agrochemical use, internal audit started.

- Water Allocation Plan for the Ziway sub-basin, strategic partnership between IDH, Wetlands International and Waternet under development to support the RVLBA. Key activities that took place in 2016 include:
  1. Experience-sharing visit of Ethiopian RVLBA delegation to Imarisha Naivasha in Kenya took place.
  2. Generation Integrated Rural Development Consultants (GIRDC) started to develop a Water Allocation Action Plan together with RVLBA.
  3. Consultative meeting co-organized by IDH and Wetlands International for the Rift Valley Lakes Basin Authority to get water experts' inputs on Water Allocation Plan development.
  4. The Economics of Ecosystems and Biodiversity (TEEB) workshop hosted by Wetlands International and RVLBA in Hawassa.

#### Role of IDH

Co-developing proposals, and facilitating dialogue with the public sector.

#### Deviations

Implementation of projects by public partners (SO-DEFOR/Ministry of Planning) took longer than expected and are under development.

### KENYA

#### Achievement

Joint actions started: adopt-a-forest (UTK, Finlays, KTDA, TMA); quarterly aerial surveillance flights continued; an additional Bongo team added to strengthen forest surveillance (Rhino Ark); phase 1 of water conservation started (GIZ).

Developing and co-funding projects together with partners and stakeholders.

### VIETNAM

#### Achievement

Four projects with different coffee exporters have been contracted, addressing agroforestry and intercropping, water-saving irrigation and water harvesting, as well as fertilizer and agrochemical use, have been contracted. Two additional projects on participatory land-use planning and irrigation service models in Lam Dong will start in the first half of 2017. A project on piloting water pricing in a vegetables cooperative in Lam Dong together with the Ministry of Agriculture and Rural Development, and a pilot project on participatory land-use planning at commune level, will start in the first half of 2017.

#### Role of IDH

- Organizing a call for proposals and subsequently working intensively with the project proponents to strengthen the design of the projects to make sure they have impact at landscape level.
- Designing a cross-project structure to capture learnings and get partners from the different projects to work together.

#### Deviations

The time between the launch of the call for proposals for field-level projects and the actual contracting of proposals was longer than expected. All proposals needed one or more rounds of qualitative improvement. Only in June/July 2016 could the first contracts be signed.

### INDONESIA

#### Achievement

- West Kalimantan: start of three new pilot projects with PT PAS, Bumitama and Aidenvironment, Sampan Kalimantan, and continuation of one ongoing project with WWF and a number of forestry companies, all addressing production, peat and forest protection, and social inclusion in different sub-landscapes in West Kalimantan.
- South Sumatra/Jambi: two ongoing projects with Asian Agri and Indofood Agri/Lonsum focusing on sustainable palm oil supply sheds and RSPO-certification of smallholders in South Sumatra and Jambi, and one project focusing on community-based restoration of peat and forest with APP in Jambi.

### Role of IDH

Developing project concept and strategy, monitoring and managing project, enabling connections between direct project partners and other stakeholders, in particular government and adjacent companies that are not (yet) part of the project.

### Planned activity II

With the help of consultants, support the coalitions to design investment vehicles for the landscapes.

## BRAZIL

### Achievement

The design for the financial facility in Brazil is ready, well-tailored to the financial market in Brazil, and aligned with the financial instruments that already exist in the country. The basic metrics around the financial leverage, investment criteria and hectares/euro are ready. There is an initial discussion on a de-risking project in Para state.

### Role of IDH

Designing the PPI Fund, the metrics and criteria, and securing political support at State (Governor) and Federal level (Ministry of Agriculture, Ministry of Environment).

## LIBERIA

### Achievement

The IDH team worked with GVL and an international oil palm finance expert to design the investment vehicle, which will most likely be a Liberia-based special purpose vehicle. The aim is for the vehicle to be established in 2017.

### Role of IDH

Leading the design, supported by a consultant, building on the GROW community needs assessment report and community visits.

### Deviations

Was not included in ISLA Annual Plan 2016.

## LIBERIA

### Achievement

The IDH team worked with GVL and an international oil palm finance expert to design the investment vehicle, which will most likely be a Liberia-based special purpose vehicle. The aim is for the vehicle to be established in 2017.

### Role of IDH

Leading the design, supported by a consultant, building on the GROW community needs assessment report and community visits.

### Deviations

Was not included in ISLA Annual Plan 2016.

### Planned activity III

In five landscapes, start developing and implementing alternative livelihood and economic development models for smallholders that are affected by changes in land-use planning – focusing on income diversification and bankability.

## LIBERIA

### Achievement

Recruitment of the IDH program Food Security and Income Diversification expert (whose purpose is to support diversified land use, and to reduce the need for shifting cultivation and hunting activities), and signing of the Cooperation Agreement with the FDA, formalizing our partnership for five years, ensuring continued strong collaboration.

### Role of IDH

Forming a partnership with the Liberian Ministry of Agriculture to develop farmer field schools that deliver alternative livelihood and economic development options.

### Deviations

Was not included in ISLA Annual Plan 2016.

## CÔTE D'IVOIRE

### Achievement

- Barry Callebaut and CEMOI started implementing projects about intensification and diversification of cocoa farms in the landscape.
- IDH's service delivery model expanded with an agroforestry module, yielding initial results on existing models in Côte d'Ivoire.

### Role of IDH

Co-developing proposals, and facilitating dialogue with the public sector.

### Deviations

Implementation of projects by public partners (SO-DEFOR/Ministry of Planning) under development.

## ETHIOPIA

### Achievement

- In Ethiopia, a pilot started on GLOBALG.A.P., improving income for smallholders.
- As part of the reforestation activities, communities are trained on alternative income-generation activities.

### Role of IDH

Supporting the development of the reforestation project (coordination, selection of sites), and GLOBALG.A.P. (developing business model, coordination).

## KENYA

### Achievement

- Alternative income-generating opportunities are part of some adopt-a-forest initiatives; communities are trained on bee-keeping.
- Studies show that the main threat to the forest is livestock in general rather than dairy cows; livestock intensification models are being developed.

### Role of IDH

Commissioning studies to understand the livestock (beef and dairy) value chain; a call for proposals to further develop the work stream was organized at the end of 2016.

### Deviations

In 2016, the livestock value chain was studied and mapped; further development of models and implementation is expected in 2017/2018.

## INDONESIA

### Achievement

West Kalimantan: three projects work with communities in sub-landscapes on alternative livelihood/economic development improvement activities.

### Role of IDH

Actively co-designing the projects, convening the partners at the landscape level, and providing co-finance.

### Key achievement on improved landscape governance

In Brazil, Mato Grosso state, the PRA legislation was launched and the Produce, Conserve and Include (PCI) Coalition was formalized with a decree. In Indonesia, at national level, IDH supported issuance of Perdirjen (Director General of Forest Production Decree) on mangrove silviculture management, and signed a co-funding agreement to model a public-private partnership project in Kubu Raya district that will serve as an example for implementation of the decree. In South Sumatra, IDH has done lobbying and advocacy work behind the issuance of a PERDA (provincial regulation) forbidding land users from using fire to clear land. The PERDA No.54/2016 was approved by the national government in March 2016.

#### Planned activity IV

In five landscapes (Brazil, Indonesia, Kenya, Vietnam and Côte d'Ivoire), start HCV conservation projects at landscape scale – creating coalitions of public and private stakeholders that prototype the development and execution of management plans of forest areas both on-farm/plantation (multiple-use management) and off-farm (corridors, buffer zones).

### BRAZIL

#### Achievement

As mentioned under planned activity I of impact claim 1, there are currently two pilots in Mato Grosso. Grupo Roncador had already started creating a multi-stakeholder coalition, the Liga d'Araguaia. This will be further built on in 2017, but the coalition will be the basis for more conservation and investment, including the development of corridors.

#### Role of IDH

Supporting the development of the Liga d'Araguaia in 2017 by providing technical support and convening stakeholders.

### LIBERIA

#### Achievement

- Started development of the forest-protection plan and land-use plan related to the community oil palm outgrower loan.
- West: in January 2016, Sime Darby and IDH agreed to collaborate on detailed mapping of carbon stock in the landscape, through LIDAR. Although a LIDAR company was contracted, the study could not be carried out due to delays the contracted organization had when applying for government permits, and lack of flights during the rainy season. Results are now expected in April-May 2017.
- To date, two sites have been identified for the first outgrower pilots. The opportunity to continue with these communities now depends on the outcome of the carbon stock mapping research.
- Meanwhile, SDPL is not participating in the outgrower scheme and production-protection design process, and is a member of the Steering Committee and the FFB pricing working group.

#### Role of IDH

Contracting Flora and Fauna International to work with the first proposed outgrower community to develop the forest-protection plan and land-use plan, while providing technical guidance throughout.

#### Deviations

Was not included in ISLA Annual Plan 2016.

### CÔTE D'IVOIRE

#### Achievement

- Partners in the landscape are discussing laying a foundation for a green growth plan for the region in an MOU.
- The Ministry of Planning developed a proposal to improve regional landscape planning on the basis of a *schéma régional*.

#### Role of IDH

- Initiating the development of a green growth plan for the landscape (Cavally region) and discussing the development of an MOU with partners.
- Developing a joint action with the Ministry of Planning on land-use planning in the landscape (*schéma régional*).

### KENYA

#### Achievement

Southern Mau conservation area proposal developed by Rhino Ark, covering 100,000 hectares (South West Mau, Western Mau, and Transmara).

#### Role of IDH

Discussing proposal with key partners including KFS.

#### Deviations

- The development of an integrated management plan for the South West Mau forest is on the agenda.
- ISLA's initial focus is on South West Mau, before moving onto a wider conservation area, including Western Mau and the Transmara Forest block.

## INDONESIA

### Achievement

West Kalimantan: four projects are being implemented.

### Role of IDH

Actively co-designing the projects, convening the partners at the landscape level, and providing co-finance.

### Planned activity V

In three (Vietnam, Côte d'Ivoire and Kenya) out of six landscapes, start scalable projects on agroforestry.

## CÔTE D'IVOIRE

### Achievement

Ongoing pilots on agroforestry systems (with Barry Callebaut and CEMOI)

### Role of IDH

Co-developing projects, co-funding, and building bridges between private and public partners.

## KENYA

### Achievement

NA

### Role of IDH

NA

### Deviations

The priority in Kenya is reforestation with indigenous trees. Agroforestry trees might become part of the strategy in the coming years

## VIETNAM

### Achievement

Vietnam All four field-level projects with coffee exporters will introduce agroforestry in mono-cropping coffee farms.

### Role of IDH

Organizing and funding complementary research on agroforestry systems and the development of a model to simulate/ calculate the economic benefits of agroforestry/ intercropping on coffee farms. These outputs have been shared in an agroforestry working group in which the implementing companies and independent experts participate.

### Deviations

The projects with coffee exporters started late, and the tree-planting season ended soon after the starting date of the projects. Tree planting in demo plots was therefore delayed to 2017.

### Planned activity VI

In two out of three landscapes (Brazil, Kenya and Ethiopia), develop scalable projects to reforest the landscape.

## BRAZIL

### Achievement

This is part of both of the projects contracted, and of all the projects in the current pipeline. In the Alianca da Terra project, the target is to reforest 540 hectares of APP. With TNC, 1,000 hectares of APP will be reforested. In both projects, all farmers will submit their PRADAs or plans to recover all of the current liabilities.

### Role of IDH

Bringing partners (private, public, civil) together on the restoration agenda and design of the project. Providing technical assistance and convening support.

## ETHIOPIA

### Achievement

IDH and Castel started reforestation activities in the landscape, in collaboration with the district agricultural office, coordinated by HoA-REC. This has good potential to scale up.

### Role of IDH

Developing the project together with Castel, and providing co-funding. Scoping for an IP to coordinate field activities and take care of reporting.



### Deviations

Reforestation with flower growers was postponed for a year as they have engaged with Solid Waste Management's pilot as a starting point.

## KENYA

### Achievement

The adopt-a-forest initiative has started to rehabilitate degraded forest blocks; micro-fences are built to protect young trees against livestock. Scaling up of the initiative to other areas of the forest is under discussion.

### Role of IDH

Developing initiatives with partners, and exploring possibilities for scaling.

### Planned activity VII

In two landscapes (Ethiopia and Vietnam), train farmers on water-saving irrigation techniques.

## ETHIOPIA

### Achievement

As part of the GLOBALG.A.P. project, farmers receive training on water-saving irrigation techniques, even using the conventional furrow in an improved manner.

### Role of IDH

Co-developing the GLOBALG.A.P. project.

### Deviations

Project on water-saving irrigation techniques (drip) postponed, due to lack of business case.

## VIETNAM

### Achievement

Tests and training on water-saving irrigation techniques are included in the four projects with coffee exporters, as well as in the project to be started with the vegetable cooperative in Lam Dong on water pricing and irrigation services.

### Role of IDH

Organizing several meetings in which results from ongoing water-saving irrigation pilots were presented and discussed among project implementers and independent experts in the water working group. Co-funding the aforementioned pilot projects.

### Deviations

The projects will only start training farmers in 2017. Projects first focus on testing the feasibility of applying drip and sprinkler irrigation on coffee farms. There is no substantial evidence yet about the advantages and disadvantages of such systems and their effect on the business of coffee farmers.

### Planned activity VIII

In one landscape (Ethiopia or Vietnam), start a project to prevent excessive or illegal use of agrochemicals by farmers.

## ETHIOPIA

### Achievement

As part of the GLOBALG.A.P. project, farmers receive training on responsible agrochemical management.

### Role of IDH

Co-developing the GLOBALG.A.P. project.

### Deviations

Pilot project on responsible agrochemical management with PAN Ethiopia postponed to 2017/2018 - awaiting co-financing funds from PAN Ethiopia.

## VIETNAM

### Achievement

- The excessive use of fertilizer is being addressed by three out of four of the coffee exporters' field-level projects. In addition, an issue analysis of agrochemical use across different crops in Lam Dong has been finalized, and will serve as a basis for planning further field-level and policy interventions.
- The development of fertilizer and soil tests as a service to farmers contributing to reduced ferti-

lizer use is part of two projects with coffee exporters.

- An issue analysis of agrochemical trade and use in Lam Dong province has been completed, and will provide the basis for future interventions supported by ISLA and IDH's commodity programs.

#### Role of IDH

Contracting consultant Fresh Studio to conduct the agrochemicals issue analysis and baseline assessment, and playing an active role in conveying the conclusions to the relevant stakeholders, most importantly the government. Co-funding the projects with the coffee exporters.

#### Deviations

Although the activities have started, field-level interventions will only start in 2017, due to the late start of all projects.

## Link to IDH impact themes



**Smallholder livelihoods:** In all landscapes, communities and smallholders take center stage in the design and implementation of the program. All projects are implemented with the aim to improve and diversify income, secure land and tree ownership, and ensure strong links to product supply chains.



**Mitigation of deforestation:** In all landscapes except Ethiopia and Vietnam, field-level projects have started that focus on forest protection. These range from re-creating eco-corridors, reforestation of degraded lands, training forest guards, putting forest monitoring systems in place, and designing policies that help protect forests.



**Responsible agrochemical management:** In two landscapes, field-level projects have started to reduce the use of agrochemicals and prevent the use of banned chemicals. Work on supporting government policy on agrochemicals has also started.



**Gender equality and empowerment:** Gender is a focus across all areas of the landscape program, as women play a crucial role in implementation.

While improved water quality and quantity is not an organization-wide IDH impact theme, it is an important issue addressed in three landscapes (Ethiopia, Vietnam, and Kenya). In these landscapes water conservation is embedded in field-level projects, testing water saving techniques, water allocation plans, water quality improvement, and water supply to farmers and communities.

## Lessons Learned

- Building complex multi-stakeholder coalitions on landscape management requires time. This relatively new way of working together between multiple sectors and government needs time to: develop trust between partners; design interventions that are beyond direct interests and/or spheres of influence (e.g. investment beyond farm gate); and engineer the business case (economic, political, social).
- The merging of commodity programs (palm oil, soy, tropical timber, pulp & paper) into the landscape program has generated sufficient leverage to bring companies on board and to scale up interventions related to other commodities like tea, cocoa and coffee. This link adds value to stakeholders.
- The conceptual development of the PPI Fund has opened doors to the highest levels in government and companies, has created momentum far beyond what was expected, and is expected to be a key enabler for impact at scale.

## Deviations from the program strategy 2020

The strategy in the landscapes themselves did not change significantly, but the strategy did change in terms of including the commodity programs and link to innovative finance. Since the NICFI-funded program had not yet been approved at the time of writing the Annual Plan 2016, these activities have not been derived from the Annual Plan 2016, but instead from the NICFI program proposal.

## Risk Assessment

Risk	Mitigating action undertaken
Private sector partners do not co-invest in key actions.	It has taken significant time to design landscape-level interventions that appeal to the private sector and deliver impact at landscape level, because investments beyond farm gates are required by the private sector – and these are often seen initially as public-sector responsibilities. The technical working groups have proven very successful in helping design the interventions.
Public sector partners do not co-invest in key actions.	Since the start of the program, governments are included in all landscapes and co-invest based on their own agendas. The program can only succeed if governments own the process.
Lack of commitment from key stakeholders.	The multi-stakeholder platforms have shaped their targets, implementation road maps and action plans together with key stakeholders. This has taken time, but leads to commitment.
Negative publicity or activities around the program give the program a negative image, resulting in reputational damage to the local coalition.	This has not happened as a very inclusive approach, involving multiple stakeholders in program or project design and implementation, has been implemented from the outset of the program.
Actions do not have an impact at landscape level, only farm/plantation level.	This risk was countered by investing significant time in bilateral meetings, bringing key partners together in small groups, technical working groups, and constant dialogue in the coalitions.
The governance group only selects joint actions serving their own interests.	This is countered by designing joint actions based on the needs for the landscapes KPIs as per the action plans developed by the multi-stakeholder coalitions.
Land-use planning of the landscape is not implemented.	This work starts in 2017. By incorporating this into the field-level projects, land-use planning must be implemented.

## Result Measurement Framework

The IDH-NICFI partnership and funding was only approved after the IDH Annual Plan for 2016 had been finalized. The program proposal to NICFI included new KPIs that were different from the IDH Result Measurement Framework (RMF) at that time. In late 2016, the IDH RMF was updated, merging or replacing certain KPIs. As a result, the KPIs that were included in the Annual Plan 2016, and for which targets were set, are now no longer part of the IDH RMF. In addition, rather than reporting at program level, reporting in the new program phase (2016-2020) will be done at landscape level.

Therefore, the 2016 targets for the landscape program are set at a program level, whereas the 2020 targets are set at a landscape level. Another result of the increased funding for the landscape program through the NICFI partnership is that most 2016 targets have been exceeded. Finally, because Liberia – as a landscape 100% funded through the NICFI partnership – was only added after the Annual Plan 2016 was finalized, the Liberia landscapes have no RMF KPIs to report on for this the 2016 Annual Report.

# Landscape Program KPI Overview

#	Key Performance Indicator	Target 2016	Aggregated results 2016 (all landscapes combined)
<b>Result area 1 – Change in business practices</b>			
1	Private sector (sustainability) investments in the program	€1 million 1:0.25	€2,797,284 1:0.5
2	Business cases developed to show the potential of sustainable practices	6	7
3	Sustainability embedded at corporate level	3 global level companies that are partners in the program use SMART KPIs to indicate landscape risks in their production or sourcing areas.	<ul style="list-style-type: none"> <li>IDH has developed a partnership with the European Feed Manufacturers Association (FEFAC) to include landscape-based risk criteria in its soy sourcing guidelines. FEFAC membership today consists of 24 national associations in 23 EU member states as full members, as well as associations in Switzerland, Turkey, Norway, Serbia and Russia with observer/associate member status.</li> <li>IDH has developed a partnership with the RSPO to test landscape certification in the Lalan sub-district in South Sumatra, Indonesia. This area covers 96,000 hectares, and we are actively engaging one oil palm grower which owns the only mill in the area, four CPO buyers, as well as the Indonesian Palm Oil Association (GAPKI).</li> <li>IDH has transformed the Traceability Working Group into a Sustainable Landscapes Working Group, with over 10 companies as members working on landscape criteria in their sourcing policies.</li> </ul>
<b>Result area 2 – Improved sector governance</b>			
4	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	In 4 landscapes, policy dialogues have been initiated between public, private and civil stakeholders to enable better enforcement of existing laws that protect the forest.  See landscape KPI tables for narrative	5 (with policy dialogues in most landscapes started)
5	Green growth plans recognized and operationalized in relevant governance bodies	In 4 landscapes, IDH has formed partnerships with relevant government partners and started to support effective land-use management planning. 2 watershed management plans including erosion- prevention measures have been developed	See landscape KPI tables

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**Result area 3 – Improved field-level sustainability**


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<b>6</b>	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	250	11,786
<b>7</b>	Number of trainers, auditors and/or other government staff trained in the program	250	314
<b>8</b>	Number and type of infrastructure	Not in 2016	See landscape KPI tables
<b>9</b>	Area where trained practices are applied either on farmland or in protection area (hectares)	20,000	415,626 (including forest production land in Indonesia)
<b>10</b>	Number of processing facilities with sustainable production practices and social standards applied	Not in 2016	1



## Brazil KPI table

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Results 2016
<b>Result area 1 – Change in business practice</b>				
1	Private sector (sustainability) investments in the program	0	€1,951,265	€231,682
		0	1:1	1:0.3
2	Business cases developed to show the potential of sustainable practices	0	5	0
<b>Result area 2 – Improved sector/landscape governance</b>				
4	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0	8	Mato Grosso state PRA legislation was launched.  The PCI Coalition was formalized with a decree.  The government decided to continue with the SICAR system.
5	Green growth plans recognized and operationalized in relevant governance bodies	0	1	See narrative below
<b>Result area 3 – Improved field-level sustainability</b>				
6	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	0	950	113 producers trained
				5 trainers trained
9	Area where trained practices are applied either on farmland or in protection area (hectares)	0	5.3 million	123,097 ARS certification (through engagement of 46/48 soybean producers)

### KPI 5. Green growth plans recognized and operationalized in relevant governance bodies

- The governor of Mato Grosso presented the Produce, Conserve and Include (PCI) strategy at COP21 in Paris in December 2015. He issued a decree in February 2016 for the installment of a Committee to oversee the implementation of PCI. Regular meetings of the Committee have been scheduled until the end of 2016. IDH is a member of the PCI Coalition, a multi-stakeholder group that supported the development of the plan and includes companies such as Marfriq and Amaggi, the producers' association FAMATO, and NGOs such as Earth Innovation Institute (EII), the Amazon Environmental Research Institute (IPAM), Instituto Centro da Vida (ICV), and Instituto Socioambiental (ISA). To see all the PCI members and news updates, visit the website at [pci.mt.gov.br](http://pci.mt.gov.br).
- With IDH support, Fernando Sampaio of Abiec and president of GTPS was elected as Executive Director of the PCI in August 2016. At the same time, ten newcomers joined the PCI Coalition, six of which are representatives of producers. The fact that land users are now joining the coalition (which was initially seen as an "NGO thing") is down to our convening and mediation over recent months.
- In May 2016, IDH signed an MOU with the Mato Grosso government, making our partnership and support to the PCI official. Our role is to help make the PCI happen on the ground, by engaging investors and market players, and accelerating their investments in Production-Protection-Inclusion projects in the State.

## Côte d'Ivoire KPI table

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Results 2016	
Result area 1 – Change in business practice					
1	Private sector (sustainability) investments in the program	0	€1,051,850	€96,953	
		0	1:1	1:0.4	
2	Business cases developed to show the potential of sustainable practices	0	1	0	
Result area 2 – Improved sector/landscape governance					
4	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0	1	0 Projects are under development with Ministry of Planning and SODEFOR.	
5	Green growth plans recognized and operationalized in relevant governance bodies	0	2	0 A multi-partner MOU is under development with partners in the landscape to develop a green growth plan for the landscape.	
Result area 3 – Improved field-level sustainability					
6	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	0	6,300	3,597 farmers trained on GAP	3,509 men
					88 women
				500 community members sensitized	
7	Number of trainers, auditors and/or other government staff trained in the program	0	1,124	8 coop staff trained (1 woman)	
				115 pruners, nurserists (including referred by labor brokerage system), SODEFOR staff and ecoguards trained.	
				908 farmers that receive training from coops	
9	Area where trained practices are applied either on farmland or in protection area (hectares)	0	31,425	342	

# Ethiopia KPI table

#	Key Performance Indicator	Baseline	Target 2020	Results 2016
<b>Result area 1 – Change in business practice</b>				
1	Private sector (sustainability) investments in the program	0	€500,000	€42,431
		0	1:1	1:0.2
2	Business cases developed to show the potential of sustainable practices	0	3	3
				<b>1. Business case for reforestation projects</b> <ul style="list-style-type: none"> <li>• Product differentiation and brand positioning/reputation</li> <li>• Social license to operate</li> <li>• Sustainable supply of irrigation water</li> </ul> <b>2. Business case for SWM projects</b> <ul style="list-style-type: none"> <li>• Improved water quality</li> <li>• Social license to operate</li> <li>• Improved aesthetic quality of operation area</li> </ul> <b>3. Business case for GLOBALG.A.P. certification</b> <ul style="list-style-type: none"> <li>• Improved livelihood from premium price of GLOBALG.A.P. certified produce</li> <li>• Reduced use of chemical inputs: fertilizers and pesticides</li> <li>• Less use of irrigation water</li> <li>• Healthy produce</li> </ul>
<b>Result area 2 – Improved sector/landscape governance</b>				
4	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0	2	0 No changes in policy have been made yet as a result of the project activities. There is a good chance this will change in the medium term.
<b>Result area 3 – Improved field-level sustainability</b>				
6	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	0	525	<div>435 total</div> <div>259 men</div> <div>176 women</div> <div>390 community members</div> <div>Trained under smallholder livelihoods</div> <div>45 producers</div> <div>Trained under RAM<sup>5</sup></div>
7	Number of trainers, auditors and/or other government staff trained in the program	0	80	<div>55</div> <div>48 men</div> <div>7 women</div>
8	Number and type of infrastructure	0	1	0 (Smaller infrastructure: 1 packhouse minimally maintained; 8 new toilets built, 3 toilets maintained; 3 input stores constructed; 1 cold truck maintained)
9	Area where trained practices are applied either on farmland or in protection area (hectares)	0	170	104
10	Number of processing facilities with sustainable production practices and social standards applied	NA	NA	1 packhouse is under a robust, GLOBALG.A.P. standard quality management system

5 Responsible agrochemical management

## Kenya KPI table

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Results 2016
<b>Result area 1 – Change in business practice</b>				
1	Private sector (sustainability) investments in the program	0	€1,050,000	€52,738
		0	1:1	1:0.1
2	Business cases developed to show the potential of sustainable practices	0	3	1 The business case on livestock intensification (dairy) was developed by SNV. This needs to be further explored in 2017
<b>Result area 2 – Improved sector/landscape governance</b>				
4	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0	2	0 Aerial surveillance flights help to guide security operations in the forest, involving magistrates KWS, BSP and KFS staff
5	Green growth plans recognized and operationalized in relevant governance bodies	0	1	0
<b>Result area 3 – Improved field-level sustainability</b>				
6	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	0	TBC	0 Training of WRUAs and WRMA has started; collaboration with GIZ to be formalized
7	Number of trainers, auditors and/or other government staff trained in the program	0	TBC	0 No formal training is given, but KFS and KWS officers take part in surveillance flights, which help better plan security operations
8	Number and type of infrastructure	0	1	0 Micro-fences are installed to protect adopt-a-forest plot.

# Indonesia KPI table

#	Key Performance Indicator (KPI)	Base-line	Target 2020	Results 2016 focus landscapes <sup>6</sup>	Results 2016 other landscapes <sup>7</sup>
<b>Result area 1 - Change in business practice</b>					
1	Private sector (sustainability) investments in the program	0	€31 m	€1,625,103	
		0		1:0.7	
2	Business cases developed to show the potential of sustainable practices	0	14	0	3 Business case for clean manufacturing in a pulp mill; business case for cleaner CPO production by mills; individual farmer business plans generated through GeoTraceability system
<b>Result area 2 - Improved sector/landscape governance</b>					
4	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0	9	2 See narrative on the next page	NA
5	Green growth plans recognized and operationalized in relevant governance bodies	0	3	1 See narrative on the next page	NA
<b>Result area 3 - Improved field-level sustainability</b>					
6	Number of producers/workers/ community members trained on key subjects for sustainable production, environmental and social issues	0	120,000 farmers 200 plantation and/or mill workers	577 (including 35 women, and 78 workers and community members)	360 (including 10 women)
7	Number of trainers, auditors and/or other government staff trained in the program	0	500 community members	7 (all staff of local NGOs)	37 (farmers who were trained to train other farmers)
9	Area where trained practices are applied either on farmland or in protection area (hectares)	0	500,000	At least 4,096 on oil palm farmers' land Up to 287,000 including production forest land	1,633

6 Aceh, West Kalimantan, and South Sumatra/Jambi.

7 Results from projects in other areas in Indonesia (outside focus landscapes) that started before the landscape strategy was introduced in 2016. This includes one project in Malaysia.

#### KPI 4. Changes in policies and regulatory environment in line with increased sustainability and management of natural resources (focus landscapes)

- National level: IDH supported issuance of Perdirjen (Director General of Forest Production Decree) on mangrove silviculture management, and signed a co-funding agreement to model a public-private partnership project in Kubu Raya district that will serve as an example for implementation of the decree.
- South Sumatra: IDH has done lobbying and advocacy work behind the issuance of a PERDA (provincial regulation) forbidding land users from using fire to clear land. The PERDA No.54/2016 was approved by the national government in March 2016.

- West Kalimantan: Through funding a specific assignment of local NGO Sampan, IDH is supporting the provincial government with the development of a PERDA on “sustainable business based on natural resources” and a PERGUB on hazardous waste management. Both policies are expected to enter into force in 2017.

#### KPI 6. Green growth plans recognized and operationalized in relevant governance bodies (focus landscapes)

Green growth plan for South Sumatra was completed. Development of green growth plan for West Kalimantan started late 2016 and only accomplished a BAU baseline so far.



# Vietnam KPI table

#	Key Performance Indicator (KPI)	Baseline	Target 2020	Results 2016	
Result area 1 – Change in business practice					
1	Private sector (sustainability) investments in the program	0	1:1	€132,859	
		0		1:0.4	
2	Business cases developed to show the potential of sustainable practices	0	3	0	
Result area 2 – Improved sector/landscape governance					
4	Changes in policies and regulatory environment in line with increased sustainability and management of natural resources	0	3	0	
5	Green growth plans recognized and operationalized in relevant governance bodies	0	2	Partly	
Result area 3 – Improved field-level sustainability					
6	Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues	0	17,000	6,651 farmers total	4,552 men
					2,099 women
				Topic of training: introduce landscape interventions and farming practices adapting to climate change	
7	Number of trainers, auditors and/or other government staff trained in the program	0	250	99 trainers (including <10 government extentionists)	
8	Number and type of infrastructure	0	30 water flow meters, 20 drip and sprinkler irrigation tests	Out of a total of 30 water flow meters, set up 190 water saving-irrigation/ conservation/ harvesting systems  Only 18 water flows set up and 6 water irrigation systems set up in 2016	
9	Area where trained practices are applied either on farmland or in protection area (hectares)	0	15,000	3,450	

## Comments

### KPI 2: Business cases developed to show the potential of sustainable practices

- **Brazil:** While zero business cases have been delivered, a great deal of work has been done on the Production-Protection Fund's pipeline and on getting investees to think about creating investable business cases or projects.
- **Indonesia (focus landscapes):** Business cases are being developed in South Sumatra (PPI and jurisdictional certification in Lalan sub-district) and in West Kalimantan (Kubu Raya sub-landscape). However, these were not yet finalized at the end of 2016.
- **Vietnam:** Data collection of coffee farm economics started in 2016; this is the basis for business cases that may be developed in 2017. A draft model for calculating the economic benefits of agroforestry on coffee farms was also developed, but was discontinued as the needs of farmers and companies relate more to agronomic advice than to (theoretical) business cases.

### KPI 4 & 5: Changes in policies/green growth plans

- **Indonesia (other):** These were not KPIs in projects started under the former palm oil and pulp & paper commodity programs.
- **Vietnam:** A policy action plan addressing water pricing was delivered in 2016. We expect policy changes based on this plan in 2017 or later. Targets for sustainable development were set in Lam Dong Province and will be the basis of development of a green growth plan in 2017.

### KPI 6: Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social issues

- **Brazil:** TNC trained 65 producers, Alianca da Terra 48. No distinction between male or female was made. The training topic for TNC was intensification and good agricultural practices in beef; for Alianca, the topic

was good agricultural practices in soy. The relevant impact themes were mitigation of deforestation and responsible agrochemical management.

- **Vietnam:** Only two companies (SIMEXCO and LDC) organized trainings for farmers. For the other FLPs, they started late due to delays in contracting and payment processes, which coincided with harvest season (when no farmer training is possible) and the end of tree planting season (November). The other companies will organize training in 2017, before the rainy season (June).

### KPI 8: Number and type of infrastructure

- **Vietnam:** All four companies finalized the selection for demo farms. However, due to the late start, only OLAM identified areas and set up the demo farms.

### KPI 9: Area where trained practices are applied

- **Brazil:** In 2016, the priority was engagement. Actual implementation (intensification, or ensuring the farm is FEAC SSG-level compliant in soy) will mostly happen in 2017.
- **Indonesia (focus landscapes):**
  - Direct production practices on farmland: 4,096 hectares.
  - (In)direct on total farmland and production forest in projects: 283,103 hectares.
  - (In)direct on total forest and peat protection areas in projects: 41,709 hectares.
- **Indonesia (other):** Several projects didn't finalize the training yet, so these are not yet included in their 2016 reports.
- **Vietnam:** This is the baseline: no trained practices have been applied as results of the project yet. Because of the late start to the projects, training will start in 2017.

# Grow Africa

**In May 2014, Grow Africa and IDH, the Sustainable Trade Initiative, announced their cooperation at the Grow Africa Investment Forum in Abuja, Nigeria. Grow Africa mandated IDH to help turn pledged investment commitments of multinational companies and African governments into actionable programs in Africa. Given IDH's agility, experience and relationships with the private and public sector, IDH can play a pivotal role in making a number of Grow Africa activities happen.**

These activities aim to create large-scale, inclusive growth with a positive impact on smallholder livelihoods, food security, and sustainable trade. The program is incubating multi-stakeholder platforms that focus on specific integrated value chains selected on the basis of strong alignment with country-prioritized sectors, commercially viable investment opportunities, positive impact on smallholder farmer incomes, and job creation. Special attention is being paid to stimulating and supporting responsible, inclusive private-sector investments.

In strengthening the IDH-Grow Africa partnership, in 2016 IDH agreed to second one of its staff to Grow Africa in Johannesburg in order to support the implementation process, focusing on country value chain development, facilitation of finance for "Letter of Intent" (LOI) companies (project development), and joint fundraising for some of these projects and value chain development programs, specifically through the Industrial Cassava Initiative.

## **Industrial Cassava Initiative**

The objective of the Industrial Cassava Initiative is to unlock the huge potential of cassava-processing investments in the focus countries: Nigeria, Ghana and Mozambique. Cassava is perceived as a low-quality subsistence crop for the poor, but it has huge untapped potential as cash crop for industrial processing. A market study based on addressable demand showed that by meeting this demand in the next five years, the livelihoods of 100,000 farmer households can be transformed, 8500 jobs can be created, and €270 million in foreign exchange can be saved annually for the affected countries.

## **Achievements 2016**

In 2016, the Industrial Cassava Initiative made good progress in attracting the attention of DFIs and donors

to the investment opportunities in the sector. Based on the promptings of IDH, at the Grow Africa Investment Forum (GAIF) in Kigali, AfDB committed to setting up a US \$50 million financing facility focusing on the three main cassava-producing countries (Nigeria, Ghana, and Mozambique). Once approved by AfDB, this facility offers local banks access to a credit line for cassava loans, or a guarantee facility (through the African Guarantee Fund) of up to 60% of such loans to cassava processors. This was a major breakthrough, especially as the loan and guarantee terms extend to seven years. The approval process by AfDB of local banks for this facility was well on the way by the end of 2016.

Of the €10 million planned for IDH's technical assistance fund, IDH has committed €2 million, while discussions with the Alliance for a Green Revolution in Africa (AGRA) about a similar contribution are at an advanced stage. Rockefeller Foundation and AfDB have expressed an interest in contributing to technical assistance as well. The Initiative has established a strong working relationship with Grow Africa, resulting in a successful session at the GAIF 16 in Kigali. This has led to further interest from DFIs such as AECF, but also from equity funds. Two of the three national stakeholder platforms established have been registered and have elected Boards, and all three are active and attracting more frontline stakeholders and key-end-buyers.

The initiative faces challenges in terms of delays to credible projects due to foreign exchange devaluation. During the second half of 2016, credible end-buyers such as Unilever, Flour Mills of Nigeria and Nestlé stepped in to organize their supply chains. This enhanced the pipeline of credible projects.

## **Deviations in 2016**

As the program is linked to CAPEX decisions by processors, the initiation time is much longer compared to smallholder farmer inclusion projects in developed commodity supply chains. In this emerging agro-industry, many players are not experienced in developing project proposals.

The AfDB announcement in Kigali created interest from various DFIs and equity funds. However, the high interest rates were something of a limitation. By moving part of

the money towards a guarantee at 1-2.5% cost for loans to processors by selected local banks, the high interest rate is less of an issue and can also mitigate some lack of collateral by processors. This change in thinking entails some delays but offers better opportunities. The local bank now has the choice between a credit line or a guarantee line. The Africa Enterprise Challenge Fund (AECF) partnering with the Initiative to raise US \$10-15 million for the sector in a challenge fund did not mature.

There is delay in getting commitment to technical assistance from donors, while feedback indicates that credible projects are key to this. The step the AfDB is making

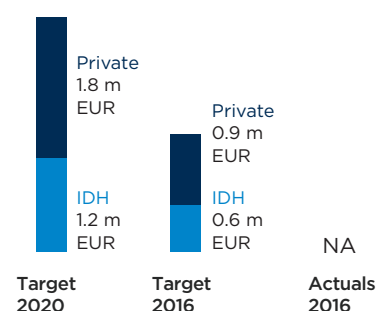
towards a guarantee is helping to convince donors. This approach is preferable to switching to a project based on IDH's money only. By the end of 2016, mainly due to the platform companies and stimulated by end-buyers, a credible pipeline was available. During the first half of 2017, the technical assistance fund is expected to reach up to 40% of funding.

To obtain more robust information about smallholder inclusion, three service delivery model analyses are being prepared to be contracted and executed in the first half of 2017. The target is for one analysis per main supply chain: ethanol, starch, and flour.

# Innovative Finance

The innovative finance team supports IDH's sector programs to meet their key sustainability targets. The team focuses on the agendas of smallholder farmers in the following crops: cocoa, coffee, palm oil and cotton; achieving a living wage in the Malawian tea sector; and finding innovative solutions to increase farm-level investments (i.e. access to finance for these small-scale producers). The team's core work is to catalyze financial institutions and IDH supply chain partners to make high-risk investments in smallholder farmer operations, which will improve both the sustainability of these supply chains and/or landscapes and the livelihoods of the producers. The team works on developing prototypes of different innovative financing mechanisms that could be leading examples for value chain financing. The team also started to work on a deforestation agenda in 2015 by leading the development of the Production-Protection-Inclusion (PPI) approach and taking the lead in incorporating a fund that will make sustainable agriculture investments to combat deforestation once incorporated; and started to scope a fund that will make responsible apparel investments at the mill and factory level (to be initially funded by C&A Foundation). Institutional funders have formally approved the innovative finance work until the end of 2017. The team has catalyzed two financial institutions and two supply chain companies to directly finance smallholder farmers at scale for the first time, which proves the innovative character of the work and the added value to the IDH commodity programs.

## Financial Progress 2016



## Countries covered

All IDH relevant countries. In particular, the innovative finance team has projects in: Côte d'Ivoire and the Philippines, and is working with companies in Uganda, Peru, Zambia and Malawi, and with financial institutions in Europe, the UK and the USA

## Main sustainability issues targeted

- Farmer livelihoods
- Business practices
- Economic growth

## Private partners

FMO, IFC, ABN AMRO, Rabobank, AgDevco, Root Capital, Advans, Cargill, Olam, Ecom, Barry Callebaut, GAFSP, Kennemer Foods, Machu Picchu Foods, Wilmar, Mars, Cemoi, Neumann Kaffee Gruppe, and C&A Foundation

## Relevant Sustainable Development Goals



## Key activities, results and role of IDH

### IMPACT CLAIM 1

**Improve smallholder farmer livelihoods by 2018.**

#### Planned activity

Catalyze at least two financial institutions (DFIs or commercial FIs) to engage on a project directly financing (risk-sharing) smallholder farmers or farmer groups.

#### Achievement

The innovative finance team went beyond its target of catalyzing two financial institutions to engage on smallholder projects. The team worked closely with FMO, the Dutch development bank, the International Finance Corporation (IFC), AgDevCo and ABN AMRO Bank on deals in cocoa, coffee and tea supply chains. In total, four deals have been approved: two have been signed, one deal is in documentation phase, and one has been cancelled due to the cancellation of the farmer financing program by the company. This was due to a company-wide restructuring and the implementation of a new strategy.

#### Role of IDH

Using our grant funding to share first loss in innovative finance deals to catalyze financial institutions for upstream financing of farm investments by leveraging the high risks related to such investments. IDH drives a strong learning agenda to close the “uncertainty gap” for other potential financiers interested in this space. IDH has seen an increase in interest from its partners to engage in this type of project.

#### Deviation

The targeted number of farmers financed (20,000) could not be reached this year due to the cancellation of one project by the supply chain company and a slower scale up of operations by Barry Callebaut. The number of farmers reached by finance is approximately 5,000. However, the team remains on track for the total number of farmers that will be reached. In the two signed deals in 2016, the figure is estimated at 155,000 by 2020.

### IMPACT CLAIM 2

**Improve smallholder farmer bankability by 2018.**

#### Planned activity

Create (minimum) first year of financial track record for smallholder farmers, which will lead to bankability in future.

#### Achievement

In the first deal signed by IDH and the financial partner (IFC), the disbursements are made to the smallholder farmers by the supply chain partner (Barry Callebaut). Farmers therefore started creating a first-year financial track record.

#### Role of IDH

Taking part in a risk-sharing agreement with IFC and Barry Callebaut, through which IDH takes first loss risk up to the value of US \$1.3 million of the farmer financing portfolio of US \$9 million.

#### Deviation

The targeted number of farmers with a financial track record of one season (20,000) could not be reached this year due to the cancellation of one project by the supply chain company. The number of farmers reached by finance is approximately 5,000.

### IMPACT CLAIM 3

**Develop proof of concept of sustainable and scalable smallholder farmer financing business models within producer countries by 2018.**

#### Planned activity

Catalyze more than US \$10 million in direct investments into smallholder farmers or farmer groups (i.e. loose associations or cooperatives).

#### Achievement

With its first deal signed, the innovative finance team catalyzed US \$9 million in investments into

smallholder farmer financing. The second signed deal catalyzed a further US \$2.5 million in long-term financing for smallholder farmers.

#### Role of IDH

Taking part in risk-sharing agreements with financial institutions and supply chain companies by sharing first loss risk up to a certain value of the farmer financing portfolio.

### Lessons Learned

- Innovative financing projects are new business ventures for our partners, so it takes time to operationalize these innovative service delivery solutions.
- The speed of upscaling is solely determined by the ability of our supply chain partners to scale up and operationalize the projects.
- There is a timing mismatch – the incubation periods and development time required for such projects do not always match our funding or reporting cycles.

## Link to IDH impact themes



**Smallholder livelihoods:** The initial focus of the innovative finance team is to find innovative solutions to increase farm-level investments of smallholder farmers who are working in the cocoa, coffee, tea, palm oil and cotton sectors. With its different financing mechanisms, the innovative finance team catalyzes engagement from the financial sector and supply chain companies to provide financing to smallholder farmers, which enables them to invest in their farms so they can become self-sufficient. In 2016, smallholder cocoa farmers, who are taking part in the farmer financing program of IDH's first innovative finance deal, received productivity packages on credit, allowing them to invest in their cocoa farms and start creating financial track records.



**Mitigation of deforestation:** In 2016, the innovative finance team spent significant time contributing to the development of IDH's Production-Protection-Inclusion (PPI) approach. Together with IDH's landscape team, they worked on a funding proposal from the Norwegian Ministry of Climate and Environment that resulted in a decision to set up a fund that aims to protect over 5 million hectares of tropical forests and peatlands by 2020. The team took the lead on the incorporation of the fund that is larger than US \$100 million, which is expected to be finalized in the second quarter of 2017, and on the pipeline development for investments of the fund in Indonesia, Brazil and Liberia.

## Risk Assessment

Risk	Mitigating action undertaken
Not being able to create effective partnerships with financial institutions.	Spent significant time with partners during biweekly meetings to build relationships.
Not finding suitable smallholder farmer finance projects.	Used the existing supply chain networks of IDH and our financial institution partners to find and develop opportunities.
Projects not well-linked to existing IDH sector program work and focus.	Collaborated constantly with IDH sector program teams to link into existing program projects.
Finding a suitable exit strategy for each innovative finance project.	Developed theories and implemented exit strategies; started discussion with local financial sector to develop partnerships for the supply chain and smallholders with these institutions. We will also exit the projects one year before the other partners.



# Supporting activities

# Learning & Innovation

In 2016, the Learning & Innovation team continued to build IDH's impact themes. The five impact themes have been further embedded in IDH's overall strategy as well as in the sector programs and landscapes, and we have organized capacity on each theme by appointing internal impact theme leaders. IDH has gained more traction externally on the impact themes, by building networks and partnerships with other organizations, such as the Bill & Melinda Gates Foundation. In addition, we have demonstrated thought leadership on various topics through organizing learning events and developing publications. Most notably regarding service delivery models (SDMs), where we've published a flagship publication on our insights from two years of analyzing and improving SDMs, and have discussed these with partners in a learning seminar.

In addition to strengthening the impact themes, we have started the five-year impact evaluation together with Wageningen University & Research (WUR) and KPMG. This process has resulted in better impact claims and

proofs of concept, plus well-developed intervention logics for all impact themes. The baseline report developed by WUR and KPMG will be finalized in the first few months of 2017, and the findings will be used to further strengthen IDH's programs and impact themes.

## Impact evaluation

In 2016, the Learning & Innovation team made extensive progress on impact evaluation. We contracted the WUR-KPMG consortium through a European tender process, and together we gathered the existing evidence to assess IDH's contribution to public good impacts. The evidence was gathered from different data sources that provided detailed and reliable insights, including literature reviews, sector surveys, monitoring indicators (registered in IDH's Results Monitoring Framework, which was slightly adjusted during the course of 2016 because of this), in-depth stakeholder interviews, staff round-table discussions, and proof of concept in-depth impact studies. These in-depth impact studies mainly focus on the following eight proofs of concept:

Impact theme	Proofs of concept	Studies executed in 2016
Smallholder livelihoods	1. Global Coffee Platform: a shared vision for the public and private sector	Ongoing research by a PhD student on changes in sector governance.
	2. Improved bankability of cocoa farmers and cooperatives (Côte d'Ivoire)	<ul style="list-style-type: none"> <li>• Agri-Logic is executing Farmer Field Books in Ghana and Côte d'Ivoire to measure field level impact (to be finalized early 2017).</li> <li>• KPMG researched changes in business practices regarding innovative finance scheme with Barry Callebaut and IFC (report finalized April 2017).</li> </ul>
Mitigation of deforestation	3. Forest conservation and improved livelihoods in South West Mau forest (Kenya)	CIFOR was contracted to research field-level impact (report to be finalized early 2017).
	4. Production-Protection-Inclusion approach in West Kalimantan (Indonesia)	Baseline research conducted by Kemitraan on Forest Fire Prevention and Orangutan/Proboscis Monkey Conservation in Kubu Raya and Ketapang Landscape, West Kalimantan.
Living wage and improved working conditions	5. Achieving living wages within tea sector (Malawi)	Wages Committee Progress Report delivered in October 2016.
	6. Improving working conditions in the apparel sector (Vietnam)	Impactt Ltd was contracted in 2016 to do desk and field research (report to be finalized mid 2017).

<b>Responsible agrochemical management</b>	7. Responsible agrochemical management in cotton and chili (India)	<ul style="list-style-type: none"> <li>• CMS has executed analyses on field-level practices in chilies and tea (Trustea).</li> <li>• KPMG India is executing an ongoing study on agrochemical usage in India (to be finalized early 2017).</li> </ul>
	8. Landscape approach for responsible agrochemical management in tea and coffee (Vietnam)	Fresh Studio has been contracted to study agrochemical use and trade in the Lam Dong landscape, and to execute a field-level impact study (to be finalized early 2017).

Based on the overall IDH intervention logic, the evidence is organized into three results areas (changes in business practices, sector governance, and field level) and four impact themes (smallholder livelihoods, mitigation of deforestation, living wage and improved working conditions, and responsible agrochemical management). In the second half of 2016, gender equality and empowerment was added as a fifth impact theme (see section below), and although it was not part of the first impact evaluation, it will be from 2017 on.

Planned activities	Results 2016
Manage tender and contracting process of a third party (possibly through a consortium of organizations) to ensure methodological rigor and independence.	In May 2016, we contracted a consortium of Wageningen University & Research (WUR) and KPMG Advisory N.V. to assess IDH's contribution to public good impacts.
Guide the third party in the inception phase, and work on completing the baseline in 2016.	Since May 2016, we have worked with WUR and KPMG to compile all the evidence needed to assess IDH's contribution to impact. WUR-KPMG submitted a first draft report in November 2016, which will be finalized in early 2017.
Coordinate between third-party team, IDH program teams, M&E manager, and key stakeholders to be engaged in the research.	<p>The Learning &amp; Innovation team worked to ensure that WUR-KPMG received all the evidence needed from:</p> <ul style="list-style-type: none"> <li>• The M&amp;E manager, for all the monitoring indicators (KPIs) and to organize the sector survey;</li> <li>• IDH program teams, for all the studies already performed by the teams and the in-depth POC impact studies;</li> <li>• Our key stakeholders for in-depth interviews.</li> </ul>



### Smallholder livelihoods

In 2016, IDH led and supported sector developments in the area of smallholder livelihoods and income. With the continuous improvement of our quantitative assessment tools, we made a breakthrough in showing the added value of a data-driven, systemic analysis of service delivery models (SDMs). This added value was recognized by both internal and external partners, resulting in a partnership with the Bill and Melinda Gates Foundation, Root Capital and others, to look into

drivers for success of SDMs. In our partnerships, we work towards improving smallholder resilience and building models that will be sustainable (and commercially viable) in the long term. We catalyzed our internal cross-sector learning on relevant smallholder themes, such as farmer segmentation. We also contributed to ongoing discussions on renovation and rehabilitation, through workshops and direct partnerships with multiple cocoa companies and sector organizations such as the World Cocoa Foundation.

Work stream	Planned activities	Results 2016
Service delivery models	<ul style="list-style-type: none"> <li>Organize an event to share the outcomes of the 10-12 case analyses in the coffee, cocoa, tea and F&amp;I programs. The event will also be used to engage the financial sector to invest in SDMs.</li> <li>Develop a methodology to scale our approach on a cost-sharing basis and enable more partners to use our SDM tool, with the aim of creating more learning and intelligence on the topic. The SDM approach will not only be used for our partners, but also by IDH itself to improve our investment decisions and monitoring of investments.</li> </ul>	<ul style="list-style-type: none"> <li>Held successful learning event in May 2016 with all partners in coffee and cocoa, with whom we analyzed SDM to share learnings and key insights.</li> <li>Refined methodology to analyze SDM.</li> <li>Partnered with the Bill and Melinda Gates Foundation to analyze SDMs with innovative elements, with the aim of informing future investment strategies for IDH and the Bill and Melinda Gates Foundation.</li> <li>Partnership with Root Capital and FairMatch-Support allowed close collaboration in analyses of SDMs in multiple countries and commodities.</li> </ul>
Renovation & Rehabilitation (R&R)	<ul style="list-style-type: none"> <li>Continue to drive both the knowledge and investment agendas on R&amp;R (for the palm oil, coffee, cocoa and tea programs).</li> <li>Document the process and increase our understanding of R&amp;R projects.</li> <li>For coffee, organize a workshop on R&amp;R in East Africa.</li> <li>Organize country workshops for those countries in which R&amp;R is an important theme (e.g. Indonesia).</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing discussions with cocoa company on the development of a replanting loan product for the cocoa sector.</li> <li>Partnership with Root Capital will inform an in-depth understanding of how co-ops and SMEs are offering long-term loans for R&amp;R.</li> <li>February workshop in Dar es Salaam, Tanzania on R&amp;R in the coffee sector was well attended by 70 participants of which 30 of the private sector and 10 representatives from local governments. Instead of workshops, bilateral discussion with key partners (e.g. key palm oil companies in Indonesia) on R&amp;R took place.</li> </ul>
Farmer clustering	<ul style="list-style-type: none"> <li>Understand which “agronomical packages” would work best for which type of farmers. This increased understanding will support our partners when drafting their R&amp;R investment agendas.</li> </ul>	<ul style="list-style-type: none"> <li>Analysis is ongoing with two coffee companies and one cocoa company on how to segment farmers and adjust service packages to these segments in order to increase effectiveness of service packages. Final results are expected mid-2017.</li> </ul>



## Mitigation of deforestation

In 2016, the landscape program entered an implementation phase, which followed a period of concept development and coalition building in the landscapes. As some commodity programs merged with specific landscape programs, this helped build synergies between the learning agenda of the landscape program and the mitigation of deforestation impact theme.

Our ambition regarding deforestation impact, however, had to be downsized due to a lack of human resources

for most of 2016. Activities therefore mainly focused on strengthening the business case for action, in partnership with the World Business Council for Sustainable Development (WBCSD) and The Forests Dialogue (TFD). We also continued to enhance internal learning, with a focus on the Learning Days and on clarifying the intervention logics of the IDH landscapes. The end of the year focused on finalizing the Practical Guide for Conveners, to be released in 2017, and preparing for the first IDH forum on landscapes, organized early 2017.

Work stream	Planned activities	Results 2016
<ul style="list-style-type: none"> <li>Well-defined prototype interventions and theory of change for Kenya, Liberia and Indonesia.</li> <li>Monitoring structure and KPIs in place to track progress.</li> <li>The right stakeholders working with us to deliver on the business case.</li> </ul>	<ul style="list-style-type: none"> <li>Create joint landscape investment plan for Indonesia.</li> <li>Build business case for Kenya, Indonesia and Liberia.</li> <li>Hold production-protection agreement consultancy and workshop.</li> </ul>	<p>Activities focused on refining our thinking on IDH landscape intervention logics in Indonesia, Vietnam, Kenya, Ethiopia, Liberia, Côte d'Ivoire, and Brazil, with the development of diagrams that summarize IDH's interventions in these landscapes.</p>
<p>IDH teams continue to innovate and can exchange and learn from each other. We make adjustments to theories of change, partnerships and prototypes in cases where progress is lagging behind, coalitions lose energy, or new risks or drivers of deforestation arise.</p>	<ul style="list-style-type: none"> <li>Hold ISLA learning sessions with landscape conveners, also including non-ISLA staff.</li> <li>Set up regular deforestation calls and meetings.</li> <li>Support making lessons explicit and shareable.</li> <li>Co-chair Africa-based The Forest Dialogue on deforestation-free in Côte d'Ivoire.</li> </ul>	<p>Learning Days were organized in early 2016, with a focus on landscape program implementation. The days fostered continued peer-to-peer learning and provided a chance for landscape managers to learn about and discuss the main challenges faced in the landscapes. Accompanied by skills training, the main outcome of the two days was a clearer roadmap towards implementation.</p>
<p>By the end of 2016, IDH and ISLA are recognized by leading businesses and institutes for smart field work and tools that support companies to deliver on deforestation-free commitments.</p>	<ul style="list-style-type: none"> <li>Publish ISLA practical guide, shared via partner networks like TFA, SFL, WBCSD, and LPFN.</li> <li>Hold business community learning workshop in two landscapes.</li> <li>Hold learning event with company partners and other stakeholders.</li> </ul>	<p>We continued to develop the business case for landscape approaches by working closely with The Forests Dialogue and WBCSD. Outputs included:</p> <ul style="list-style-type: none"> <li>A webinar profiling IDH landscapes to a business audience (incl. WBCSD members, SAI members);</li> <li>Development of an infographic on landscape approaches, which was shared at the IUCN World Conservation Congress;</li> <li>Development of a briefing paper on landscape approaches, showcasing the business case for engaging in a multi-stakeholder landscape approach.</li> </ul> <p>Further efforts were put into refining the Practical Guide for Conveners, developed in collaboration with EcoAgriculture Partners, for it to build on IDH landscape conveners' practical experience in building multi-stakeholder coalitions.</p>



### Living wage and improved working conditions

In the “living wage and improved working conditions” impact theme, we have created a thought model to learn from the Malawi Tea 2020 project. We have started sharing and discussing these learnings internally, to assess which other opportunities there are for IDH to promote and support living wage activities

within other sectors. In addition to tea, we have started working with the apparel and fresh & ingredients (with flowers and bananas as key commodities) programs, to promote living wages and improved working conditions within these sectors.

Work stream	Planned activities	Results 2016
A systemic modelling and analysis of different pathways towards living wages and improved working conditions should strengthen effectiveness and efficiencies of the strategies for the IDH sectors working on living wages. It should also improve our understanding of issues such as sector competitiveness, and dealing with unintended consequences.	Contract a strategic knowledge partner (such as Ergon Associates) to build an analytical model and conduct analysis of our existing cases.	<p>We worked with Ergon Associates to build on the thinking behind the Malawi Tea 2020 work to date, and revealed the conditions for its success. We created a thought model to:</p> <ul style="list-style-type: none"> <li>• Share learning with industry partners inside and outside the tea industry;</li> <li>• Assist in the assessment of other opportunities for IDH to promote and support living wage activities;</li> <li>• Assist in developing coherent sector responses to the living wage challenge in other supply chains.</li> </ul> <p>We have a slide deck, and will have the full final report by early 2017.</p>
Creating an IMVO covenant and learning platform with FNLI and CBL (and their members) on the topic of living wages: CBL, FNLI, LIDL and Superunie have approached IDH to convene such platform.	Support the development of the living wage covenant and learning platform with experience from earlier covenants (like SIFAV) and design an agenda together with our teams and retail manager.	<p>The process of finalizing the IMVO food covenant has been delayed and is likely to be concluded in summer 2017.</p> <p>IDH is acting as a “Party” in the negotiations, contributing knowledge and experience of the two key themes of living wages and climate resilience sourcing. In 2016, together with both the Dutch Food Association and the Dutch Retail Association, IDH secured living wages as an integral part of the covenant, and will include a pilot project on living wages as one of the key outcomes.</p>



### Responsible agrochemical management

Responsible agrochemical management (RAM, formerly known as toxic loading – the new name connects better to both business and knowledge networks on the issue) is a new impact theme for IDH, which has been established over the course of 2016. During the reporting year, we have de-

veloped an IDH-wide intervention logic together with the relevant program teams, which has been validated by external stakeholders. Through these activities, the impact theme has gained traction internally and is now fully embedded in the organization.

Work stream	Planned activities	Results 2016
Development of the impact theme within IDH.	Develop responsible agrochemical management as an impact theme around the proof of concept toxic load in India and Vietnam. In four sectors, programs will develop an approach to reduce toxic load. Cross-sector learning will be a key component in supporting this process.	<ul style="list-style-type: none"> <li>• An IDH strategy on RAM, including intervention logic, has been developed and validated internally and externally.</li> <li>• We have started with regular internal meetings with relevant program teams, to support cross-sector exchange and learning.</li> <li>• Two studies in India and Vietnam have started, identifying current practices, policies and influencers regarding agrochemical use (to be finalized in 2017).</li> </ul>



## Gender equality and empowerment

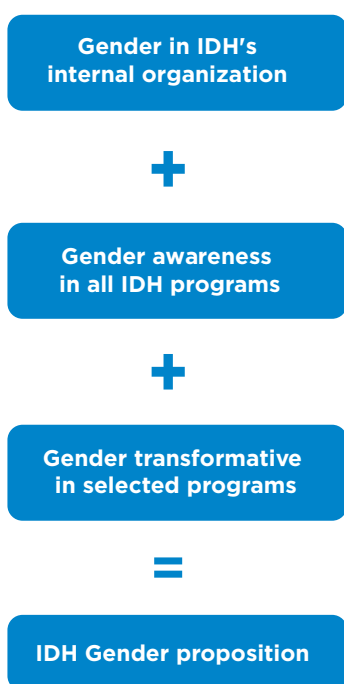
In the second half of 2016, gender was added as a fifth impact theme, for two reasons:

1. Gender is key driver as well as a concern for sustainability in both supply chains and landscapes;
2. Neither IDH nor our stakeholders have sufficient knowledge and experience on the “how-to question” – a learning network needs to be developed.

From September onwards, an impact theme lead on gender was appointed internally, who focused on the development of an IDH-wide gender strategy/proposition. An analysis has been done within IDH (coffee, cocoa, fresh & ingredients, tea, cotton, and apparel programs) to gain insight into what is currently being done on gender, what the key issues are, and what plans already exist in the programs around integrating a gender approach. External experts were also consulted to gather information about what a gender strategy for IDH should look like. This analysis has provided the basis of IDH's gender proposition, which was finalized by February 2017. The IDH gender proposition has three core elements, each of which have different levels of engagement and depth in terms of our interventions.

Gender equality can be a goal in itself, as well a precondition to realize deeper impact through our ongoing interventions in other impact areas, by applying a gender lens to smallholder inclusion, improved working conditions and living wage, reducing deforestation, and responsible agrochemical management.

IDH is also actively participating in the Gender Resource Facility, providing expert advice, technical assistance, and knowledge on gender equality and women's rights to the Ministry of Foreign Affairs of the Netherlands (MFA) and its partners. An initial workshop was held in November 2016 with IDH, Solidaridad, UTZ Certified, MFA and the Royal Institute of the Tropics (KIT). More specific results on gender interventions on the ground can be found in the program chapters.





# Partnerships

The overarching aim for 2016 was to further strengthen both the “Europeanization” and the “internationalization” of IDH. This means strengthening partnerships with development actors outside of the Netherlands. As the table below shows, IDH has successfully extended its partnership network and broadened its funding base, as a stepping stone for further diversification and intensification of fundraising in 2017. Our focus will increasingly be on program fundraising, with the most scope for landscape and climate funding.

## Key objectives

Target 2016	Results 2016
Secure follow-up agreements with existing donors DANIDA and SECO – where current contracts are ending in 2015/2016.	A follow-up agreement with DANIDA was signed in December 2015 for the period 2016–2017. A follow-up agreement with SECO was signed in January 2016 to continue the partnership till 2020. Two donor meetings and one field visit to Kenya/Ethiopia with our three core institutional donors were held.
Submit a response to, and obtain a contract with, EU DEVCO following their expected Call for Proposals on agro-supply chains with a value of €3-7 million.	IDH participated in this tender, which was hugely popular with around 600 applicants for 5-10 contracts. Unfortunately, IDH was not one of the contract winners.
Obtain contracts from the Norwegian government (NICFI), concerning Indonesia, Liberia and potentially also Brazil. This is a mature relationship that is close to fruition in terms of contracting.	IDH has fostered a strong partnership with Norway. The inception phase of the green growth program in Indonesia, Liberia and Brazil that started in December 2015 has been extended until summer 2017. A global financing facility is being developed jointly with NICFI. The second phase of this partnership (until 2020) is expected to be signed and contracted in mid-2017.
Support program-based fundraising; identify potential openings from country-based donors and other potentially interested partners, such as foundations.	IDH is expanding its funding base beyond its institutional core donors, and has recently signed contracts with actors like the Australian Department of Foreign Affairs and Trade (DFAT) for cotton in Pakistan, and USAID for apparel in Vietnam. A learning partnership with the Bill and Melinda Gates Foundation was signed in 2016 on service delivery models.
In collaboration with the Better Cotton Initiative (BCI), develop a fundraising strategy for the new cotton fund.	BCI is a close partner of IDH; in 2016, IDH facilitated a €2 million contribution to BCI from the German government.
Start a dialogue with entities like International Fund for Agricultural Development (IFAD) and African Development Bank (AfDB) for future partnerships.	IDH is in a dialogue with both institutions, particularly with AfDB in terms of the ongoing effort on industrial cassava production, which has the potential to provide cash income for cassava smallholders.

# Operations

In 2016, the organization was strengthened in terms of new roles and responsibilities under the Multi Year Plan 2016-2020. These relate to the three core functions of IDH: convening, co-financing, and learning.

On convening, the landscape program was further integrated into the commodity work, shifting focus towards key sustainability challenges on the production end of the supply chain. The new partnership with Norway intensified our work under the deforestation impact theme.

On co-financing, the innovative finance team started implementation, including pipeline development, operating procedures, and contracting in this exciting new blended-finance space.

On learning, a solid foundation was put in place to ensure that IDH builds strong knowledge networks on all five impact themes, and integrates them into its program management. This aims to deliver solutions to the “high-hanging-fruit” sustainability issues that we are focusing on in our new program cycle that started this year.

As a result, staffing has been strengthened in critical areas, mostly in the landscapes where we work with the support of the Norwegian government, and the learning leads for the five key impact themes. This is reflected in a modest rise in staffing at our Utrecht office, and an increase in staff at our offices in Indonesia, Brazil and Liberia. This increase was not foreseen in the Annual Plan 2016, as the Norwegian partnership program did not exist at the time. In total, IDH has now engaged over 40 consultants in support of our programs around the world.

FTEs at HQ in the Netherlands	Annual Plan 2016	Per December 31, 2016
Executive director	1	1
Program directors	4	6.8
(Senior) program managers	8.7	6.5
Program officers	12.5	12.9
Learning staff	5	5.7
Office support	3.4	3.4
Operations support	13.3	13.5
Communications and PA	6	5.4
<b>Total</b>	<b>53.9</b>	<b>55.25</b>

The average number of FTEs in 2016 was 60.4. Of these, 5.19 FTEs were funded through ISLA program donors and 6.01 through NORAD program donors.

During 2016, in agreement with our Audit Committee, two country hubs were set up in Indonesia and Vietnam respectively.

Training and development of our staff remains crucial, as well as internal learning. In support of this, we organized internal white spaces, skills trainings during our Office Week, program reviews for all programs, and 360-degree feedback exercises for some of the senior staff. In addition, a group of five program officers is in the process of doing a so-called “deep dive”: in addition to their daily duties, they were offered time and support to dive deeper into a relevant topic for their program.

## Organizational development

The new strategy and increased funding diversity calls for continued organizational development. The impact themes now have strong leaders, cutting across the commodity programs. The innovative finance team developed professional routines required to ensure high-quality delivery in this relatively new yet promising space. At the end of 2016, a design for a new management structure was finalized, preparing for the new executive leadership from January 1, 2017. This structure includes more executive focus on both impact and operational excellence, stronger people management and succession planning, and increased accountability and transparency. The employee survey that was carried out in April provided valuable input.

Operational management capacity was strengthened to ensure that the back office continues to be able to support the organization. A senior manager was seconded by the Dutch Ministry of Foreign Affairs to be the Finance and Public Affairs Director. He helped advance back office integration and started operational reforms, focusing on professionalization of the finance department and improved management information systems. The ERP system (Orion) was reviewed, as its implementation had not been successful. In consultation with IDH's auditor and Audit Committee, we concluded that this system had to be aborted to allow for further digitalization and standardization, in order to enhance operational efficiency throughout the organization. In preparation for this system reform, requirements were formulated and core processes reviewed, building on the groundwork done on OPS 2.0 (leading operational document). This already resulted in streamlining contracting procedures. In 2017, it will be a key priority to select and implement

suitable, connectable, and readily available IT solutions for different aspects of the administration, preventing single-system dependency and enabling gradual rationalization of core processes in the organization.

Further progress on operational reforms has been hindered by lack of capacity, as the closure of the first subsidy phase and the unforeseen office move consumed substantial energy from the team. As a result, the office and finance departments were stretched, and we made less progress than anticipated on HR reforms, internationalization of our operations, and management information systems. This has hampered overall organizational development in 2016.

The closure of the 2008-2016 subsidies from the Dutch Ministry of Foreign Affairs has resulted in a valuable “First Phase Summary Report”, including text and graphics that capture IDH’s learnings so far. In addition, closure of 1,300 projects was warranted, resulting in an unqualified opinion by our external auditor on our financial statements over 2008-2016. IDH leveraged €162 million in private-sector contributions to public good impact, with the average ratio of IDH to private-sector funding increasing from 0.6 in 2010 (when we partnered with 67 companies) to 2.0 in 2015 (working with 450 partners). In the first half of 2016, the focus for most of the IDH programs was primarily on finalizing the activities from the 2011-2015 period, as agreed with our institutional donors.

In 2016, we also aligned the newly designed impact evaluation plan with our Result Measurement Framework. This resulted in a few changes in the KPI tables, as well as the monitoring protocol of some KPIs. Lastly, we agreed to limit the Sustainable Development Goals (SDGs) we use.

Unforeseen for 2016 was our office move, which came about when we learned that we could no longer sub-let from MVO Nederland from January 1, 2017 onwards. We managed to find an affordable office space, and decided to turn this into an opportunity for improving our staff’s working conditions as per the outcomes from our employee survey. We managed to invest in a facility that groups various public and private partners in sustainability, facilitating energy savings and shared social amenities (such as a canteen hosted by a social enterprise aiming to bring unemployed people back into job routines). The resulting workspace better suits the requirements of our organization, including improved IT facilities. This office move project will be finalized in the first quarter of 2017.

Despite operational challenges, IDH managed to continue solid implementation of its programs, including substantial progress on the relatively new and operationally complicated landscapes agenda, in partnership with both the Dutch and Norwegian donors.

# Communication

2016 was the first year of implementation of IDH's new strategic plan, which entailed:

- The integration of IDH sectors and landscape program into one digital platform;
- Re-branding the ISLA programs to fit within the IDH house style;
- Building and designing a narrative for our innovative finance program;
- Creating identities, information structures and strategic communication plans for our five impact areas;
- Building a digital information architecture with an intuitive user interface to make all this information easily accessible for both public and private partners, potential new partners, as well as donors and (potential) funders.

A revitalized corporate identity, translated into print, on-line, PowerPoint and social media, was introduced alongside the launch of the new IDH website in June 2016. With re-launch, we re-organized the maintenance of the website so that program staff own and update program pages themselves. This allows the communication team to be an advisor to the program staff, as well as holding final responsibility for content quality.

With the enormous expansion of the landscape program, the acceleration of the five impact learning trajectories, the traction of the innovative finance agenda, and fast developments in SDM, the workload of the communication team has grown enormously. We effectively prioritized, focused on our core contribution, and built a solid network of highly skilled providers of text, design, PowerPoints, editing and proofreading around us. In Brazil, Kenya and Indonesia we also hired local communications experts for specific projects.

## Corporate communication

To secure coherent global communication, we created international branding guidelines that carefully guide overseas colleagues and agencies on how to communicate, which formats are appropriate, and what tone of voice to use.

We created a digital information system for country- and project-specific information on our website, which can generate country-based overviews of our programs, initiatives and projects in support of donor outreach. We gave the relevant information to our private partners through business cases for sustainable growth, and further integrated the use of infographics into our outreach and communications efforts. We designed and formulated a crisis communication plan in early 2016 that was integrated into an IDH crisis plan in early 2017.

## Corporate communication targets 2016

Description	Planned activities	Results 2016
Make new IDH website a transparent source of information for stakeholders and press, which is instrumental to our learning and convening agenda.	2 news item per week; 1 blog post per week; 10 tweets per week; 2,000 visitors per week.	2 or 3 news items per week; 2 blog posts in the year; 3 tweets per week; until June 2016: 1,850 visitors/week (only in November were we able to re-install Google Analytics: from November onward, visitors were around 2,000 with a peak to over 3,500 in December because of our animated Christmas greeting.
Ensure IDH and its programs are visible in mainstream and professional international media, in support of both programs and donor outreach.	500 times quoted in (international) media. Formulate and implement a social media strategy.	1700 times quoted; Social media strategy not implemented.
Regularly inform and engage our network.	4 newsletters per year.	4 newsletters per year.
Strengthen our policy network.	2 embassy newsletters per year.	1 embassy newsletter.
Position IDH as an innovative thought leader.	2 high-level expert publications; 1 article in high-level expert magazine; 1 large, expert event.	4 high-level expert publications; 1 large, expert event.

## Program communication

The communication team has continued investing in program communication, in both an advisory and an executing role, in strategic alliances with senior program managers and program directors.

We built the fresh & ingredients program rationale and translated it into website texts, a retail proposition, and other materials for program staff. We supported the launch of the vanilla program, built out our joint activities and strategies with the learning team, and supported the launches of all landscapes. The first two innovative finance deals materialized, which required both proactive joint PR activities and passive, risk-mitigating communication actions.

Several times in 2016, program communication crises emerged. Crisis communications measures proved adequate in all cases:

- DanWatch published a report on slavery-like situations in coffee in Brazil during the ICO meeting in Addis Ababa. We were meeting with large coffee roasters, and IDH was asked by both JDE and Nestlé for support in formulating their reactive statements. Later that year, we met with DanWatch in Copenhagen.
- The Dutch TV documentary program “Zembla” featured an episode about Sher, a Dutch flower grower and landscape partners in Ethiopia. The video accused Sher of “pesticide spraying” with pregnant women in the greenhouse and exploiting workers. Both accusations were ungrounded. IDH decided to stand up for Sher towards both media and Dutch government, and assisted Sher in their crisis communication.
- DanWatch informed us upfront about a critical report on vanilla. We coordinated a response with our partners, and the program manager for vanilla met Danwatch in Copenhagen.

### Program communication targets 2016

	Planned activities	Results
<b>Generic</b>	<ul style="list-style-type: none"> <li>• Publish regular updates of core stories and activities, incl. PowerPoint, infographics, web pages, factsheets, etc.</li> <li>• Develop regular news items and engage the media when PR opportunities arise.</li> <li>• Support and improve senior program managers’ pitch for public speaking engagements.</li> </ul>	<p>Done.</p> <p>Done.</p> <p>Two pitch trainings for program staff.</p>
<b>Cocoa</b>	<ul style="list-style-type: none"> <li>• Brand the Cocoa Fertilizer Initiative in partnership with the World Cocoa Foundation.</li> <li>• Develop Cocoa Action plan in close cooperation with the government of Côte d’Ivoire, through a digital forum and knowledge sharing, and regular updates. Learning item in every quarterly cocoa newsletter.</li> <li>• Send Cocoa Fertilizer update with articles on SDM, Scientific Committee, etc.</li> <li>• Add zonal mapping and distribution to newsletter and later refinement.</li> <li>• Write two-pagers on Cocoa Fertilizer Initiative partners.</li> <li>• Write NSC chapter on development process in Côte d’Ivoire.</li> </ul>	<p>Done.</p> <p>Collective biannual cocoa newsletter with Cocoa Action, sharing learnings and reports.</p> <p>Done.</p> <p>Zonal mapping not ready until the closing session, i.e. in April 2017.</p> <p>Done.</p> <p>Decided not to by the program.</p>

<b>Cotton</b>	Phase out the BCFTP program through a multimedia communication strategy, and create a G&IF prospectus jointly with BCI to support fundraising activities.	Created a G&IF prospectus and a video on the G&IF with a focus on Mozambique, all in close cooperation with BCI, and featured on our and their websites.
<b>Soy</b>	<ul style="list-style-type: none"> <li>• Make impact of RTRS on farmers' practices part of landscape storyline (video).</li> <li>• Get positive Brazilian farmers' story in Dutch press; RTRS best practices with Solidaridad in Rural Horizon.</li> </ul>	<p>Impact video made in Brazil; coordinated final report of RTRS Fast Track Fund phase II with Solidaridad.</p> <p>Created positive news about FEAC in European and Brazilian newspapers and Rural Horizon. Launched the PCI coalition with the governor of Mato Grosso.</p>
<b>Aquaculture</b>	Create more retail-oriented communication around the FIT Fund. Improve the retail outreach communication strategy. Build strong relations with the GSSI communication team.	Because of strategic re-orientation of aquaculture team, communication plans were postponed. However, we created a video on an innovative finance/zonal management shrimp project in Aceh that also served as a product placement of Aceh tiger shrimps.
<b>Tea</b>	Manage and mitigate risks in the Malawi tea program by strong communication leadership. Mitigate risks in the India tea program. Create momentum around market introduction of trustea. Build PR, design and communication around TEAM UP III and Kenya phase-out communication.	Strong communication leadership of IDH led to well-received communication (website, roadmap, two-pagers) that is agreed on by all coalition partners. The first results of the Malawi tea program were well documented and received by media. No market introduction of trustea. Kenya phase-out only happens in 2017.
<b>Electronics</b>	<p>Conclude and disseminate. Create a legacy pack with Nomad including website that shows:</p> <ul style="list-style-type: none"> <li>• Attribution statements by factory managers;</li> <li>• Simple methodology instructions;</li> <li>• Impact figures;</li> <li>• Exit strategy plan.</li> </ul>	Done.
<b>Coffee</b>	<ul style="list-style-type: none"> <li>• Step up our gender communication in coffee.</li> <li>• Merge the SCP brand into the Vision 2020 structure (and/or merge it with Vision 2020 altogether).</li> <li>• Help continuous improvement of general and country presentations.</li> </ul>	Co-ordinated and co-organized launch of GCP at ICO meeting in Addis Ababa. Created multiple videos for GCP launch, pitch and Membership Assembly. Designed and co-organized MA, provided strategic communication advice to communication team in Bonn, and co-designed strategic communication plan for GCP. Created a communication strategy for National Coffee Platforms.
<b>Palm oil</b>	<ul style="list-style-type: none"> <li>• Support the palm oil program in using momentum in Europe and Asia to help create positive PR for responsible palm oil sourcing and trading.</li> <li>• Team up with TFA (members) to formulate palm oil media outreach strategies.</li> <li>• Develop outreach material to engage producers.</li> <li>• Brand the Liberia palm oil landscapes for donors.</li> </ul>	<p>Created momentum around ESPO, the Amsterdam Declaration, and our palm oil programs in Indonesia. Teamed up with MVO and BuZa to formulate media outreach strategy.</p> <p>Started the development of outreach materials to local communities in Liberia.</p>

<b>Fresh &amp; Ingredients</b>	<ul style="list-style-type: none"> <li>• Create a retail proposition for all F&amp;I.</li> <li>• Support the program in setting up communication for initiatives on vanilla and cassava.</li> </ul>	<p>Created a corporate story and retail proposition for the F&amp;I program.</p> <p>Launched the Sustainable Spices Initiative</p>
<b>Tin, Natural stone</b>	Carefully phase out programs without damaging IDH brand.	Phased out natural stone program. Tin only phased out in early 2017.
<b>Apparel</b>	<ul style="list-style-type: none"> <li>• Get into SAC newsletter with regular program updates.</li> <li>• Support collaboration platform creation if needed.</li> <li>• Brand and boost RTTT.</li> </ul>	Created proposition and communication materials to support Race to the Top. Developed a new initiative, Pakistan Buyers' Forum. Carefully built a brand and communication strategy around LABS program.
<b>ISLA</b>	Support all launches, create learning publications, and continually update all landscape materials following fast developments. Create international recognition through PR in international media.	<p>Results of landscape communication in table on next page.</p> <p>Supported and edited/designed the NICFI proposal</p>
<b>Innovative finance</b>	Create momentum and mitigate risks related to the first deal by the innovative finance team.	Started risk-mitigation communication for innovative finance program. Created new storyline, infographics and international communication to be used by our overseas staff to explain innovative finance to potential beneficiaries.
<b>Learning</b>	<ul style="list-style-type: none"> <li>• Co-organize at least one high-level learning event.</li> <li>• Co-create a number of high-level learning publications on topics relevant to the learning agenda of IDH (see learning chapter).</li> </ul>	<p>Organized two large learning events.</p> <p>Wrote SDM publication.</p>



## Program communication targets 2016

Landscape	Planned activities	Results
Brazil		In 2016, the role of strategic communication in the landscape became increasingly important. This meant more need to profile the program in the national and regional media. IDH hired a Brazilian PR agency in the last quarter of 2016 to provide all-round communication support to the IDH team in Brazil, with a focus on media outreach. Landscape communication strategy, stakeholder update mechanism in the form of a Portuguese newsletter (managed by the agency), program brochures in Portuguese and English, PowerPoints, and other relevant materials were all put in place and updated. International stakeholders were updated through the IDH general and ISLA global newsletters.
Liberia		Developed website pages, text, factsheets, program pitches and presentations for communication with donors, private sector, and NGOs. Started developing tailor-made communication for outreach to local communities, including infographic posters, booklets and text. Other communication activities include publishing studies, progress reports, and workshop reports.
Côte d'Ivoire	Develop communication materials – with the support of communication consultants in the landscapes – and share them via targeted press activities and events, as well as through appropriate media channels and partners (newsletters, website, social media, newspapers, television) to support the setup of effective multi-stakeholder platforms in the landscapes.	Held a successful Agroforestry Forum in Soubré followed by high-level meeting in Abidjan to set the scene for the work stream on agroforestry. A learning brief on the status of agroforestry in Côte d'Ivoire was published and shared during the forum. This helped position IDH as the knowledgeable and trusted partner to the public and private sector that can facilitate and drive the piloting of agroforestry work to protect the forest. Tailored materials were developed and used when reaching out, pitching or explaining the program to existing and new stakeholders.
Ethiopia		ISLA Ethiopia quarterly newsletter launched; so far three editions have been published in hard and soft copy. The program brochure has been updated with more content. Billboard created and placed near replanting project site to promote the work and partners. Development of branding underway.
Kenya		ISLA Kenya strategic communication plan developed in close cooperation with team on the ground, landscape newsletters sent out to inform and update stakeholders, two-pagers and other program documents developed and used, appearances in media on topics regarding protecting the Mau, positioning ourselves as being innovative and bringing solutions through public-private partnerships.
Vietnam		Stakeholders updated through newsletters and social media channels. Workshops and events held by IDH Vietnam team.
Indonesia		Work in progress to hire a local communication agency to provide all-round communication support for all three landscapes. Updates shared through newsletters from IDH HQ. Gained national and international media attention around MOU signing with West Kalimantan governor. Actively reached out to local and international stakeholders through social media.

# Summary financial statements

The summary financial statements contain a summary of the annual accounts of Stichting IDH Sustainable Trade Initiative. Goal of the summary financial statements is to provide insight in IDH's financials on an aggregated level. The auditor's report at the end of this section ensures consistency with IDH's annual accounts. IDH's annual accounts are available on request. Both the annual accounts and this summary financial statements, do not reflect the effects of events that occurred subsequent to the date of the auditor's report on those financial statements.

The summary financial statements do not contain all the disclosures required by the Guideline for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board.

Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade Initiative.

# Balance sheet

As at 31 december 2016 (after appropriation of result)

	31 december 2016		31 december 2015	
	€	€	€	€
<b>ASSETS</b>				
<i>Intangible Fixed Assets</i>				
<i>Tangible Fixed Assets</i>		-		227,473
		104,117		-
<i>Current Assets</i>				
Accounts receivable	1,057,071	17,474,044		18,936,969
Deferred program contributions	3,080,640		658,419	
Other receivables and prepaid expenses	565,779		4,371,808	
Cash at bank	12,770,554		244,475	
			13,662,268	
<b>TOTAL ASSETS</b>		<b>17,578,160</b>		<b>19,164,442</b>
<b>LIABILITIES</b>				
<i>Short-term liabilities</i>				
Appropriated funds				
Institutional funding	1,388,067	7,867,245		7,084,748
Earmarked funds	6,479,177		2,501,342	
			4,583,406	
Trade and other payables				
Accounts payable	2,707,256	9,710,915		12,079,694
Program commitments	6,091,570		1,918,742	
Grants received in advance	-		8,257,066	
Program payables	453,970		591,460	
Other liabilities	458,118		943,839	
			368,585	
<b>TOTAL LIABILITIES</b>		<b>17,578,160</b>		<b>19,164,442</b>

# Statement of income and expenditure

	notes	Actuals 2016 €	Budget 2016	Actuals 2015 €
<b>INCOME</b>				
Subsidies from governments	9	33,489,609		36,604,056
Other income	10	1,350,895		4,353,291
<b>total income</b>		<b>34,840,504</b>	<b>38,500,000</b>	<b>40,957,347</b>
<b>EXPENDITURES</b>				
Program Contributions	11	27,529,833		33,787,371
Learning and Innovation		1,175,735		1,387,145
Impact assessments and evaluations		301,330		90,269
Programs - travel and other program costs		692,635		657,442
Programs - country offices		226,563		303,482
Outreach - external advisory		283,674		294,422
<b>total program expenditures</b>		<b>30,209,770</b>	<b>33,206,000</b>	<b>36,520,131</b>
Program communication costs		222,930		28,487
Corporate communication costs		217,120		170,650
Wages and salaries	12	3,349,680		2,733,491
Social security charges		547,814		462,662
Pension contribution (defined contribution)		256,287		230,239
Other personnel costs		568,684		473,668
Attribution of personnel costs to programs	13	-1,672,615		-1,045,560
Office costs (housing and IT)		988,420		748,335
Other organization costs		281,009		298,691
<b>total organizational expenditures</b>		<b>4,759,329</b>	<b>5,294,000</b>	<b>4,100,663</b>
<b>Operating result</b>		<b>-128,595</b>	<b>-</b>	<b>336,553</b>
Interest income		-17,786	-	-35,646
Foreign exchange result		-133,707	-	352,551
Bank charges		22,902	-	19,648
<b>Result</b>		<b>-</b>	<b>-</b>	<b>-</b>

# Program Contributions 2016

2016 (all in euros)	Total	IDH	Private	Other
Apparel	763,130	483,870	279,260	-
Aquaculture	8,429,335	2,061,895	6,323,665	43,775
Cashew	1,373,255	442,642	930,613	-
Cocoa	20,464,746	1,894,857	11,531,462	7,038,428
Coffee	11,838,735	3,233,838	8,210,365	394,533
Cotton	7,583,738	4,090,429	2,706,361	786,948
Electronics	26,759	57,627	-30,868	-
Flowers & Plants	206,612	190,966	15,646	-
Fruit & Vegetables	5,573,206	1,305,465	4,163,245	104,496
Grow Africa	480,218	480,218	-	-
Landscapes	8,565,563	5,524,980	2,797,284	243,299
Innovative Finance	-	-	-	-
Mining & Minerals	537,282	169,868	367,414	-
Natural Stone	-77	-77	-	-
Palm Oil	1,316,338	504,338	812,000	-
Pulp & Paper	195,993	159,712	-	36,281
Soy	6,754,248	2,193,494	4,560,754	-
Spices	943,105	348,816	577,887	16,402
Tea	7,706,396	1,592,627	5,935,545	178,224
Tourism	-7,270	-7,270	-	-
Tropical Timber	4,456,304	1,493,072	2,927,908	35,324
<b>Subtotal programs</b>	<b>87,207,617</b>	<b>26,221,367</b>	<b>52,108,540</b>	<b>8,877,709</b>
Learning	1,175,735	1,133,194	-	42,541
Communication & Congress	440,049	440,049	-	-
<b>Total</b>	<b>88,823,401</b>	<b>27,794,610</b>	<b>52,108,540</b>	<b>8,920,250</b>

# Program Contributions 2008-2016

Actuals 2008-2016 (all in euros)	Total	IDH	Private	Other
Apparel	2,193,107	1,109,400	1,083,708	-
Aquaculture	25,571,044	6,312,362	17,432,382	1,826,300
Cashew	3,277,565	1,645,741	1,631,824	-
Cocoa	88,226,993	21,575,126	54,494,206	12,157,661
Coffee	43,329,742	14,138,026	28,043,449	1,148,268
Cotton	53,128,597	17,788,753	24,342,229	10,997,615
Electronics	13,825,946	2,036,411	11,789,535	-
Flowers & Plants	3,366,661	1,483,168	1,738,805	144,688
Fruit & Vegetables	12,689,870	4,648,966	7,093,206	947,698
Grow Africa	1,634,708	1,634,708	-	-
Landscapes	11,319,379	8,251,946	2,824,134	243,299
Innovative Finance	59,775	59,775	-	-
Mining & Minerals	775,816	318,830	456,986	-
Natural Stone	1,528,379	762,354	591,714	174,311
Palm Oil	7,378,763	2,276,099	5,088,418	14,246
Pulp & Paper	882,573	790,030	46,961	45,582
Soy	36,183,922	10,473,887	25,467,410	242,625
Spices	3,457,522	1,351,455	1,672,036	434,030
Tea	28,113,429	10,157,692	15,347,870	2,607,867
Tourism	2,524,083	794,720	1,560,023	169,340
Tropical Timber	28,453,324	11,721,169	12,000,292	4,731,864
<b>Subtotal programs</b>	<b>367,921,199</b>	<b>119,330,618</b>	<b>212,705,188</b>	<b>35,885,393</b>
Learning	6,122,053	5,586,764	199,148	336,141
Communication & Congress	3,624,926	2,459,431	1,072,382	93,113
<b>Total</b>	<b>377,668,178</b>	<b>127,376,813</b>	<b>213,976,718</b>	<b>36,314,647</b>

# Accounting Principles

## General

### Principal activities

IDH – the Sustainable Trade Initiative, is a foundation under Dutch law, and has its legal address at Arthur van Schendelstraat 500 in Utrecht, The Netherlands. The organization is primarily involved in promotion of sustainability within the main international trade chains. It wishes to reinforce public-private consortiums that operate in those international trade chains in order to achieve high impact and value creation (from an economic, social and ecological perspective) in developing countries and emerging markets.

### Financial Reporting period

The financial year coincides with the calendar year.

### Basis of preparation

These financial statements have been prepared in accordance with the guidelines for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board. The accounting policies applied are based on the historical cost convention. The budget comparison as required per these guidelines has not been included in the statement of income and expenses due to a different format of the 2016 budget. A comparison of budget versus expenditures has been included in Annex 1 – Institutional Donor Report instead.

IDH has chosen a categorical classification of the statement of income and expenditure. The organizational costs include the congress and communication costs, the personnel costs and the organizational costs. In the notes to the statement of income and expenditure a further breakdown of these cost categories is included. In addition, in annex 1 the institutional donor overview is presented. This statement is used predominantly towards donors and other external parties.

### Law on the financial remuneration of senior executives in the public and semi-public sector ("Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT)")

The organization complies with the formal policy of the rules of the WNT ("Beleidsregel toepassing WNT") and uses this Policy as a guideline throughout these financial statements.

### Going concern

These financial statements have been prepared on the basis of the going concern assumption.

The Dutch Ministry of Foreign Affairs as major institutional donor has provided a formal guarantee to safeguard IDH's future liabilities entered into in line with the subsidy ruling in case it would need to terminate its grant

## Accounting policies

### General

The figures for 2015 have been reclassified to conform to current year's presentation. Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is disclosed in the balance sheet if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet if it is expected to result in an outflow from the entity of resources embodying economic benefits, and the amount of the obligation can be measured with sufficient reliability.

Income is recognized in the profit and loss account if an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognized if a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and/or if all risks related to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

The revenue and expenses are allocated to the period to which they relate.

The financial statements are presented in Euros, the organization's functional currency.

### Use of estimates

Preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles, the reported values of assets and liabilities, and income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions



tions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

#### Transactions in foreign currencies

Transactions denominated in another currency are translated into the relevant functional currency at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in another currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date.

#### Financial instruments

Financial instruments include trade and other receivables, loans, cash items and trade and other payables. Financial instruments are initially recognized at fair value. After initial recognition, financial instruments are valued in the manner described below.

#### Short term loans granted

Short term loans granted are carried at amortized cost on the basis of the effective interest method, less impairment losses.

#### Receivables

Receivables are carried at amortized cost on the basis of the effective interest method, less impairment losses.

#### Trade and other payables

Trade and other payables are carried at amortized cost on the basis of the effective interest method, less impairment losses.

#### Derivatives

IDH does not hold any derivatives.

#### Impairment financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

An impairment loss in respect of a financial asset stated at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in the statement of income and expenditure and reflected in an allowance account against loans and receivables.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through the statement of income and expenditure (up to the amount of the original cost).

#### Receivables

The valuation of receivables is explained under the heading 'Financial instruments'.

#### Appropriated funds

Appropriated funds include grants received in advance, but which are not yet part of program - and other expenditures. The appropriated funds are carried over to the next financial year.

#### Trade and other payables

The valuation of trade and other payables is explained under the heading 'Financial instruments'.

#### Revenue recognition

##### Government grants

Government grants are initially recognized in the balance sheet as appropriated funds if there is reasonable assurance that they will be received and that the foundation will comply with the conditions associated with the grant. Grants that compensate the foundation for expenses incurred are recognized in the statement of income and expenditure on a systematic basis, in the same period in which the expenses are recognized.

##### Recognition of private and other co-funding

With the co-funding grant from the Dutch, Swiss and Danish Governments (the donors), IDH runs public-private, precompetitive market transformation programs in multiple sectors. A prerequisite for any IDH contribution - based on the grant conditions of IDH's institutional donors - is a minimum of 50% co-funding by private (and other) parties. Co-funding is considered private when it comes from private sector companies that have their main source of income from the specific commodity supply chain or landscape of a program. All other funding from NGOs or governments is considered other funding. Based on the grant conditions of IDH's institutional donors this should be measured cumulative and over the entire grant period.

IDH's convening role in bringing together supply chain partners is one of its core activities and it is therefore key to report on this not only to its donors but also to the public. IDH has developed a framework that explains the guidelines for valuation of the (private) co-funding achieved by IDH's convening role. Based on this framework, the maximum leverage of IDH's contribution with the (private) co-funding is factor five. This co-funding amount forms a minor part of the total reported private and other co-funding in the Annual report.

## Program expenditures

### Program expenditures

IDH enters into conditional, multi-year contracts with its implementing and other public and private partners. These multi-year contracts are not recognized in the year in which they have been committed, but the annual commitment to the implementing partner is determined based on the (revised) approved annual budgets of the implementing partners taking into consideration the actual spending on the project. The annual commitment is recognized as program expenditure in the corresponding financial year. This accounting principle is derived from the fact that:

- The contracts include the provision that the parties (including IDH) reserve the right to terminate the agreement and/or the project with immediate effect and without the risk of incurring liability for damages or compensation, in the event IDHs institutional donors terminate or materially change their funding of IDH;
- Every year IDH will initiate an evaluation and assessment of the projects for the past year. IDH reserves the right to lower or quit its contribution when the implementing partner or other parties do not meet the predefined deadlines and/or goals;
- The program expenditures in the budget of IDH are recognized on this same accounting principle. The annual budget is discussed each year with and approved by IDHs institutional donors.

The remaining obligation based on the contracts held with the implementing partners is recognized under the off balance sheet assets and liabilities. Once obligations to implementing partners or other parties cease to exist, they are released to the statement of income and expenditure in the same financial year and noticeably deducted from the program expenditures in the financial year.

### Expenditures if IDH is liable on behalf of funders

Funding from other program partners received by IDH will be recognized as income in the statement of income and expenditure of the foundation, when IDH is contractually liable for the total financial commitment (the grant of the foundation and from program funders) pledged to the implementing partners of IDH for the financial year. The total financial commitment (the grant of IDH and the funding from the program partners), based on the approved annual budget of the implementing partner for the financial year, is recognized as program expenditure in the statement of income and expenditure of IDH. On balance, the financial commitment of IDH is recognized in the statement of income and expenditure.

### Other

Grants received as a contribution to the expenses incurred by the foundation are recognized in the statement of income and expenditure, and deducted from the expenses concerned.

## Employee benefits/pensions

### Pension insurance

The main principle is that the pension charge to be recognized for the reporting period should be equal to the pension contributions payable to the pension insurer over the period. Insofar as the payable contributions have not yet been paid as at balance sheet date, a liability is recognized. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognized to account for any repayment by the pension insurer or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the pension insurer and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments, and that it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the insurer, the pension agreement with the staff and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

### Leasing

The foundation may enter into financial and operating leases. A lease contract where the risks and rewards associated with ownership of the leased property are transferred substantially all to the lessee, is referred to as a financial lease. All other leases are classified as operating leases. In classifying leases, the economic reality of the transaction is decisive rather than its legal form. Stichting IDH Sustainable Trade Initiative has only entered into operating leases.

### Operating leases

If the company acts as lessee in an operating lease, then the leased property is not capitalized. Lease payments regarding operating leases are charged to the profit and loss account on a straight-line basis over the lease period.

### Taxes

IDH does not perform any entrepreneurial activities. The Dutch tax authorities have ruled that IDH is exempt from VAT and for Corporate Income Tax.

### Determination of fair value

A number of accounting policies and disclosures in the foundation's financial statements require the determination of the fair value for financial assets and liabilities. Where applicable, detailed information concerning the principles for determining fair value are included in those sections that specifically relate to the relevant asset or liability.

## Law on the financial remuneration of senior executives in the public and semi-public sector (“Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT)”)

The Executive Board of IDH consists of two directors, a chairman and a member. The employment remuneration meets the requirements of the Ministry of Foreign Affairs, in which it is stated that the remuneration of the Executive Board does not exceed the remuneration of the director-general of International Cooperation.

As per 1 January 2015 the ‘Wet normering bezoldiging topfunctionarissen WNT-2’ came in to force to which IDH is fully compliant, including the transitional regulation of the WNT that is applicable till 1st January 2017. Based upon these criteria the below table shows the remuneration of the employees that are qualified, in accordance with the WNT, as senior executive:

Name	H.J.M. Oorthuizen	T.H. van der Put	E.A. Bosgra	S. Collet
Position	Chairman of the Executive Board	Member of the Executive Board	Director of Operations	Director Finance & Public Affairs
Employment agreement	No			
Type	Indefinite period	Indefinite period	Indefinite period	NA
Hours per week	40	32-40	32	36
Part time percentage	100%	100% Jan-Mar, 80% Apr-Dec	80%	90%
Period	Jan - Dec 2016	Jan - Dec 2016	Jan - Dec 2016 (excl May)	April-Dec 2016
Salary, holiday and year end allowance*	€ 138,622	€ 113,601	€ 60,997	NA
Other allowances	€ 3,485	€ 3,395	€ 1,312	NA
Pension and other insurances	€ 15,804	€ 15,864	€ 6,234	NA
Total remuneration 2016*	<b>€ 157,912</b>	<b>€ 132,859</b>	<b>€ 68,543</b>	<b>NA</b>
Maximum Allowable WNT	€ 168,000	€ 142,800	€ 123,200	NA
Total remuneration 2015	<b>€ 154,577</b>	<b>€ 128,873</b>	<b>€ 76,673</b>	<b>NA</b>

\* For Mr. Oorthuizen he has a component that includes a form of variable remuneration which is in compliance with the transitional regulation of the WNT that will be applicable till 1 January 2017.

Mr. Collet was seconded and financed by the Dutch Ministry of Foreign Affairs from April-December 2016. This agreement ended on 31st 2016 and as of 1st January 2017 he is on a IDH contract.

For information regarding ancillary positions please refer to Annex 2.

In accordance to the WNT, the table below shows the current composition of the Supervisory Board:

Name	Function	Appointed	Retired
Mr A.H.J. Veneman	Chair	7 September 2011	
Mr J.A. van de Gronden	Member	7 September 2011	25 October 2016
Ms C.A.A. Stiemer - Hermus	Member	13 October 2011	25 October 2016
Mr B. Marttin	Member	16 May 2012	
Mr G. Boon	Member	8 April 2013	
Ms A. Kalibata	Member	30 March 2015	
Mr C.P. Frutiger	Member	16 June 2015	

The Supervisory Board did not receive any remuneration and expense reimbursements.

## UNQUALIFIED INDEPENDANT AUDITOR'S REPORT

To: the Executive Board and the Supervisory Board of  
Stichting IDH Sustainable Trade Initiative

### REPORT ON THE FINANCIAL STATEMENTS

The accompanying summary financial statements, which comprise the summary balance sheet, the summary statement of income and expenditure and related notes, are derived from the audited financial statements of Stichting IDH Sustainable Trade Initiative for the year ended 31 December 2016. We expressed a qualified audit opinion on those financial statements in our report dated May 2017. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by the Guide-line for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade Initiative.

### EXECUTIVE BOARD'S RESPONSIBILITY

The Executive Board is responsible for the preparation of a summary of the audited financial statements in accordance with the accounting principles as described in the summary financial statements.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Dutch law, including the Dutch Standard on Auditing 810 "Engagements to report on summary financial statements".

### OPINION

In our opinion, the summary financial statements derived from the audited financial statements of Stichting IDH Sustainable Trade Initiative for the year ended 31 December 2016 are consistent, in all material respects, with those financial statements, in accordance with the accounting principles as described in the summary financial statements.

Amsterdam, June 1 2017

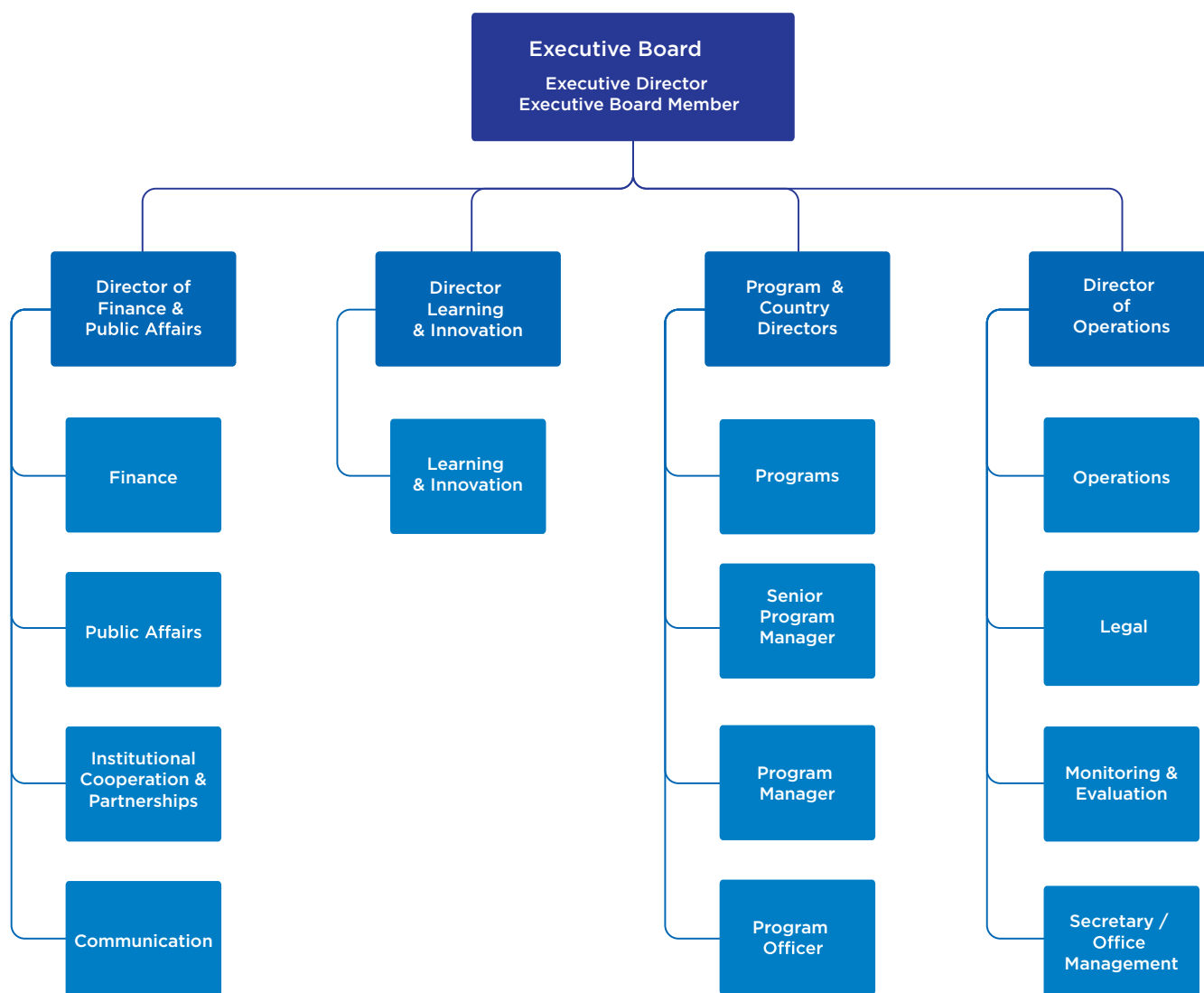
MAZARS PAARDEKOOPEL HOFFMAN  
ACCOUNTANTS N.V.

drs. J.J.W. Galas RA

# Annex

## Annex I

# Organizational Structure





## Annex II

# Ancillary Positions

### Executive Board

*Mr. H.J.M. Oorthuizen (appointed as Chair of the Executive Board on September 7, 2011)*

- Member of the Better Cotton Initiative Council
- Wageningen Ambassador for Wageningen University
- Member World Connectors

*Mr. T.H. van der Put (appointed as a member of the Executive Board on September 7, 2011)*

- Chairman of the Board of the Global Coffee Platform
- Member Advisory Board Ecochain

### Supervisory Board

*Mr. A.H.J. Veneman (appointed as Chair of the Supervisory Board on September 7, 2011)*

- Corporate Director Sustainability at AkzoNobel
- Chairman Supervisory Board Foundation “Milieukeur” (SMK Eco Label)
- Ambassador Amsterdam Climate Initiative
- Member of Worldconnectors
- Advisory Board member of True Price Initiative
- Member of International Advisory Board of the Utrecht University Sustainability
- Member of Nyenrode’s International Advisory Board (IAB)
- Ambassador Nederland Circulaire Hotspot
- Chairmanship “Strategic Implementation Group (SIG) Sustainable Development (SD)” CEFIC Programme Council Sustainability

Represents AkzoNobel in international organizations such as:

- Human Cities Coalition
- UN Global Compact
- World Business Council for Sustainable Development
- World Resources Institute

*Mr. J.A. van de Gronden (appointed as a member of the Supervisory Board on September 7, 2011, retired from this position on October 25, 2016)*

- CEO WWF Netherlands (until July 2016)
- CEO PUM Netherlands Senior Experts (July 2016 onwards)
- Vice-Chair IUCN Netherlands Committee (July 2016 onwards)

- Supervisory Board member Early Music Foundation
- Advisory Board DOB Ecology (July 2016 onwards)

*Ms. C.A.A. Stiemer-Hermus (appointed as a member of the Supervisory Board on October 13, 2011, retired from this position on October 25, 2016)*

- Senior Vice President Transformation & Research/Development at Albert Heijn

*Mr. B.J. Marttin (appointed as a member of the Supervisory Board on May 16, 2012)*

- Member of Executive Board Rabobank
- Chairman of the Shareholders Council Rabo Development
- Chairman of the Supervisory Board De Lage Landen International BV
- Chairman of the Supervisory Board of Obvion NV
- Member of the Board of Directors Rabobank International Holding BV
- Member of the Board of Directors Rabohypothekbank NV
- Member of the Board Rabobank Australia Ltd
- Member of the Board Rabobank New Zealand Ltd
- Member of the Board Rabobank Foundation
- Member of the Board Nieuwe Fondsen
- Member of the North America Board of Directors (Utrecht-America-Holding Inc.)
- Member of the Supervisory Board Wageningen University
- Member of the Supervisory Board IDH (Sustainable Trade Initiative)
- Member of the Dutch Trade & Investment Board
- Member of the Board Unico Banking Group
- Member of the Advisory Board of Neumann Stiftung
- Member of the Supervisory Board of ARISE B.V.
- Chairman of the Advisory Board Amsterdam University College
- Vice-chairman of the Board of Directors American Chamber of Commerce

*Mr. G. Boon (appointed as a member of the Supervisory Board on April 8, 2013)*

- Non-Executive Director (KPMG, Albron and Royal BAM Group) & Boardroom Advisor

*Ms. A.A. Kalibata (appointed as a member of the Supervisory Board on March 30, 2015)*

- President of Alliance for a Green Revolution in Africa (AGRA)
- Member of Advisory & Nominations Committee of Africa Enterprise Challenge Fund (AECF)
- Member of board of African Fertilizer and Agribusiness Partnership (AFAP)
- Member of board of Africa Risk Capacity (ARC)
- Member of board of International Fertilizer Development Corporation (IFDC)
- Member of CGIAR Replenishment Committee
- Member of Grow Africa Steering Committee
- Member of Global Agriculture and Food Security Program (GAFSP) Steering Committee
- Member of Global Panel for Agriculture & Food Systems for Nutrition
- Member of WEF Global Agenda Council for Agriculture
- Member of board of Strategic Advisory Council of the International Food Policy Research Institute (IFPRI)

*Mr. C.P. Frutiger (appointed as a member of the Supervisory Board on June 16, 2015)*

- Global Head of Global Public Affairs at Nestlé S.A
- Member of Swiss Government Advisory Commission on International Cooperation
- Member of Steering Committee at the UN Global Compact LEAD
- Board Member at Global Compact Network Switzerland

The Supervisory Board has created three committees in which the following members of the Supervisory Board are represented

#### Audit Committee:

- Mr. B.J. Marttin
- Mr. G. Boon

#### Impact Committee:

- Prof. Dr. Peter Knorringa (Chairman of the Impact Committee) – Professor of Private Sector & Development, International Institute of Social Studies (ISS), Erasmus University Rotterdam
- Mr. Jan-Kees Vis – Global Director Sustainable Sourcing Development, Unilever
- Dr. Bill Vorley – Principal Researcher, International Institute for Environment and Development, IIED
- Frank Eyhorn – Co-Team Leader Rural Economy at the Advisory Service Department, HELVETAS Swiss Intercooperation

#### Nomination and Remuneration Committee:

- Mr. A. H. J. Veneman
- Mr. J. A. van de Gronden

