



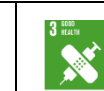

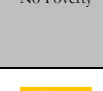
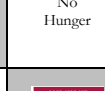

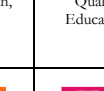









Ministry of Foreign Affairs – Department for Green Diplomacy and Climate (GDK)

Meeting in the Council for Development Policy on 22 September 2022

Agenda Item No. 7

- 1. Overall purpose:** *For discussion and recommendation to the Minister*
- 2. Title:** *New Partnership with the Sustainable Trade Initiative (IDH) 2022-2025*
- 3. Presentation for Programme Committee:** *25 May 2022*
- 4. Previous Danish support presented to UPR:** *No, this is the first presentation to UPR*

New Partnership with the Sustainable Trade Initiative (IDH) 2022-2025

<p>Key impact results (overall IDH):</p> <ul style="list-style-type: none"> - <u>1,320,709 hectares</u> of forest(ed) land under sustainable (agro) forest management or other improved conservation or protection practices. - <u>374,461,502 Euro</u> of public, private or blended finance investments/funding leveraged by the programme. - <u>185,500 metric tons</u> of sustainably produced focus crops sourced through the programme. - <u>38% uptake rate</u> of sustainable production by programme partners. - <u>1,313,082 farming households</u> experience improved net income as a result of programme interventions. <p>Justification for support:</p> <ul style="list-style-type: none"> - Unsustainable global production practices are drivers of climate change, loss of biodiversity and lack of social and economic opportunities for poor farmers and workers. - Urgent need to engage public and private actors in shifting global value chains to become greener and more sustainable to meet the SDGs and the Paris Agreement. - IDH is a long-standing trusted partner of Denmark with proven ability to convene different stakeholders in partnerships for catalyzing private sector sustainability solutions for the SDGs. <p>Major risks and challenges:</p> <ul style="list-style-type: none"> - Epidemic, economic and/or geopolitical crisis (and the resulting focus on food and energy security) divert public and private attention away from sustainability commitments and solutions. - Limited impact due to shallow private sector buy-in to sustainability commitments and solutions (increased “SDG washing” and not being willing to commit substantially). - Mitigating action will include accountable private sector engagement and close monitoring of developments accompanied by adaptive risk management, including that of responding to new opportunities through flexible funding. 	File No.	2021-25045						
	Country/Region	Africa, South America, South Asia						
	Responsible Unit	GDK						
	Sector	Sustainable Value Chain Development						
	Partner	The Sustainable Trade Initiative (IDH)						
		<i>DKK million</i>	2022	2023	2024	2025	-	Total
	Commitment		80					80
	Disbursement		20	20	20	20		80
	Duration	2022-2025						
	Previous grants	Since 2012: DKK 124.7 million						
	Finance Act code	06.38.02.12						
	Head of unit	Karin Poulsen						
	Desk officer	Mads Mayerhofer						
	Reviewed by CFO	YES: Rasmus Tvorup Ewald						
Relevant SDGs								
								
No Poverty		No Hunger		Good Health, Wellbeing		Quality Education		
								
Gender Equality		Clean Water, Sanitation		Affordable Clean Energy		Decent Jobs, Econ. Growth		
								
Industry, Innovation, Infrastructure		Reduced Inequalities		Sustainable Cities, Communities		Responsible Consumption & Production		
								
Climate Action		Life below Water		Life on Land		Peace & Justice, strong Inst.		
								
Partnerships for Goals								

Objectives

Development objective: Climate change mitigation and adaptation, strengthened biodiversity and ecosystems, and enhanced social and economic development.

Project objective: Increased public and private sector engagement in sustainability solutions related to selected agro-commodity supply chains in developing countries.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0%, 50% or 100%	100%	50%	50%	100%
Total green budget (DKK)	80 million	40 million	40 million	80 million

Justification for choice of partner:

IDH is a highly relevant partner in relation to Danish development and climate action policies, strategies and priorities. IDH is an organisation that delivers results at both global, regional and national level. IDH has proven its ability to: a) convene and engage stakeholders in sustainability solutions, b) leverage private sector finance for sustainability action and 3) innovate by developing, testing and proving business cases for sustainability solutions at field level. IDH and Denmark are long-stranding and trusted partners.

Summary:

The partnership will be centred around IDH's three impact areas, namely better jobs, better income and better environment. Specifically, the partnership will have a strong focus on increasing the sustainability of deforestation-heavy agro-commodity supply chains with a funding focus on social inclusion of smallholders and workers in developing producer countries. The partnership will ensure maximum emphasis on Africa. The partnership will be based on existing gender sensitive and rights-based IDH approaches to systemic sustainability transformation. IDH's uniqueness and point of entry is to engage the private sector in create and disseminate sustainability solutions that carries the potential of sector transformation. Key roles played by the IDH to this end is: a) forging private sector sustainability commitments by convening public-private partnerships, b) co-create business cases for sustainability solutions through learning and innovations, and c) leverage market investments and scaling solutions by engaging the private sector through co-financing specific sustainability solutions.

Budget

<i>New Partnership with the Sustainable Trade Initiative (IDH) 2022-2025</i>	DKK 80 million
Total	DKK 80 million

*Catalyzing Private Sector Solutions for the Sustainable
Development Goals*

**New Partnership with the Sustainable Trade Initiative (IDH)
2022-2025**

PROJECT DOCUMENT

TABLE OF CONTENT

<i>Abbreviations</i>	<i>ii</i>
1 INTRODUCTION.....	1
2 BACKGROUND.....	2
2.1 Context and key challenges	2
2.2 Partner Description	2
2.3 Choice of partner and Theory of Change	3
2.4 Poverty orientation and Danish strategic priorities.....	4
2.5 Previous support, lessons learned and choice of partnership modalities.....	5
2.6 Programmatic synergies and related Danish initiatives	6
3 PROJECT DESCRIPTION INCL. OBJECTIVES	7
4 RESULTS FRAMEWORK.....	20
5 INPUTS/BUDGET	22
6 INSTITUTIONAL AND MANAGEMENT ARRANGEMENT	23
7 RISK MANAGEMENT	25

ANNEXES

Annex 1	Context Analysis
Annex 2	Partner Description and Assessment
Annex 3	Theory of Change and Results Framework
Annex 4	Risk Management
Annex 5	List of Supplementary Materials
Annex 6	Plan for Communication of Results
Annex 7	Process Action Plan
Annex 8	Appraisal Recommendations

ABBREVIATIONS

ADP	Amsterdam Declarations Partnership
AEP	Agri-Entrepreneurship Program, India
AEGF	Agri-Entrepreneur Growth Foundation
BCI	Better Cotton Initiative
CCL	IDH's Climate-smart Cotton Landscapes programme
CFI	the Cocoa and Forests Initiative
CGAP	Consultative Group to Assist the Poor
COP	Conference of the Parties
DAC	OECD Development Assistance Committee
Danida	Danish International Development Assistance
DGBP	Danida Green Business Partnerships
DIEH	Danish Ethical Trade Initiative
DKK	Danish Kroner (1 EUR ~ 7.45 DKK)
DMDP	Danida Market Development Partnerships
EB	IDH's Executive Board
ELK	Department for Evaluation, Learning and Quality
GAP	Good Agricultural Practices
GSA	Grown Sustainably in Africa, IDH programme
IDH	The Sustainable Trade Initiative
IFU	Investeringsfonden for Udviklingslande/Investment Fund for Developing Countries
IP	IDH's Implementing Partner
ISCO	The National Initiatives on Sustainable Cocoa in Europe
KPI	Key performance indicator
LABS	IDH's Life & Building Safety program
MEAL	Monitoring, evaluation, accountability and learning
MFA	Ministry of Foreign Affairs, Denmark
MYP	IDH Multi-year Plan 2021-2025
ODA	Official development assistance
P4G	Partnering for Green Growth and the Global Goals 2030
PCI/PPI	Produce, Conserve, and Include / Produce, Protect, and Include
PD	Project document
PPP	Public-private partnerships
RFM	IDH's Results Measurement Framework
ROSA	Register Outcomes Stakeholder Applications - IDH tailored project management system
SB	IDH's Supervisory Board
SDG	Sustainable Development Goals
SDM	IDH service delivery models
SME	Small and medium-sized enterprises
SPa	Strategic Partnerships, MFA
SR	MFA 2021 Strategic review
SSC	Strategic Sector Cooperation, MFA
SSC	Strategic Steering Committee
SWOT	Strengths, weaknesses, opportunities, and threats
TC	Trade Council, MFA
ToC	Theory of Change
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
VCD	Value chain development
VSA	Verified Sourcing Area
WRI	World Resources Institute

1 INTRODUCTION

This Project Document (PD) describes a redesigned partnership between Danida and the Sustainable Trade Initiative (IDH) for the period 2022-2025. The PD has been prepared based on consultations with a wide range of stakeholders in Denmark during the period August-November 2021. These consultations were followed by negotiations between the Department for Green Diplomacy and Climate (GDK) of the Danish Ministry of Foreign Affairs (MFA) and IDH. Selected MFA representations have also been consulted. An early version of the PD was subject to public consultations in May 2022 and was discussed in the Danida Programme Committee on 25 May 2022. Comments from that meeting as well as submitted comments from the public consultations have guided the finalisation of the PD.

IDH remains a highly relevant partner of Danida in relation to key Danish strategic priorities as presented in *The World We Share – Denmark’s Strategy for Development Cooperation* (2021) and *A Green and Sustainable World – The Danish Government’s long-term Strategy for Global Climate Action* (2020). IDH is a unique non-profit foundation that delivers convincing results when it comes to committing and engaging big, multinational companies in working towards the UN Sustainable Development Goals (SDGs) and the Paris Agreement. IDH’s *raison d’être* is to ensure that production of - and global trade with - key commodities becomes more sustainable as market-based means to reduce poverty, secure human rights and protect the environment in developing countries.

Results of Danish support to IDH (IDH achievements 2016-2021):

- 5.44 million farmers (men and women) reached through training and technical services.
- 8.25 million hectares of land brought under sustainable production processes.
- 25.8 million metric tons of sustainable produce sourced through the programme.
- 230 million Euro of private sector investments leveraged by the programme.

IDH and Danida have been partners since 2012, most recently through a bridging grant, covering the first year of the IDH Multi-year Plan (MYP) 2021-2025. The main principles behind the new partnership are guided extensively by the findings and recommendations of the 2021 Danida Strategic Review (SR) of IDH, supported by subsequent close dialogue with the MFA Department for Evaluation, Learning and Quality (ELK). The SR as well as the dialogue with ELK explicitly point to the need for changing the partnership modality from untied MYP core support to that of earmarked funding for thematic areas or initiatives within the MYP. Selection of initiatives have been guided by three main principles, namely: 1) that they reflect relevant Danish priorities and policies, 2) that they are DAC’able (*i.e.* brings about development results in developing countries), and 3) that it is possible to trace Danish funds and results.

The exercise of reshaping the partnership has allowed for further reflection on how Danida - strategically as well as practically - could better learn from and make use of IDH’s extensive knowledge, network and influence. In this respect, the new partnership modality opens up for increased coordination and practical cooperation over time, *e.g.* in relation to deforestation hotspots and sustainability efforts in supply chains relevant to Denmark. Finally, recent international developments underpin the need for adaptive planning and implementation as well as stringent risk management, which will be stronger features in the new partnership.

2 BACKGROUND

2.1 Context and key challenges

The production of - and global trade with - commodities have the potential to be key drivers for prosperity, but too often involve persistent sustainability problems. These problems are felt most severely in developing countries where especially agro-commodities are often sourced or produced in manners that have a negative impact on the environment as well as the social and economic rights of smallholders and workers. Global and local agro-commodity markets tend to uphold and compete on unsustainable parameters such as environmental sub-standards, cheap labour and low prices, non-adherence to the rights of farmers and workers, price volatility and the preservation of an informal economy. Climate change considerations are further accentuated by increased greenhouse gas emissions, predominantly as a result of land use change (conversion of forests and other natural ecosystems) for agricultural production. These challenges are contextualised and solutions framed by the partnership target-setting of SDGs 1 (no poverty), 8 (decent work and economic growth), 12 (responsible consumption and production) and 13 (climate action).

As the sustainability problems have multiple causes and multiple actors involved, the resulting complexity requires more structural and systemic solutions. Over the last two decades, this has led to an increasing emphasis on private sector development approaches, aiming to promote sustainable production and trade. At the same time, engaging private companies through public-private partnerships (PPPs) has increasingly been seen as a precondition for bringing about systemic market or sector transformation, ultimately benefitting the realisation of the SDGs. Thus, private sector development and PPPs necessary to catalyse and bring to scale the sustainability solutions to the challenges described above are framed by the partnership target setting of SDG 17 (partnerships for the goals).

For a more detailed context analysis, please refer to Annex 1.

2.2 Partner Description

IDH was originally created in 2008 jointly by the Dutch government, private companies, NGOs and trade unions. In 2011, it was formally established as a non-profit foundation (*“Stichting”*) under Dutch law with the formal and registered purpose of being *“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.”*

Denmark has been partnering with IDH since 2012 (grants totalling DKK 124.7 million). The first tranche of support was an earmarked contribution to IDH’s cotton sector programme in Mozambique and to IDH’s coffee sector programmes in Uganda and Ethiopia (see Annex 2, section 7 for more detail on this). Subsequent contributions have been programmed as untied core support for two separate IDH MYPs. Most recently, Denmark has provided a bridging grant of DKK 15 million core funding for the first implementation year of the MYP 2021-2025. This PD covers the remaining four years of the MYP.

The mission of IDH is to drive systemic market transformation in order to actively mitigate and adapt to climate change and to improve the livelihoods of smallholder farmers and workers. The current MYP has enhanced its focus on climate change mitigation and

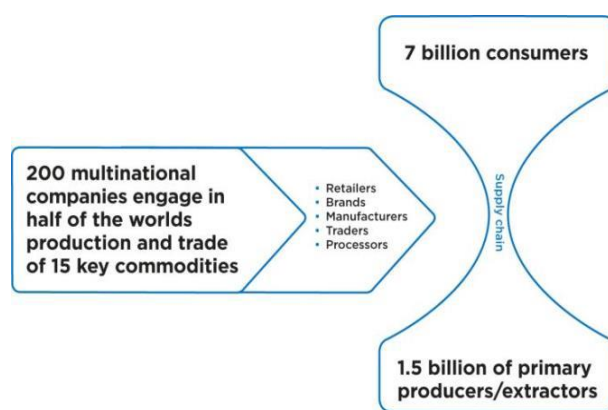
adaptation as well as on Africa, while the strong focus on better jobs, income and gender remains. IDH will focus on activities in 35 countries - 17 in Africa, nine in Asia and six in Latin America.

For a full description of IDH (including partner assessment), please refer to Annex 2.

2.3 Choice of partner and Theory of Change

The overall vision of IDH is a private sector that contributes to realising the SDGs and the Paris Agreement targets through sustainable production of – and global trade with – selected agro-commodities. At impact level, IDH defines its success as contributing to better jobs, better income and better environment – i.e. the improvement of social, economic and environmental conditions for primary producers (smallholders and workers) in developing producer countries. IDH seeks to realise its vision and contribute to impact by facilitating systemic transformation in selected global commodity sectors (soy, palm oil, coffee, cocoa, tea, horticulture, cotton etc.) and specific commodity-producing landscapes.

IDH's unique value proposition as a facilitator of sector transformation is its proven ability to bring big, multinational companies to the table along with governments, civil society, and primary producer representatives. Based on the production and global trade analysis illustrated to the right, IDH argues that impact is best achieved by engaging the relatively few multinational companies that dominate the world's production and trade. According to IDH, moving these companies (with their massive outreach to both producers and consumers) from niche to norm in terms of sustainable production and trade is key to successful sector transformation.



Source: WWF

The IDH approach to sector transformation is based on the organisation playing three complementary roles, namely: 1) convenor of collaborative multi-stakeholder partnerships for sustainability commitments, 2) co-financer and de-risker of specific sustainability solutions for private sector dissemination and scalability and 3) innovator of evidence- and data-informed business cases for sustainability by developing, testing and proving solutions at field level. The logic is that if all three roles are played successfully, results will be achieved through three interconnected, mid-term outcomes, namely: a) improved sector governance, b) improved business practices, and c) proven business cases for field level projects.

The IDH Theory of Change (ToC) assumes that these mid-term outcomes will bring about two higher ranking, final outcomes, namely: 1) replication of investments and scaling by IDH partners and 2) duplication and crowding in by other players. Achieving these outcomes (i.e. market up-take and scaling of sustainability solutions) will constitute sustained sector transformation that again will contribute to sector-wide impact (better jobs, better income and better environment) and ultimately the realisation of the SDGs.

2.4 Poverty orientation and Danish strategic priorities

IDH's ToC as well as the MYP are fully aligned with key Danish strategic priorities and actions as presented in:

- *The World We Share – Denmark's Strategy for Development Cooperation 2021*, especially related to:
 - Support to the business community's involvement in the work on achieving the UN Sustainable Development Goals (Climate, Nature and Environment, Objective 4).
 - Mobilising climate finance, in addition to development assistance, from private investors and pension funds (Climate, Nature and Environment, Objective 3).
 - Zooming in on the social responsibility of companies within sustainable global value and supplier chains in developing countries (Climate, Nature and Environment, Objective 4).
 - Strengthening biodiversity and promote nature-based solutions. Partly through support to protecting, preserving and restoring natural resources, such as forests, freshwater systems, coastal and wetland areas, as well as ensuring sustainable management and use of ecosystems (Climate, Nature and Environment, Objective 1).
- *A Green and Sustainable World – Denmark's Global Climate Action Strategy 2020* (focus on global value chains and deforestation).
- *Denmark's Action Plan on the SDGs 2021* (focus on sustainable value chains).
- *Denmark's Action Plan against Deforestation 2021* (focus on deforestation free agro-commodity supply chains).
- *The Danish Government's Action Plan for Economic Diplomacy 2022*.

Through the IDH impact focus on better jobs and better income - and taking its lead from SDG 1 and 8 - the partnership will have a strong poverty orientation through its rights-based approach to social and economic development of the livelihoods of smallholders and workers. The funding modality of the new partnership (see chapter 2.4.) will ensure that all Danish funds are directed to achieving results in ODA eligible countries. Furthermore, it will secure a stronger Danish emphasis on Africa as around 80% of the funding under this PD will be directed to initiatives in Sub-Saharan Africa (as compared to an average share of 46% to Africa across the entire IDH portfolio). As also reflected in past partnerships, gender inclusion and equality remain important focus areas of the new partnership.

Through the IDH impact focus on better environment - and leaning on SDG 12 and 13 - the new partnership will be distinctively green, delivering on climate change adaptation and mitigation considerations as well as biodiversity improvements and protection of ecosystems.

Drawing on the uniqueness of IDH as a multi-stakeholder convener/PPP facilitator - and in line with the target setting of SDG 17 - the partnership will be in direct support of the Danish ambition to mobilize and innovate private sector engagement for the achievement of the SDGs.

2.5 Previous support, lessons learned and choice of partnership modalities

Lessons learned from previous support, as highlighted in reviews and evaluations,¹ show that IDH has successfully delivered results at output and outcome level in terms of improved governance and improved business practices within specific commodity sectors and landscapes. However, IDH has achieved mixed results in terms of contributing to impact through real and sustained sector transformation (*i.e.* uptake and scalability of piloted sustainability solutions), partly due to ambitious goal-setting and inherent methodological challenges in documenting impact results. Such observations may support a notion that engaging multinational mega-companies in bettering the planet through sustainability commitments, solutions and action is a daring and difficult undertaking, not obviously providing the silver bullet in the fight against poverty and climate change. Nevertheless, there is little doubt that achieving the SDGs without engaging the private sector and leveraging private investments will not be possible. Catalysing private sector solutions for achieving the SDGs thus remains highly relevant. Still, it remains a key assumption of the partnership that private sector sustainability commitments and solutions are best quality assured and made accountable through involvement of all stakeholders, including the “critical” voices of civil society (also in Denmark) and primary producer/workers’ organisations in developing producer countries. Moreover, it is highly important that Denmark ensures that the partnership adheres to and forwards key normative sustainability frameworks and standards, most notably the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and core ILO conventions as well as more general SDG alignment, *e.g.* through the UN Sustainable Development Cooperation Framework (UNSDCF). The latter is even more important in IDH partner countries where Denmark has no direct representation.

A key lesson learned is that IDH needs to strengthen its own evidence base in terms of documenting results, especially at outcome and impact level. Key tools in this respect are clearer, stronger and more logic results frameworks and related ToCs, as well as continued upgrading and consistent use of supporting systems, procedures and processes in place to underpin and substantiate these. IDH has since 2021 worked intensively on developing corporate and Business Unit/Programme Cluster ToCs with supporting results frameworks containing unified Key Performance Indicators (KPIs). In support, revised data management systems are being rolled out in 2022. Being subject to an ever-evolving process of refinement, the monitoring, evaluation, accountability and learning (MEAL) tools will be tested and applied in forthcoming annual plans and reports of IDH.

See Annex 3 for more details on IDH’s results measurement framework.

In spite of the above challenges, reviews and evaluations point strongly towards IDH having grown into an influential actor in its context, systematically steering on relevance, coherence and sustainability while scoring well on effectiveness and additionality.² This is reiterated by the 2021 Strategic Review that confirms the continued relevance of IDH as a partner that is well aligned with Danish policy priorities and reconfirms IDH as an organisation that delivers results. However, the review also points to the difficulty of documenting the DAC-ability of un-earmarked core funding to the MYP (*i.e.* substantiating that Danish core funding

¹ Please refer to Annex 2, section 7 for an overview of the major findings and conclusions of external assessments of IDH.

² See Annex 2, section 6 for a summary of external assessments of results and performance.

to IDH is in direct support of development effects in ODA eligible countries). In response to the findings and recommendations of the review, the new partnership applies a funding modality based on earmarked support to selected IDH projects and initiatives within different programmatic areas of the MYP (see Chapter 3 for more details on the specific earmarking). The earmarked funding is for the “*Stichting*” alone, and not for any expenditures occurring in the IDH subsidiaries such as the IDH Farmfit Fund or the IDH Life and Building Safety (LABS) Programme (see Annex 2, Chapter 2).

2.6 Programmatic synergies and related Danish initiatives

During the July 2020 presentation to the Danida Programme Committee of the 2021 bridging grant, the need for a more holistic approach to the programming of the partnership was emphasized. In response to this, and reflecting the current mix of IDH’s own portfolio of partner countries, the present PD will only to a lesser extent draw on Danish ‘expanded country partnerships’ (Kenya and, if possible, Uganda). Rather, the new partnership with IDH will seek to create synergies in relation to other types of country partnerships (Nigeria, Ghana, Brazil and India). Programmatic synergies with this category of Danish country partnerships will be brought about by drawing on various foreign policy tools like Strategic Sector Cooperation (SSC), Strategic Partnerships (SPa), Trade Council (TC) and general policy dialogue.

A key finding from consultations with Danish representations and SSC/TC advisors in early 2022, was - despite limited knowledge of IDH and its activities - an outspoken interest in closer local collaboration with IDH. Such collaboration and cooperation could at first be centred around sharing of knowledge and fostering strategic thinking, but over time also in practise by identifying future opportunities for joint activities.³ Coupled with the next generation of SSC engagements, where sustainable transition of agriculture and food systems figures as a strategic priority, further opportunities for programmatic synergies will be scoped out (*e.g.* in relation to the unallocated funds under this PD, if relevant). Going forward, Denmark will also seek to better utilize the political leverage that IDH’s uniqueness as a PPP convener and SDG 17 facilitator provides. Relevant fora to pursue this agenda include EU, UNFCCC/COP and various international initiatives on sustainable food systems and supply chains (*e.g.* the World Food Summit, the Forest, Agriculture and Commodity Trade (FACT) Dialogue, and finally, the Amsterdam Declarations Partnership (ADP)).

In parallel, the ambition is to bring the IDH partnership closer to other Danish partnerships and initiatives in support of sustainable value chains, transition of agriculture and food systems, and nature-based solutions. This includes IFU, World Resources Institute, UN Global Compact, World Benchmarking Alliance, P4G and others. In addition to this, the 2021 partnership with the Danish Ethical Trade Initiative (DIEH) and the envisaged implementation of a new NGO proposal on decarbonisation of the soy supply chain in Brazil, presents obvious opportunities for programmatic synergies.

In terms of closer involvement of the Danish stakeholders, IDH’s ToC and comparative advantage in engaging mainly big, multinational companies should be kept in mind. Attention is pointed to what is considered more appropriate Danida instruments for involvement of Danish SMEs (*e.g.* Danida Market Development Partnerships (DMDP) and

³ New joint activities could for example be financed by the unallocated funds under this PD (see Chapter 5 and 6) or possibly by separate funding.

its successor Danida Green Business Partnerships (DGBP), Thematic NGO Call for Proposals, DIEH, CISU, etc.). That said, there is a continued scope for deepened dialogue, coordination, and cooperation between IDH and Danish stakeholders, including civil society organisations and their networks. Accordingly, the partnership will explore opportunities for establishing platforms for engagement of relevant Danish multi-stakeholder entities. This could include an annual meeting between IDH Management and relevant/interested Danish multi-stakeholders, e.g. in connection with one of the semi-annual SSC meetings. Also, the partnership will strive to connect the individual initiatives supported by Denmark (the existing eight as well as future new ones) closer with the Danish resource-base through already existing initiatives, alliances and platforms in Denmark (e.g. the Danish Soy Alliance, the Danish Palm Oil Alliance and the newly established Danish Coffee Alliance under DIEH). Acting as secretariat for the alliances, DIEH holds important capacity in materialising such voluntary dialogue and cooperation between Danish stakeholders and IDH. IDH and DIEH is in the process of developing a Memorandum of Understanding describing the potential benefits and needed deliverables on both sides to enhance stronger cooperation and coordination.

3 PROJECT DESCRIPTION INCL. OBJECTIVES

Denmark will continue to subscribe to IDH's mission, vision and ToC, gravitating around the organisation as a convenor of multistakeholder partnerships for the SDGs. As already emphasised, the uniqueness of IDH as a development partner originates from its ability to engage big, multinational companies in driving sustainability solutions jointly with the public sector, civil society and producer/workers' organisations as well as other relevant stakeholders.

Changing the behaviour of sector/supply chain actors (and by doing so pushing sustainability solutions from niche to norm) is thus the means to achieving the overall **development objective** of:

Climate change mitigation and adaptation, strengthened biodiversity and ecosystems, and enhanced social and economic development.

As previously mentioned, the new partnership will be based on earmarked funding for a limited number of specific IDH projects and thematic initiatives (hereafter referred to as "initiatives"). The process of selecting the initiatives themselves has been iterative and inclusive. It has been based on lessons learned as well as specific priorities and principles, including findings and recommendations of the SR and ongoing dialogue with ELK (all presented in chapter 2.3, 2.4 and 2.5 above). An important, and at times challenging, selection criteria was the prerequisite of being able to identify IDH activities (with separate budgets and funding flows) that were not already fully funded by programmatic funding. This challenge was even more outspoken when also seeking a geographical overlap with countries with expanded Danida partnerships. In almost all cases, existing or planned IDH activities were already fully funded in those countries and thus did not constitute possible recipients of earmarked, Danish funding.

It was, however, possible to identify a few initiatives in countries with expanded Danish partnerships (e.g. Kenya under Initiative 5: *Support to selected value chains under the Grown*

Sustainably in Africa (GSA) programme), but funding options with the greatest alignment to Danish priorities were mainly found in countries with other types of Danida partnerships (Nigeria, Ghana, Brazil and India) or with no specific Danida country partnership (Côte d'Ivoire, Cameroon, and Liberia). For new initiatives to be identified and approved in the future, e.g. from the unallocated funds, a better geographical overlap with expanded partnership countries will be sought.

In practise, IDH was requested to submit a preliminary list of Danish funding opportunities, followed by discussions and consultations with GDK. Based on this, IDH formulated more detailed initiative descriptions, including output and outcome KPIs and budget outlines. As a result of this careful identification and design process, the specific mix of initiatives presented in this PD ensures that future Danish funding to IDH is justified by:

- Clear and direct linkages to key Danish priorities, specifically poverty reduction, green (climate change adaptation and mitigation as well as biodiversity), Africa and rights (including gender).
- Direct implementation of activities in ODA eligible countries (DAC'ability) with a focus on Africa (app. 80% of the allocated Danish funds going to Sub-Saharan Africa).
- Traceability of flow of funds and results in IDH systems and procedures.

An additional benefit from selecting specific initiatives for earmarked funding is that it becomes easier to substantiate the overall ToC of IDH as follows:

Through playing one or more of the specific IDH roles (convenor, co-financer and/or innovator), individual initiatives will deliver desired sustainability outputs within a given agricultural commodity sector/supply chain (cocoa, soy, grains, cassava, cotton etc.).

Outputs of each initiative - individually as well as collectively - will contribute to bringing about behavioural change (*i.e.* proven sustainability commitments) in support of one or more of the three outcomes (improved sector governance, improved business practices and proven business cases for field level projects).

By contributing to realizing the outcomes, the initiatives will again contribute to the achievement of the specific **project objective** which is:

Increased public and private sector engagement in sustainability solutions related to selected agro-commodity supply chains in developing countries.




A description of the eight selected initiatives is provided below under two headlines: 1) Acceleration/expansion of existing or new activities responding to emerging needs in deforestation hot spots (*i.e.* not already included in existing IDH plans and budgets) and 2) thematic earmarking for existing projects and initiatives – supporting the uniqueness of IDH.

Besides providing details on geography, implementing partners, beneficiaries etc, the tables below also outline the individual ToCs of the initiatives. Those are presented to better map out and illustrate what IDH - in its complexity of operations and ambitions - actually does

and what kind of results can be expected. Finally, linkages to the overall IDH results measurement framework are provided.

EARMARKING FOR ACCELERATION OR EXPANSION OF EXISTING PROJECTS – RESPONDING TO EMERGING NEEDS IN DEFORESTATION HOTSPOTS

No	Initiative	Country	Initiative Partners and Beneficiaries	SDG Targets	Description and contribution to IDH ToC and results
1	<p><i>Monitoring forests in Côte d'Ivoire to support protection activities of the Cocoa and Forests Initiative (CFI)</i></p> <p>Business Unit: Agri-commodities</p> <p>Sector/Programme Cluster: Cocoa</p>	Côte d'Ivoire	<p>The signatories of the Cocoa & Forests Initiative in Côte d'Ivoire (private businesses, government)</p> <p>Representatives of farmer organisations and cooperatives (directly through training)</p> <p>Small holder farming households (indirectly)</p>	1.1, 1.2, 1.4 12.2, 12.6 13.1, 13.2 17.3, 17.11	<p>The Cocoa and Forests Initiative (CFI) promotes policies and practices to end deforestation, to expand reforestation and agroforestry, to improve farmer incomes and ensure full traceability of sustainable cocoa production. Under the previous MYP (2016-2020), CFI in Côte d'Ivoire established 104,000 hectares of agroforestry, trained 329,000 farmers in Good Agricultural Practices (GAP) and distribute 3.4 million multi-purpose trees to farmers for agroforestry. Under the current MYP, CFI as part of the Cocoa Programme Cluster is forecasted to contribute substantially to reaching a total of 336,800 farmers with GAP training while also contributing to a net income increase of 55% from focus crop (cocoa) among 416,800 farming households.</p> <p>As part of the CFI, and in accordance with the overall IDH ToC, the initiative convenes initiative partners in jointly developing a transparent, satellite-based monitoring system with deforestation alerts which will be made publicly available for all stakeholders to measure and monitor progress on overall deforestation targets.</p> <p>Specifically, Danish funding will enable customization of the recently developed IMAGES forest monitoring system to the needs of the CFI signatories (businesses, government and CSOs) and operationalizing it by training users and setting up joint public-private-civil society visits to understand deforestation alerts in the field and to work with communities to better understand the drivers of tree cover loss and work out possible solutions. In this relation, the initiative will support the development of the methodology to consult communities, as well as the visit logistics. Alerts are often happening in remote areas, only accessible after long hours of travel on unpaved roads. Meeting rooms also need to be booked for a debriefing session facilitated by a neutral organization.</p> <p>The initiative will contribute to improved sector governance (Outcome 1) and improved business practices (Outcome 2) through output indicator 1.1.1 and 1.2.1 in the Project Results Framework.</p>

<p>2</p>	<p><i>Produce, Conserve and Include (PCI) Compact - Balsas Region</i></p> <p>Business Unit: Landscapes</p> <p>Sector/Programme Cluster: Production, Protection and Inclusion (PPI)</p>	<p>Brazil</p>	<p>PCI Compact members (12 municipalities, state government agencies, producer organisations, civil society organisation, private companies etc.).</p>	<p>1.1, 1.2, 1.4 8.10 12.2, 12.6 13.2 17.3, 17.11</p>	<p>The Balsas PCI Compact is a new initiative intended to promote sustainable production (P) of agricultural crops (focus on soy) while ensuring conservation (C) of forests and other ecosystems and safeguarding the Inclusion (I) of all key stakeholders with a focus on marginalized groups (indigenous peoples and local communities). At impact level, the PCI Compact as part of the PPI Programme Cluster is forecasted to contribute to a total of 1.28 million hectares of forest(ed) land under sustainable (agro) forest management or other improved conservation or protection practices (up from a MYP baseline of 0.37 million hectares).</p> <p>As part of the PPI approach, and in line with the overall IDH ToC, the initiative convenes Compact partners to commit to sustainable landscape management targets and subsequently to oversee and agree on the implementation of major activities of the PCI Compact itself. The following targets have been identified and set by Compact members for the PCI Compact:</p> <div data-bbox="1115 703 2054 1114" style="border: 1px solid #ccc; padding: 10px;"> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p> PRODUCE</p> <ul style="list-style-type: none"> • Increase cotton production in the Balsas region by 2025, reaching 50 thousand hectares • Increase the area of RTRS certified soy, Soy Plus and other quality standards in the Balsas region by up to 30%, by 2025 • Increase the diversification of crops adapted to the Balsas region by up to 25% of different species, by 2025 • Increase production areas with a system (ILP / ILPF) in the Balsas region by up to 20% animal genetics and fodder, by 2025 • Support 100% of the actions of the National Federation of No-Tillage in the Balsas region, through soil conservationist practices, until 2025 </div> <div style="width: 30%;"> <p> CONSERVE</p> <ul style="list-style-type: none"> • Support actions that promote the reduction of illegal deforestation in the Balsas Region by 100% by 2025 • Support actions that promote the reduction of fires in the Balsas Region by up to 50% by 2025 • Register up to 100% of rural properties at SICAR in the Balsas Region, by 2025 • Validate up to 100% of the CAR in the Balsas region, by 2025 • Support actions that promote Payment for Environmental Services in the Balsas region, reaching 2 projects implemented by 2025 • Encourage correct disposal of up to 100% of waste in the Balsas region, by 2025 • Support the development and enhancement of ecological tourism in the Chapada das Mesas, supporting cities, communities, archaeological sites and rural properties </div> <div style="width: 30%;"> <p> INCLUDE</p> <ul style="list-style-type: none"> • Increase and support the structuring of the value chain, by 2025: <p>The number of families served by ATER (technical assistance & rural extension) programs by 50%; The cassava production by 60%; The cowpea production by 50%; The rice production by 30%; The corn cultivation by 40%; The Cerrado fruits and species introduced by 20%</p> <ul style="list-style-type: none"> • Promote Land Regularization in up to 40% of the Family Farming lots in the Balsas Region • Encourage the sheep / goat chain in the Balsas region promoting a 40% increase in local production by 2025 • Support 100% of the actions to increase the production of milk and dairy products in order to strengthen the region's cooperative system by 2025 • Create 01 program to promote the inclusion of women, traditional peoples and communities in activities related to crafts and other regional development </div> </div> </div> <p>The initiative will focus on the “I” pillar of the PCI Compact by focusing on small holders, indigenous people and local communities in compliance with pro-forest legislation, good agricultural practices and inclusion of women. A key challenge for local smallholders (represented in the PCI Compact by producer/smallholder farmer organisations) is tackling issues related to the compliance with the Brazilian Forest Code and land tenure rules and regulation. Lack of productive technical assistance is also commonly identified as an issue for livelihood of small holder</p>
----------	--	---------------	--	---	---

					<p>farmer. To further develop specific livelihoods, there is a strong need to advance on solutions that can tackle such issues. Securing land ownership is crucial to promoting better land use, accessing finance, commercialization of products and monitoring of social and environmental compliance. Farmers have difficulty addressing these issues properly, either because of their lack of knowledge and understanding or bureaucratic hurdles linked to regularization of farming operations.</p> <p>Addressing these challenges, Danish funding will specifically be directed towards the establishment of two “PCI Regional Hubs”. The Hubs will deliver services ranging from technical assistance up to land tenure and environmental compliance issues, all at the same place, making it easier and faster for smallholders to access training, extension and other capacity development opportunities while reducing costs and supporting the realisation of locally agreed Compact targets.</p> <p>The initiative will contribute to improved sector governance (Outcome 1) and improved business practices (Outcome 2) through output indicator 1.1.1 and 1.2.1 in the Project Results Framework.</p>
--	--	--	--	--	--

EARMARKING FOR EXISTING PROGRAMMES AND INITIATIVES – SUPPORTING THE UNIQUENESS OF IDH

No	Initiative	Country/Region	Initiative Partners and Beneficiaries	SDG Targets	Description and contribution to IDH ToC and results
3	<p><i>Regional Exchange Hub on Halting Cocoa-Related Deforestation</i></p> <p>Business Unit: Agri-commodities</p> <p>Sector/Programme Cluster: Cocoa</p>	Côte d’Ivoire, Cameroon, Ghana and Liberia	The signatories of the Cocoa & Forests Initiative in Côte d’Ivoire, Cameroon, Ghana and Liberia (governments of the respective producer countries as well as 35 leading companies of the cocoa and chocolate sector).	1.1, 1.2, 1.4 12.2, 12.6 13.1, 13.2 17.3, 17.11	<p>Under the current MYP, the Cocoa Programme Cluster is forecasted to contribute substantially to reaching a total of 336,800 farmers with Good Agricultural Practices (GAP) training while also contributing to a net income increase of 55% from focus crop (cocoa) among 416,800 farming households.</p> <p>As part of the Cocoa Programme Cluster, and in line with the overall IDH ToC, the initiative will convene sector partners to create alignment in how main African cocoa producing countries (Cote d’Ivoire, Cameroon, Ghana and Liberia) address deforestation in the cocoa sector. This will be done by establishing a Regional Exchange Hub on cocoa related deforestation in West Africa, bringing together national initiatives addressing cocoa-related deforestation, including the CFI in Côte d’Ivoire and Ghana and the Roadmap to Deforestation-free Cocoa (RDFC) in Cameroon and the Roadmap to Sustainable Cocoa in Liberia. Furthermore, the</p>

			<p>Numerous civil society organisations (international and local), including Care, Earthworm, Proforest, Rainforest Alliance and IUCN.</p> <p>Smallholder farming households (indirectly).</p>	<p>initiative will strengthen the collaboration between the initiatives in West Africa and similar initiatives focusing on European market demand.</p> <p>Specifically, Danish support to the Regional Exchange Hub will improve: a) producer government capacity to enforce deforestation regulations, b) private sector reforestation efforts and involvement in reaching smallholder farmers with GAP training, and c) the investments of both government and companies in improving cocoa markets. Activities include:</p> <ul style="list-style-type: none"> • Support for the Cocoa and Forests Initiative in Côte d'Ivoire and Ghana, and the Roadmaps in Cameroon and Liberia through capacity building of the local secretariats • Support the establishing of multi-stakeholder national partnerships to expand the concept of deforestation-free cocoa in producing countries through the documentation and exchange of cross-country learnings. • Strengthen the engagement of the private sector and their associations such as the World Cocoa Foundation and European Cocoa Association • Strengthen the connection with initiatives focusing on European market demand (including the ISCOs). <p>Effective participation and empowerment of communities in cocoa-producing regions as well as collaboration with (local) civil society organizations are priorities in the implementation of the Cocoa & Forests Initiative. Besides the sensitization and the awareness creation to farmers on how to protect forests, women and youth are trained to acquire skills in additional livelihood vocations/interventions. Examples are bee keeping, animal rearing, vegetable farming, soap making and composting for local organic fertilizer.</p> <p>Notably information sharing and sensitization on new policies, including the upcoming EU regulation on deforestation free products will be at the heart of these activities. Next to this, CFI partners together with CSOs and communities work on development and roll-out of social and environmental safeguards around forest restoration and preservation.</p> <p>The initiative will primarily contribute to improved sector governance (Outcome 1) through output indicator 1.1.1 in the Project Results Framework.</p>
--	--	--	--	---

4	<p><i>Strengthening the Cocoa and Forests Initiative (CFI)</i></p> <p>Business Unit: Agri-commodities</p> <p>Sector/Programme Cluster: Cocoa</p>	Côte d'Ivoire	<p>The signatories of the Cocoa & Forests Initiative in Côte d'Ivoire (government as well as 35 leading companies of the cocoa and chocolate sector).</p> <p>Numerous civil society organisations (international and local), including Care International, Earthworm and Initiatives pour le Développement communautaire et la conservation de la Forêt (IDEF).</p> <p>Smallholder farming households (indirectly).</p>	1.1, 1.2, 1.4 8.7 12.2, 12.6 13.1, 13.2 17.3, 17.11	<p>The Cocoa and Forests Initiative (CFI) promotes policies and practices to end deforestation, to expand reforestation and agroforestry, to improve farmer incomes and ensure full traceability of sustainable cocoa production. Under the previous MYP (2016-2020), CFI in Côte d'Ivoire established 104,000 hectares of agroforestry, trained 329,000 farmers in Good Agricultural Practices (GAP) and distribute 3.4 million multi-purpose trees to farmers for agroforestry. Under the current MYP, CFI as part of the Cocoa Programme Cluster is forecasted to contribute substantially to reaching a total of 336,800 farmers with GAP training while also contributing to a net income increase of 55% from focus crop (cocoa) among 416,800 farming households.</p> <p>As part of the CFI, and in accordance with the overall IDH ToC, the initiative aims at strengthening the convening power of the CFI in Côte d'Ivoire through setting up a secretariat that will improve CFI's capacity to a) support government enforcement of deforestation regulations, be) enhance private sector reforestation efforts and c) strengthen the alignment of investments of both parties in improving forest-friendly cocoa production. The key activity with the government will be to improve the roll-out of the Côte d'Ivoire Forest Code, including cooperation with the private sector for increased protection of first category classified forests and implementing agroforestry schemes in third category classified forests. Outside the protected forest areas, the initiative will support the collaboration between the private sector and the agroforestry program of the Conseil du Café et Cacao. The goal of this programme is to introduce 60 million multi-purpose trees into cocoa farms in the next four years for reforestation and rehabilitation purposes. To improve transparency, initiative will promote and convene a dialogue between the private sector and government on implementing a national cocoa traceability system to improve the transparency of Côte d'Ivoire's cocoa on international markets.</p> <p>Effective participation and empowerment of communities in cocoa-producing regions as well as collaboration with (local) civil society organizations are priorities in the implementation of the Cocoa & Forests Initiative. Besides the sensitization and the awareness creation to farmers on how to protect forests, women and youth are trained to acquire skills in additional livelihood vocations/interventions. Examples are bee keeping, animal rearing, vegetable farming, soap making and composting for local organic fertilizer.</p>
---	--	---------------	---	---	--

					<p>Notably information sharing and sensitization on new policies, including the upcoming EU regulation on deforestation free products will be at the heart of these activities. Next to this, CFI partners together with CSOs and communities work on development and roll-out of social and environmental safeguards around forest restoration and preservation.</p> <p>The initiative will primarily contribute to improved sector governance (Outcome 1) through output indicator 1.1.1 in the Project Results Framework.</p>
5	<p><i>Support to selected value chains under the Grown Sustainably in Africa (GSA) programme</i></p> <p>Business Unit: Agri-commodities</p> <p>Sector/Programme Cluster: Value Chain Development (VCD)</p>	<p>Nigeria, Rwanda, Kenya</p>	<p><u>Nigeria – Grains</u> Nestlé 4 local SMEs (supplying to Nestlé)</p> <p><u>Rwanda – Maize</u> Africa Improved Foods (public private partnership). Africa Improved Foods (AIF) is a public-private partnership involving DSM, Government of Rwanda, International Finance Corporation (IFC), CDC Group (British international investment) and FMO (Dutch entrepreneurial development bank).</p> <p>30 local maize co-ops</p> <p><u>Kenya – Tilapia</u> Lattice</p>	<p>1.1, 1.2, 1.4 12.2, 12.6 13.1 17.3</p>	<p>The Grown Sustainably in Africa (GSA) programme builds on IDH’s unique outreach to international agri-companies to increase local sourcing and inclusion of smallholder farmers and SMEs into their supply chains for African markets and beyond. The objective is to replace imports of agri-commodities in Africa by strengthening local supply chains and connecting them to international/regional buyers to create value locally. Under the current MYP, GSA as part of the VCD Programme Cluster is forecasted to contribute to reaching 200,000 farmers and workers with training in Good Agricultural Practices (GAP), leading to a 50% adoption rate of sustainable manufacturing, production and land-use management practices while also contributing to an average net income increase of 15% from focus crops among 100,000 farming households (30,000 headed by women).</p> <p>As part of the GSA programme, and in accordance with the overall IDH ToC, the initiative will convene private businesses and other value chain/sector stakeholders to partner around securing local sourcing commitments as well as specific co-financing of smallholder inclusive field level projects to become proven business cases for future private sector scaling and market up-take.</p> <p>Specifically, Danish funding to the initiative will be in support of three sectors/value chains, namely:</p> <ul style="list-style-type: none"> • Grains in Nigeria: Supporting four SMEs with technical assistance to build a service delivery model to integrate 20,000 smallholder farmers into the Nestlé commercial supply chain through the establishment of out-grower schemes. • Maize in Rwanda: Recruit 30 maize cooperatives (app. 15,000 smallholders) for capacity building and provide 15 to 20 with affordable financing to purchase inputs required to increase yields and quality. Work with the public-private partnership Africa Improved Foods (AIF) to

			Tunga Nutrition (K) Ltd (Nutreco/Unga (K) Ltd) Kamuthanga/Jewellet Faulu Kenya and Juhudi Kilimo Co. Ltd, Aquarech		<p>ensure it has the internal capacity to support the continuity and scaling of this model beyond the project.</p> <ul style="list-style-type: none"> • Tilapia in Kenya: Integrating an ecosystem of financiers, buyers and input providers to enhance the technical assistance to smallholders currently provided by the company Lattice to help them become profitable and to help the sector to create jobs. <p>All activities will deliberately target smallholder farmers. There will be deliberate inclusion of SMEs and small-scale producers into commercial supply chains to ensure increased business consistency and bankability and long-term potential to support improved livelihoods.</p> <p>The initiative will contribute to improved business practices (Outcome 2) as well as proven business cases for field level projects (Outcome 3) through Output indicator 2.2.1 and Output indicators 3.1, 3.2, 3.3 and 3.4.</p>
6	<p><i>Support to the Agri-Entrepreneurship Program (AEP) under the Climate-smart Cotton Landscapes (CCL) programme</i></p> <p>Business Unit: Textiles and Manufacturing</p> <p>Sector/Programme Cluster: Materials</p>	India	Syngenta Foundation, Tata Trust, Agri-Entrepreneur Growth Foundation (AEGF)	1.1, 1.2, 1.4 8.3 12.2, 12.6 13.1 17.3, 17.11	<p>The Climate-smart Cotton Landscapes (CCL) programme focus on jurisdictional opportunities for value-chain development and vertical integration in the key cotton-producing geographies, such as India, Brazil and Chad. They do this by supporting the roll-out of bundled services for improving commercially viable smallholder cotton farming, which will generate better incomes and increased climate resilience. As part of the CCL, the Agri-Entrepreneurship Program (AEP) – by means of the Agri- Entrepreneurship model - targets the smallholder cotton industry in India, focusing on training rural youth to become agri-entrepreneurs, creating jobs and increasing income by improving access to credit, market linkage, access to high-quality inputs and extension services (incl. crop diversification). Under the current MYP, CCL and AEP as parts of the Materials Programme Cluster are forecasted to contribute to training 7,500 agronomists, extension workers and experts as well as reaching 100,000 farmers with Good Agricultural Practices (GAP) training (20,000 of these being women). Also, AEP as part of CCL will contribute to an average net income increase of 15% from focus crops among 500,000 farming households while AEP activities alone are forecasted to deliver 100,000 hectares of soil under restoration and rehabilitation practices (on site).</p> <p>As part of the CCL programme, and in accordance with the overall IDH ToC, the initiative will work along the entire cotton value chain, facilitating co-financing</p>

					<p>and drawing on learning and innovation in relation to the following sustainability solutions:</p> <ul style="list-style-type: none"> • Service Delivery Models (SDM): The Agri-Entrepreneur (AE) model is very similar to the service delivery model pioneered by IDH in Africa. In this, IDH analyses the needs of farmers, identifying the optimum opportunities for service providers to meet those needs profitably, securing buyer commitments to provide financial stability for farmers and bringing in commercial finance to help scale the opportunities identified. Similarly, AEs is a hyper-local model providing various agriculture services to smallholder farmers, ranging from agri-inputs to linking farmers to markets. • Value Chains Development: The AE model works in the entire crop value chain, from seeds through to markets and including credit and insurance. It brings efficiency at every stage, improving income for smallholder farmers. IDH wishes to collaborate with AEGF to promote value chain development under specific crops through its AE network. • Market-based Approach: The AE model is founded on a market-based approach. IDH and AEGF collaborate in engaging with large scale aggregators or ‘Network Managers’ to build business models to integrate AEs into their supply chains or service delivery models. • Innovative Finance: The project promotes interventions to enable access to finance to agri-entrepreneurs. Tools such as credit scores for AEs, credit guarantee funds and interest subsidies are similar to the innovative finance and the IDH Farmfit strategy. IDH and AEGF work on sharing industry best practices and knowledge for building such tools and go-to-market strategies for the same. <p>The initiative will contribute to improved business practices (Outcome 2) as well as proven business cases for field level projects (Outcome 3) through Output indicator 2.2.1 and Output indicators 3.1, 3.2, 3.3 and 3.4.</p>
7	<i>Sustainable intensification of cotton cropping systems under the Climate-smart</i>	Chad	Government of Chad, Cottontchad Société Nouvelle (CTSN)/Olam and the Union of Farmer Cooperatives.	1.1, 1.2, 1.4 8.7 12.2, 12.6 13.1 17.3, 17.11	The Climate-smart Cotton Landscapes (CCL) programme focus on jurisdictional opportunities for value-chain development and vertical integration in the key cotton-producing geographies, such as India, Brazil and Chad. They do this by supporting the roll-out of bundled services for improving commercially viable smallholder cotton farming, which will generate better incomes and increased climate resilience. As part of the CCL, the Sustainable intensification of cotton

	<p><i>Cotton Landscapes (CCL) programme</i>⁴</p> <p>Business Unit: Textiles and Manufacturing</p> <p>Sector/Programme Cluster: Materials</p>		<p>Smallholder farming households</p>	<p>cropping systems initiative. Under the current MYP, CCL as parts of the Materials Programme Cluster are forecasted to contribute to training 7,500 agronomists, extension workers and experts as well as reaching 100,000 farmers with Good Agricultural Practices (GAP) training (20,000 of these being women). Also, CCL will contribute to an average net income increase of 15% from focus crops among 500,000 farming households.</p> <p>As part of the CCL programme, and in accordance with the overall IDH ToC, the initiative will draw on IDH learning and innovations insights from previous PPI experiences in convening sector partners to commit to sustainability solutions and the co-financing of these. The main ambition of the initiative is to improve climate resilience, sustainable landscape management and the diversification of cotton-based farming systems, focusing on jurisdictional opportunities for value addition and vertical integration. A long-term vision is to set up a Climate-smart Cotton Landscape built around a compact to be signed in 2023 and based on IDH applications of the PPI approach. This will help in scaling up income improvements and better climate resilience for smallholder cotton farmers. The initiative will work along the entire cotton value chain, focusing on the following sustainability solutions:</p> <ul style="list-style-type: none"> • <u>Sustainable intensification of cotton cropping systems:</u> Upscale of Good Agricultural Practices (GAP) training to cotton farmers (using CTSN's extension structures). Monitoring and evaluating GAP adoption and associated economic and environmental outcomes (business case creation). • <u>Climate-resilient and diversified cotton-based farming systems</u> Climate-smart farming practices, including as applied to other crops. Assessment of available markets and income potential of alternative crops for farmers. • <u>PPI and Green Growth Plan:</u> Compact formation to create commitments in scale up climate-resilient practices. • <u>Service delivery to smallholder farmers and their organizations:</u> Mechanisation services (including equipment). Setting up Village Savings and Loan Associations. Training of selected cooperative managers to train others on business administration and financial management
--	---	--	---------------------------------------	---

⁴ This is a planned initiative that would only start in 2023. Detailed planning, budgeting and setting of targets will be done late 2022.

					With a strong focus on smallholder inclusion and climate adaptation, the initiative will contribute to improved sector governance (Outcome 1) and improved business practices (Outcome 2) as well as proven business cases for field level projects (Outcome 3) through Output indicator 2.2.1 and Output indicators 3.1, 3.2, 3.3 and 3.4.
8	<i>Thematic support</i> Business Unit: Innovations and Insights	Global with a focus on West Africa (cocoa) and East Africa (coffee)	<p>On trade-offs between Better Income and Better Environment, IDH is working together with Wageningen University.</p> <p>On the Living Income Guidance Tool, IDH is working together with the Living Income Community of Practice (LICP) and Wageningen University.</p> <p>On the Gender Transformative Business Models, IDH is working together with the Consultative Group to Assist the Poor (CGAP).</p>	1.1, 1.2, 1.4 5.1, 5.5 12.2, 12.6 13.1, 13.2 17.3	<p>The Innovations and Insights (I&I) Business Unit contributes to IDH’s objectives in four different, yet mutually reinforcing ways. Firstly, it contributes to thought leadership by creating insights (based on internal and external learning and evidence) and sharing these insights via various channels, both inside and outside IDH. Secondly, it develops practical tools and solutions that can support IDH’s partners and program teams to take (better informed) action to deliver robust results at field level. Thirdly, it is involved in strategic advice both for IDH’s strategy on the impact themes and for specific programs and projects. And lastly, it facilitates learning between different teams, trains people on key content, and creates an overview of the different activities under each impact theme.</p> <p>As part of I&I, and in accordance with the overall IDH ToC, the initiative will support all three roles of IDH (convening, co-financing and learning and innovations) through the development of a number of IDH guidance tools/solutions for businesses involved in field-level implementation involving smallholders and women.</p> <p>Specifically, Danish funding will enable I&I to develop three guidance tools: 1) An assessment of field level trade-offs between achieving better income and better environment in the East African coffee sector, 2) Cocoa West Africa: Living Income Guidance Tool, and 3) Gender Transformative Business Models, including benchmarking tools and practical methodological guidance.</p> <p>The initiative will contribute to improved sector governance (Outcome 1) and improved business practices (Outcome 2) with a strong focus on proven business cases for field level projects (Outcome 3) with specific focus on Outcome 2 measured through Outcome indicator 2.1 and Output indicator 2.1.1.</p>

4 RESULTS FRAMEWORK

IDH plans and reports on results under three headlines: a) ‘improved sector governance’, b) ‘improved business practises’, and c) ‘proven business cases for field level projects’. Those result headlines logically constitute the three outcomes of the partnership between IDH and Denmark.

A subset of suitable, harmonized Key Performance Indicators (KPIs) contained in IDH’s overall results measurement framework (and thus presented in annual plans and progress reports) has been identified and included in the PD results framework presented below.

To illustrate IDH’s absolute scale and delivery of aggregated results contained in its MYP, the results framework below contains two sets of targets: 1) aggregated for the MYP and 2) for the eight Danish funded initiatives alone. The harmonized KPIs show case IDH impact, outcome and output targets and results at group level, meaning that activities of all IDH entities (“holding company” and “subsidiaries” – see Annex 2) are included in IDH planning and reporting at KPI level. As the targets and results of the eight Danish funded initiatives feed individually into the harmonized KPIs, the two sets of targets in the results framework serve to trace separately the Danish “share” of the overall KPI planning and results achievement by specifying the KPI targets and results that can be ascribed directly to the eight initiatives.⁵ In doing so, it is possible to fully separate the results of the Danish funded activities under the “holding company” from those of the various IDH subsidiaries (such as the FarmFit Fund and the LABS – see Annex 2) that Denmark does not support. IDH will provide separate reporting on the achievement of the results of the eight Danish funded initiatives as an annex to the overall annual report (see Chapter 6).

Further, outcome targets and potentially also outputs can be subject to revisions annually, typically when agreeing on the following year’s annual plan in November/December (please refer to Chapter 5 and 6). Finally, since it is suggested to have 25% of the total budget as unallocated, the results framework will be in need of revision at the time of the mid-term review scheduled for November 2023.

For a full description of IDH’s results measurement framework, systems, challenges in measuring impact as well as the full PD results framework including outputs and output indicators, please refer to Annex 3.

Results Framework

Project	Catalyzing Private Sector Solutions for the Sustainable Development Goals
Project Objectives	<i>Development objective: Climate change mitigation and adaptation, strengthened biodiversity and ecosystems, and enhanced social and economic development.</i> <i>Project objective: Increased public and private sector engagement in sustainability solutions related to selected agri-commodity supply chains in developing countries.</i>
Impact Indicators	1) Area of forest(ed) land under sustainable (agro) forest management or other improved conservation or protection practices (SDG target contribution 12.2) 2) Other sources of public, private or blended finance investments/funding leveraged by the programme (SDG target contribution 17.3) 3) Offtake volumes of focus crops (SDG target contribution 1.1, 1.2 and 8.2)

⁵ Results presented under the initiatives are those related to the Danish funding alone. For 2022, the Danish funding cover the activities in their entirety, but this may not necessarily be the case in the following years. If not, a *pro rata* principle will be applied to identify the Danish “share” of the initiative in question.

	Indicator 1)	Indicator 2)	Indicator 3)
Baseline 2020	565,438 ha	EUR 85,930,803	0
Target 2025	1,320,709 ha	EUR 374,461,502	185,500 tonnes

Outcome 1		Improved sector governance	
<u>Outcome</u> indicator 1.1		# of multi-stakeholder agreements (multi-stakeholder coalitions, committees, secretariats, initiatives, and platforms) <u>signed</u> as a result of IDH interventions (<i>SDG target contribution 12.2, 17.3, 1.1, 1.2 and 8.2</i>)	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	33	-
Target	2021	-	-
Target	2022	-	0
Target	2023	-	1
Target	2024	-	1
Target	2025	90 (cumulative)*	TBD**
Indicative total 2022-2024		2	
<u>Outcome</u> indicator 1.2		# of new or improved policies or standards that are effectively enforced (<i>SDG target contribution 12.2, 17.3, 1.1, 1.2 and 8.2</i>)	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	-	-
Target	2021	-	-
Target	2022	-	1
Target	2023	-	1
Target	2024	-	0
Target	2025	35*	TBD**
Indicative total 2022-2024		2	

Outcome 2		Improved business practises	
<u>Outcome</u> indicator 2.1		# of private companies adopting guidance tools (better income, better environment) (<i>SDG target contribution 12.2, 17.3, 1.1, 1.2 and 8.2</i>)	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	N/A (not included in MYP)	-
Target	2021	-	-
Target	2022	-	9
Target	2023	-	23
Target	2024	-	40
Target	2025	-	TBD**
Indicative total 2022-2024		72	
<u>Outcome</u> indicator 2.2		# of end-buyers with long-term buying commitments based on inclusive sourcing (<i>SDG target contribution 12.2, 17.3, 1.1, 1.2 and 8.2</i>)	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	TBD	-
Target	2021	-	-
Target	2022	-	TBD
Target	2023	-	TBD
Target	2024	-	TBD
Target	2025	-	TBD**
Indicative total 2022-2024		TBD	
<u>Outcome</u> indicator 2.3		% of projects in IDH portfolio that are gender intentional/transformational (<i>SDG target contribution 8.5 as well as 12.2, 17.3, 1.1, 1.2 and 8.2</i>)	
		IDH Aggregated target	Initiatives
Baseline	2020	0%	-

Target	2021	-	-
Target	2022	-	To be populated after assessment
Target	2023	-	To be populated after assessment
Target	2024	-	To be populated after assessment
Target	2025	80% intentional, 10% transformative	TDB**
Indicative total 2022-2024			To be populated after assessment

Outcome 3		Proven business cases for field level projects disseminated and upscaled	
<u>Outcome</u> indicator 3.1		# of farmers with increased number of crops (including those intercropped with focus crop) cultivated by the farmer (SDG target contribution 1.1, 1.2 and 8.2)	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	0	-
Target	2021	-	-
Target	2022	-	8,512
Target	2023	-	504
Target	2024	-	484
Target	2025	330,546	TBD**
Indicative total 2022-2024			9,500
<u>Outcome</u> indicator 3.2		Area of soil under restoration and rehabilitation practises on-site (hectares) (SDG target contribution 1.1, 1.2, 8.2 and 12.2)	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	1,636 ha	-
Target	2021	-	-
Target	2022	-	7,000
Target	2023	-	7,000
Target	2024	-	3,000
Target	2025	475,302*	TBD**
Indicative total 2022-2024			17,000

* From IDH Annual Report 2021

** To ensure adaptability of the Danish support, the 2025 targets will be decided based on recommendation from the 2023 MTR.

5 INPUTS/BUDGET

The total grant for the Project period (2022-2025) is DKK 80 million (DKK 20 million annually). All funds transferred to IDH "Stichting" will be accounted for down to the level of the eight Danish funded initiatives, and thus not to any of the subsidiaries of IDH (such as the Farmfit Fund entities and/or LABS). IDH will operate with detailed, activity-based plans and budgets for each of the initiatives. An admin fee of 7% has been added, and an amount of DKK 700,000 has been set aside for Danish reviews, special studies etc. (see Chapter 6).

All other financial management arrangements remain unchanged as compared to the previous partnership and will thus comply with Danida Financial Management Guidelines (please refer to Annex 2). Auditing the flow of funds/Danish earmarking will be undertaken as a part of IDH's standard auditing, but with a special instruction of auditing the flow of earmarked funds from Denmark (see Chapter 6).

To allow for adapting to developments in risks and opportunities, there will be intra-year budgetary flexibility between initiatives (up to 20%). Budgets will furthermore be updated annually in

November/December and agreed upon before mid-December - first time late 2022 for the financial year 2023. Targets of the results framework will be updated in parallel.

An amount of DKK 20 million (equivalent to 25%) remains unallocated. It is suggested to allocate these funds for activities in the final project year (2025). The idea is to have the planned mid-term review in late 2023 review suggestions for allocation. The relative size of the unallocated funds is justified by: a) initiatives identified (in first half of 2022) rarely having a duration of more than three years, b) some initiatives are already in full implementation, and most importantly, c) the wish of providing flexibility in adapting to new opportunities.

The use of unallocated funds should be in respect of the project's objectives and outcomes. Earmarked funding for new initiatives should also continue to illustrate the project's ToC, including documenting the result assumptions spanning from field level activities to impact (better income, better jobs, better environment).

The allocation between initiatives is presented in the below table.

Budget, DKK million

Initiative for earmarked funding		2022	2023 [^]	2024*	2025~	Total
1	Satellite forest monitoring	2.9	1.6	2.3	-	6.8
2	Balsas PCI compact	1.5	1.5	1.5	-	4.4
3+4	CFI MYP (hub+secur)	3.5	3.8	3.8	-	11.1
5	GSA/value chains	5.5	5.5	5.5	-	16.5
6	AEP India	3.6	-	-	-	3.6
7	Chad cotton	-	3.9	3.9	-	7.8
8	Innovation&Insights	1.7	1.7	1.7	-	5.1
<i>Sub-total</i>		<i>18.7</i>	<i>18.0</i>	<i>18.7</i>	<i>-</i>	<i>55.4</i>
Overhead/admin fee 7%		1.3	1.3	1.3	-	3.9
Unallocated (25%)~		-	-	-	20.0	20.0
Mid-term review, studies, etc		-	0.7	-	-	0.7
Grand total, DKK million		20.0	20.0	20.0	20.0	80.0

[^] Estimate - to be determined December 2022

* Rough estimate - to be determined during 2023/24 annual planning and budgeting

~ To be allocated during mid-term review November 2023

6 INSTITUTIONAL AND MANAGEMENT ARRANGEMENT

The cooperation between IDH and Denmark will be governed by a Development Cooperation Agreement signed by the two parties for the period of 2022-25. Steering and management will take the form of a lean Strategic Steering Committee (SSC) for dialogue, consultations and negotiations between the parties. The responsibilities and mandates of the SSC is guided by a set of ToR (to be annexed to the Development Cooperation Agreement). Important tasks of the SSC, who will gather semi-annually, are in summary to:

1. Discuss overall external strategic and policy developments in relation to sustainable trade (primarily guided by SDG 1, 8, 12 and 13) and the catalyzation of private sector solutions for the SDGs (in line with SDG 17).
2. Identify, share and agree on opportunities for the Danish-IDH policy leverage that IDH's uniqueness as a PPP convener and SDG 17 facilitator provides. Relevant fora to pursue this agenda include EU, UNFCCC/COP and various international initiatives on sustainable food systems and supply chains.
3. Identify, share and discuss opportunities for in-country cooperation between IDH and Danish MFA entities (country offices and embassies) on practical options for exchange of knowledge, cooperation and possible development of joint activities.
4. Discuss the progress of the project with specific focus on the Danish funded initiatives and the matching Project results framework (tracing results).
5. Discuss and approve the traceability of earmarked funds in the documentation received from IDH (financial information on Danish funding in relation to the funded initiatives).
6. Approve suggested changes to the Project results framework in relation to the funded initiatives as well as for the use of unallocated funds.
7. Discuss and approve possible IDH suggestions for funding to existing and/or new earmarked initiatives in the following year(s).
8. Discuss IDH reallocations between initiatives/budget lines up to 20% and approve suggestions for possible reallocations between initiatives/budget lines exceeding 20%.
9. Discuss developments in risks and IDH risk responses and establish specific procedures for adaptive risk management.
10. Discuss important lessons learned as they evolve.
11. Following recommendations received from the planned mid-term review in November 2023, decide on the use of unallocated funds budgeted for 2025.
12. Initiating special studies and reviews deemed instrumental for the existing and potential continued partnership post-2025 (terms of reference to be developed jointly).

To the SSC, IDH will submit its standard IDH annual reporting (including also auditing), accompanied, as deemed necessary, by additional information on Danish budgetary allocations as well as attributable results in accordance with the earmarking to the eight initiatives. A format for the additional information will be developed before the first SSC meeting scheduled in November/December 2022.

A mid-term review tentatively scheduled for early November 2023 will inform the parties' discussions and decision on budgetary allocations for 2024 and 2025, including the use of unallocated funds and updating of targets. The mid-term review will further outline various options for - and recommend on - strategic directions for the potential identification of a future partnership (post 2025). Special studies in support of such identification process can be carried out prior to the mid-term review as needed. The budget includes provisions for such reviews and study activities.

The earmarking opens up for a closer Danish following of and learning from the eight specific initiatives directly funded by Denmark. This may prove strategically important and relevant to Danish representations in for example Brazil, Nigeria, Kenya and India, especially in relation to the agendas of soy supply chain, deforestation, and youth entrepreneurship. Scoping and initiation of such decentralised involvement will need to be discussed and agreed upon by the SSC (or outside scheduled SSC meetings, directly between IDH and Denmark) beforehand. In addition –

depending on available resources – Denmark can (outside scheduled SSC meetings) call upon IDH for strategic discussions or input relevant to MFA’s policy agenda as well as joint participation in Danish, European and global conferences, and fora (see Chapter 2.5).

Depending on the outcome of the ongoing re-shaping of donor coordination and dialogue mechanisms (See Annex 2 on Aid Coordination), GDK will participate as deemed most constructive and beneficial.

7 RISK MANAGEMENT

A full risk management matrix and framework in accordance with the Aid Management Guidelines is presented in Annex 4. It is as far possible based on IDH’s existing risk management framework as contained in the MYP as well as annual plans and reports.

With the recent pandemic and war in Europe, the short-term vulnerability of international as well as regional supply chains has become painfully clear. Careful analyses and planning of risk responses to potential effects in the medium and long term is more needed than ever, be they global depression/recession, inflated transport costs, collapsing production and trade, or increased protectionism and barriers. These are all accentuated by increased race-to-the-bottom from non-committing economies and other stakeholders.

In parallel, national and international sustainability efforts are likely to experience a decreased commitment by and funding from businesses, governments, and consumers.

Influenced by those external risks, the need for internal IDH risk management is also accentuated, *e.g.* in terms of fund-raising difficulties, hacking/IT crime, staff flexibility, motivation and turnover, corruption/fraud by partners, and more generally – the difficulties in convening and implementing field activities involving sector players less dedicated than earlier.

In summary, adaptive planning, implementation and management is essential, not only internally in IDH but also in allowing the new partnership to respond fast and qualified to new opportunities and threats. Accordingly, the risk management framework will be discussed in the SSC and will guide necessary adaptations in the implementation framework, particularly the allocation of earmarked funds between initiatives and the introduction of new initiatives over time.

Specific procedures for adaptive risk management will be established within the first year of the partnership. Normally, an adaptive risk management approach entails the following stages:

- ***Adaptation options are agreed:*** Options include adaptations of timeframes, budgets, strategic directions and initiatives.
- ***Adaptation procedures established:*** Specific adaptation modalities and decision-making procedures are to be prepared for approval by both parties. Procedures at project level include adaptation/adjustment of:
 - strategic directions and possible targets/indicators of the results framework,
 - new initiatives added, and others terminated,
 - use of unallocated and contingency funds at project or initiative level,

- reallocation of funds between and within initiatives,
- new partnerships established and old partnerships ended
- impact, outcome and output targets can be changed.
- ***Monitoring and Learning for Management:*** Monitoring and learning enables purposeful adaptation of the project. Monitoring and learning at initiative level may add crosscutting attention to the wider context and other factors that may affect, positively or negatively, the project. It will also consider the coherence and synergies between initiatives.

ANNEX 1 CONTEXT ANALYSIS

1. Overall Development Challenges, Opportunities and Risks

Climate crisis, deforestation and the role of agriculture:

- The world is far from being on track to realize the goal of the Paris Agreement of keeping global temperature rise to 1.5 degrees.
- According to the IPCC, agriculture, forestry and other land uses account for app. 25 percent of global human-caused emissions with deforestation linked to farming as a main driver.
- Despite increasing focus on sustainable production, global deforestation is at record rates and commodity production is the single largest driver.
- European countries import a significant share of global demand for agricultural commodities of which the majority are not sustainably produced.
- Raising global population and a growing middle class raises the demand for natural resources such as arable land and water and puts ecosystems further under pressure.
- Approximately one third of the world's population depends, at least in part, on smallholder agriculture.
- Sustainable land use management presents an option for halting deforestation, preserving eco systems and creating a better livelihood for smallholder farmers.

Global inequality and lack of economic opportunities:

- Despite progress the absolute numbers of people living in poverty remains alarmingly high.
- According to the World Bank, the global poverty rate (at the US\$1.90 poverty line) in 2018 stood at 8.6 percent, down from 9.1 percent in 2017, equivalent to a decline by 28 million poor people between the two years. This confirms a continued reduction in extreme poverty at the global level, although at a slower pace in more recent years. COVID and the ongoing food crisis resulting from Russia's war in Ukraine are expected to turn this downward trend as millions of people has been pushed into poverty. Sub-Saharan Africa still has the highest percentage of populations living in extreme poverty.
- Organized violence and conflict remain the primary drivers for acute hunger, with key trends indicating that conflict levels and violence against civilians continued to increase in 2022. Moreover, weather extremes such as tropical storms, flooding and drought remain critical drivers in some regions.
- Global inequality is rising and lack of employment opportunities in developing countries, especially for women, is part of the explanation.
- Despite having a job, 8 percent of the world's workers and their families still lived in extreme poverty in 2018. The situation remains particularly alarming in sub-Saharan Africa, where the share of working poor stood at 38 per cent in 2018.
- As 65 percent of the poor are working in the primary sector, agricultural development and alternative livelihood opportunities in manufacturing are widely considered to be the most important way to tackle extreme poverty, boost national economic development and empower farmers, workers and their families to increase their income.

The role of global trade and the private sector in promoting sustainable development:

- According to the World Bank, global value chains account for almost 50% of global trade. Over the past 30 years, they have helped poor countries grow faster, lifting many out of poverty and have the potential to continue to contribute to sustainable development, if *inter alia* frameworks for social and environmental protection are in place.
- Despite the aggregate gains, global value chains create, trade, automation and digital technologies can cause disruption and widen existing disparities across regions and between individuals.
- While small and medium-sized enterprises (SMEs) are under-represented in global value chains, the digital economy provides new opportunities for SMEs to play a more active role.
- In a report about the future trends and challenges of food and agriculture, FAO highlights that smallholder farmers are the first to lose out, as food systems are becoming more capital intensive and vertically integrated, but that this can constitute development opportunities, if they gain access through fair contracts with processors and traders. Hence, inclusion in global value chains represents an economic opportunity for smallholder farmers.

COVID and the war in Ukraine:

- The COVID pandemic was not only a global health crisis but just as much an economic and social crisis with massive impact.
- A global recession unfolding and for the first time in 25 years, it is expected that the African continent will experience economic recession after years of growth.
- The World Bank estimated that the COVID pandemic would push an additional 88 to 115 million people into extreme poverty in 2020, with the total rising to as many as 150 million by 2021, depending on the severity of the economic contraction.
- Global trade has been disrupted by the extensive COVID lock down causing global value chains to collapse, impacting both workers and small holder farmers negatively.
- The impacts from COVID is hitting the most vulnerable the hardest, including women children and marginalized groups.
- Across the global community there has over the past year been a strong call to Build Back Better and Greener – the economic recovery from COVID should set the world on track to realize the Sustainable Development Goals and the Paris Agreement.
- OECD as well as the World Economic Forum have argued that in recovering from COVID, the integration of responsible business practices will contribute to create more robust supply chains to the benefit of companies.
- Even before the exacerbation of the global food insecurity by Russia's military aggression against Ukraine, close to 193 million people (almost 40 million increase since 2020) across 53 countries/territories were acutely food insecure and in need of urgent assistance.
- The Russian war in Ukraine has resulted in drastic reduction in supply of grains to global markets: the export of around 20 million tons of Ukrainian grains is currently impeded by the war, as Black Sea routes are blocked.
- Global food prices are rising rapidly and are at their highest level in three decades. Decisions by some countries to restrict exports risk to further deteriorate the situation.
- The increase in energy prices drives up prices of agricultural inputs (notably fertilizer), of transport and ultimately of food. The same factors will negatively affect the global capacity for humanitarian assistance, notably by the World Food Program (WFP).

- These price hikes are worsening the macro-economic outlook in many countries and would likely lead to an increase in the number of countries in debt distress. Conflicts and droughts further exacerbate the situation in vulnerable regions.
- The most vulnerable countries are the least developed and low-income countries, mainly in Africa, Asia and the Middle East. As seen with uprisings in the past decades, it is often a (food) price shock that sets off instability and conflict.

2. Stakeholder analysis

Key stakeholders and ultimate beneficiaries from the work of IDH are smallholder farmers within key commodity sectors and workers in developing countries, where IDH has activities. Through the engagement in IDH facilitated partnerships, smallholder farmers have their voice heard, get trained in sustainable farming practices, gain access to finance for investments in their farms and become included in global and regional value chains and hereby improves their economic situation and livelihood. Workers have their voice heard and gets access to training and improved working conditions and better wage. These ultimate beneficiaries are represented in the engagements of IDH through various civil society organization, such as farmers' and workers' associations and unions, producer organizations, NGOs etc.

Private companies as well are key stakeholders. They engage with IDH in a pre-competitive context to create sustainability and accountability in the value chains they are engaged in. Most IDH activities are co-financed by the private sector and hence their engagement is backed by economic commitment. For example, in 2021, IDH was able to mobilize private capital through its activities at a factor 1:2.2.

Finally, governments and local authorities in developing countries are key stakeholders. By engaging with IDH they commit to deliver *e.g.* better regulatory frameworks.

Danish stakeholders

Working with the private sector on developing and financing new business models is part of IDH's core business, and as such IDH is well placed to become a potential partner for Danish companies, associations and civil society organizations in addressing such value chain issues.

IDH has previously engaged with a limited number of Danish private sector stakeholders such as Nordic Seafood, Danish Fashion Institute, GrønFokus, Bestseller and IC Company (the latter two through the Better Cotton Initiative). At the moment, IDH has an ongoing partnership with Bestseller through the Life & Building Safety (LABS) Programme and through the Better Cotton Initiative. Moreover, IDH is partnering with Nordic Seafood through one of IDH's sector-initiatives as well as with Aller Aqua with whom IDH is currently exploring opportunities in relation to the tilapia value chain under the Grown Sustainably in Africa (GSA) Programme – one of the eight initiative supported by Denmark. Also, IDH has an ongoing partnership with the Danish Ethical Trade Initiative (DIEH) on both on soy and palm oil. Finally, IDH has partnered up with P4G to scale the Verified Sourcing Area (VSA) approach in India and Aller Aqua will be directly involved in one of the eight initiatives (feed for tilapia in Kenya under the Grown Sustainably in Africa initiative).

IDH also has an indirect impact on the availability of sustainable products for the Danish market by working together with sector-wide platforms such as fruits & vegetable, coffee, and cocoa.

In general, there seems to be good opportunities for IDH to enter in partnerships with Danish and international stakeholders, which could be further elaborated. To this end, the partnership will explore opportunities for establishing platforms for engagement of relevant Danish multi-stakeholder entities. This could include an annual meeting between IDH Management and relevant/interested Danish multi-stakeholders, e.g. in connection with one of the semi-annual SSC meetings. Also, the partnership will strive to connect the individual initiatives supported by Denmark (the existing eight as well as future new ones) closer with the Danish resource-base through already existing initiatives, alliances and platforms in Denmark (e.g. the Danish Soy Alliance, the Danish Palm Oil Alliance and the newly established Danish Coffee Alliance under DIEH).

In countries where both Denmark and IDH is present (i.e. Kenya, Uganda, Ghana, Nigeria, Indonesia and Brazil), several Danish embassies have expressed interest in a strengthened collaboration, and concrete areas of cooperation as well as relevant partner organizations have been identified. The potential for future synergies and partnerships, i.e. with Danish embassies, various Aid and Trade programmes as well as organizations like WRI, P4G or World Economic Forum, will be further explored during the project period and will be an important part of the envisaged Mid-term Review in 2023, that will identify and recommend utilization of the unallocated 25% of the project budget.

3. Fragility, Conflict and Resilience

By focusing on better jobs and income as well as climate change mitigation and adaptation, the work of IDH contributes directly to addressing key drivers of migration being economic opportunities and climate change.

The general drive behind the overall IDH Theory of Change places IDH country engagements outside the “mainstream” of fragility and conflict affected countries. That said, IDH’s activities, programming and general approach fits well with Denmark’s approach (as presented in *The World we Share*) to tackling migration and fragility by providing sustainable jobs and livelihood opportunities. The partnership directly addresses resilience as part of climate action, not least in relation to the initiatives focusing on value chain development (Initiatives 5, 6 and 7). Through sustainable land use management and enhanced agricultural practices forests, water resources and ecosystems are preserved and hence the resilience towards the impact of climate changes is build.

4. Human Rights, Gender, Youth and HRBA

The work of IDH is directly promoting human rights, especially workers’ rights and smallholder farmers’ rights. What IDH does is to engage private companies and push them to demand and support higher standards in terms of social and economic responsibility throughout their supply chain. Through its convening role and engagement of public authorities and civil society in addition to private companies, IDH creates multi-stakeholder agreements e.g. on sustainable sourcing areas or commitments to a decent living wage and hereby empowers right holders (farmers and/or

workers) to have a voice and to hold companies and governments accountable. Thus, key rights holders are smallholder farmers and workers in developing countries while key duty bearers are companies as well as local and national authorities.

IDH has in place a Code of Conduct, a Safeguarding Policy related to prevention of exploitation and sexual abuse of children and vulnerable adults as well as an International Corporate Responsibility Policy (ICRP), integrating OECD guidelines for Multinational Enterprises and ILO conventions on workers' rights, which are applied throughout the organization.

Before entering any agreement with implementing partners, a potential partner is subject to due diligence through a formalized Partner Assessment as well as an assessment of the program (formalized in an Investment Note). These includes assessment of gender issues, capacity, governance and reputation of the partner as well compliance with ICRP

Human Rights Principles (PANT)

Participation: At the core of IDH's work is the convening of stakeholders to further inclusion of smallholder farmers and workers in global and regional value chains and hereby creating better income and livelihood for them. Participation is therefore an integral part of their work.

Accountability: In the Code of Conduct, IDH describes their policies for accountability towards donors, businesses, partners and workers/farmers. Through their monitoring and evaluation as well as their learning and innovation efforts, IDH work to improve their engagement with key stakeholders in a continued dialogue.

Non-discrimination: The work of IDH is directly promoting human rights, especially workers' and smallholder farmers' rights. In their work, IDH is working to promote inclusion and combat discrimination. Their non-discrimination efforts are mainly concerned with non-discrimination of women.

Transparency: Building transparency throughout the supply chains is embedded in IDH's strategy. In its jurisdictional programmes (*e.g.* Verified Sourcing Areas) the joint identification of and sustainable exploitation/protection of natural resources adds transparency.

Gender

IDH identifies gender-based violence and sexual harassment, gender pay gap, unequal economic opportunities for female smallholders, lack of access to finance and lack of equal career opportunities as key gender related challenges in the field of IDH's work.

Ensuring a broader and deeper promotion of gender equality and empowerment across IDH's operation has been one of IDH's Core Donors' priorities during the previous MYP (2016-2021). Two mid-terms reviews pointed out that while significant progress has been achieved (see Annex 2) IDH has not yet reached a stage of being gender transformative.

In the MYP 2021-2025, IDH will further integrate gender across programs and the organization itself including by having a specific outcome target related to gender and specific gender indicators as well as gender disaggregated data in their Results Measurement Framework. IDH will continue to roll out and strengthen their Gender Toolbox across the entire organisation and its activities during the project period.

Youth

The work of IDH does not have a specific focus on youth. However, a number of the approaches applied (*e.g.* digitalisation through the use of mobile ‘apps’ for contract farming, trading and payment transfers) indirectly targets the younger farmers and traders (this is, for instance, explicitly the case in relation to Initiative 6 *Support to the Agri-Entrepreneurship Program (AEP) under the Climate-smart Cotton Landscapes (CCL) programme*). Secondly, by transforming the primary production of smallholders it becomes more attractive for younger farmers to engage and become involved at household or village levels – not migrating to the larger cities or abroad. Youth awareness is also part of the training on gender awareness that IDH is conducting.

5. Inclusive Sustainable Growth, Climate Change and Environment

The partnership with IDH directly targets climate change mitigation and adaptation as well as environmental protection, including water resource management and biodiversity. This focus is reflected in the specific earmarking of Danish funds to initiative 1 and 2, reacting to emerging need in deforestation hot-spots. IDH focus areas are sustainable land management, improved farming practices (including those of smallholder farmers) and forest protection. Further the work of IDH contributes to sustainable growth through its focus on better jobs and living wage and economic opportunities of smallholder farmers by inclusion in global and regional value chains.

6. Capacity of public sector

One of IDH’s core strengths is its convening role, making companies, civil society and public authorities come together to formulate joint commitments and strategies to tackle issues of deforestation and environmental protection more broadly and promote better livelihoods for smallholder farmers and workers.

Through engaging national and local authorities in *e.g.* joint compacts to improve sustainable land use, production practices and livelihoods, IDH is contributing to better and more inclusive governance. Furthermore, IDH’s Production, Protection and Inclusion (PPI) approach contributes to better governance of both environmental and social matters. Danish funding under the partnership has been earmarked for PPIs in Brazil (Initiative 2) and in the cocoa sector (Initiative 1, 3 and 4). The Coupled with the Verified Sourcing Area (VSA) approach of IDH, the PPI approach aims to provide a market mechanism that enables responsible sourcing and sustainable development at scale, by connecting sustainable sourcing jurisdictions to markets. Central to this combined model is a neutral online platform to link buyers to coalitions of regional stakeholders such as local governments, CSOs and local producers, processors and traders. These stakeholders agree on ambitious locally relevant priorities and indicators on forest protection, labour conditions, land tenure and livelihoods, for example. The VSA online platform is the interactive clearinghouse for producers and committed buyers and provides sustainability data relating to the jurisdictions.

Key documentation and sources used for the analysis:

- IDH Annual Report 2021

- IDH 2021-2025 Multi-year plan (partnership proposal + annexes): “Catalyzing Private Sector Solutions for the Sustainable Development Goals – Addressing climate change and inequalities through public-private action”
- IDH Strategic Direction 2021-2030 “Catalyzing Private Sector Solutions for the Sustainable Development Goals”
- IDH multi-donor Mid-term review (2018)
- Danish IDH Mid-term review of organizational strategy (2017)
- IDH Mid-term evaluation by KPMG and Wageningen (2021): Assessing IDH’s contribution to public good impacts at scale (2016–2020)
- Various IDH related documents (including studies conducted by IDH, IDH webpage, policies and internal guidance documents)
- WFP: Global Report on Food Crises 2022
- FAO and WFP: Hunger Hotspots – FAO and WFP early warnings on acute food insecurity 2022
- World Bank: April 2022 Global Poverty Update from the World Bank.
- World Development Report 2020, Trading for Development in the Age of Global Value Chains
- OECD note 2020: COVID-19 and Responsible Business Conduct
- World Bank and WTO: Global Value Chain Development Report 2021: Beyond Production
- UNCTAD: Commodities and Development Report 2015 – Smallholder farmers and sustainable commodity development
- World Economic Forum 2020 White Paper: How to rebound stronger from COVID-19, Resilience in manufacturing and supply systems
- Extensive consultations with IDH Executive Management, all IDH Business Units and various programme managers.
- Extensive consultations with key stakeholders from the Danish resource base, including DIEH, Confederation of Danish Industry, Danish Chamber of Commerce, Agricultural Council, Bestseller, Danish Crown, Arla, Coop, Toms, Salling Group, Forbrugerrådet Tænk, Concito, WWF DK, Dan Church Aid etc.

ANNEX 2

PARTNER DESCRIPTION AND ASSESSMENT

Contents

1. Background and Introduction
2. Partner Description
3. Partner Capacity – SWOT Analysis
4. Financial and Administrative Management Capacity
5. Gender Equality
6. Aid Coordination
7. Summary of External Assessments and Case Story
8. Summary: Justification of Partner Selection

1. BACKGROUND AND INTRODUCTION

The below partner description and assessment of IDH should be read taking into account the long collaboration between Denmark and IDH covering several funding phases over the past ten years.

Previous partner assessments include MFA's own reviews (Mid-term Review 2017 and Strategic Review 2021) in addition to organisational consultations with IDH as part of formulating and appraising new support periods (the present in 2022 - previously in 2020, 2017, and 2012).

MFA participation in the IDH Donor Committee has provided additional opportunities for close dialogue on partner performance, based for example on annual plans and reports, joint donor reviews, comments to evaluations etc.

Furthermore, the other two major donors (the governments of the Netherlands and Switzerland) have carried out their own individual partner assessments of IDH over the past decade. Those assessments have also been studied.

Finally, the external KPMG end-evaluation in 2021 provided important findings and recommendations, especially regarding results measurement.

As to be expected, the various assessments have over time raised a number of issues that have been discussed and addressed in order to improve organisational effectiveness and efficiency. Main present and outstanding issues are summarized by IDH itself in the SWOT analysis included in this annex.

Lessons learned from previous partnership phases are summarized in the main Project Document (PD), Chapter 2. In parallel, the same chapter presents the relevance of a continued partnership.

Summarizing by the six DAC criteria (see Section 8 below), and taking all lessons learned and capacity assessments into consideration, IDH is considered a trusted and respected partner of Denmark.

2. PARTNER DESCRIPTION

IDH, The Sustainable Trade Initiative, was originally created in 2008 jointly by the Dutch government, private companies, NGOs and trade unions. In 2011, it was formally established as a non-profit foundation (“*Stichting*”) under Dutch law with the formal and registered purpose of being “*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.*”

Through a business-driven approach focusing on making international trade a driver for economic, environmental and social sustainable development in developing countries, IDH works towards realizing two overall goals: 1) climate change mitigation and adaptation and 2) improved livelihoods of smallholder farmers and workers. This is done by mobilizing private companies in pre-competitive collaboration to commit to sustainable sourcing and by co-financing programs and development of innovative business models to support smart and climate friendly agricultural practices and processing as well as better working conditions and living wage for smallholder farmers and workers.

IDH Multi Year Plan (MYP) 2021-2025 has enhanced its focus on climate change mitigation and adaptation as well as on Africa, while the strong focus on better jobs, income and gender remains. IDH focuses activities in 35 countries, 17 in Africa⁶, 9 in Asia and 6 in Latin America.

Traditionally, IDH funds its activities by a) non-earmarked funding from ‘core donors’⁷ (the Dutch, Danish (until end-2021) and Swiss governments), b) thematic earmarking from ‘strategic programme donors’ (Belgian government, Denmark under this partnership) and c) totally earmarked project funding from ‘programme donors’ (e.g. the Dutch, UK, Belgian and Norwegian governments as well as Bill and Melinda Gates Foundation, GEF, UNDP, the IKEA Foundation, Mastercard Foundation and the EU). As matter of principle, IDH’s programme activities are matched by private sector co-financing of at least 50% (1:1). On average, IDH programme expenditures are matched by the double amount of private funding (1:2).

Total turnover in 2021 stood at EUR 45 million, at the same level as in 2020. Of this, EUR 20.5 million came from ‘core funding’ and EUR 24.5 million from ‘programme funding’. Activities generated an additional private sector contribution of EUR 48.6 million.

In recent years, IDH has developed into a multifaceted organisation and the foundation now has a number of sub-foundations, country representative subsidiaries and/or private limited companies⁸.

⁶ Tanzania, Kenya, Madagascar, Uganda, Ethiopia, Malawi, Mozambique, Rwanda, Cameroon, Côte d’Ivoire, Ghana, Mali, Nigeria

⁷ Core donors are also by IDH sometimes referred (slightly misleadingly) to as “Institutional donors”.

⁸ The three private limited companies are: IDH Investment Management, IDH Farmfit Fund and Farmfit Guarantee Facility. The sub-foundation is Life and Building Safety Program (LABS). Legal entities have been established in Kenya, Brazil, Tanzania and the UK. There are licenses to operate in Vietnam, Liberia, Ethiopia and Rwanda.

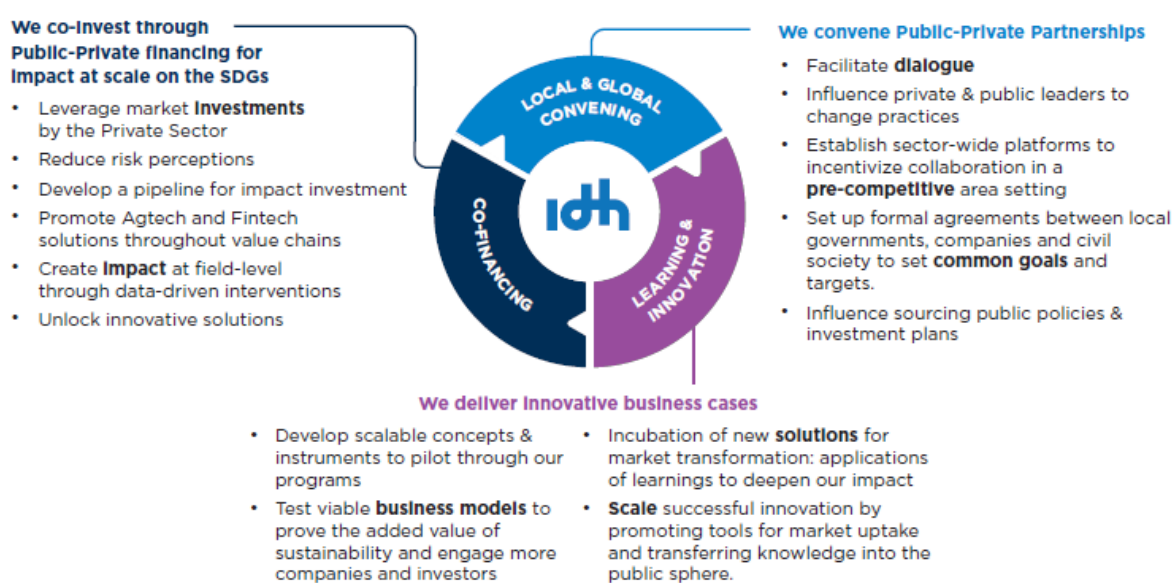
Previously, as also emphasized by the 2021 Strategic Review, IDH annual progress reporting and planning summarized results and plans/budgets from all IDH entities. This is still the case, but

As the targets and results of the eight Danish funded initiatives feed individually into the harmonized KPIs, the two sets of targets in the PD results framework serve to trace separately the Danish “share” of the overall KPI planning and results achievement by specifying the KPI targets and results that can be ascribed directly to the eight initiatives. In doing so, it is possible to fully separate the results of the Danish funded activities under the “holding company” from those of the various IDH subsidiaries (such as the FarmFit Fund and the LABS) that Denmark does not support.

As illustrated in the figure below, IDH activities to transform markets fall under the following three headings:

- Convening public-private partnerships for collective action both globally and locally – building on identifying common interests and jointly setting and committing to targets for market transformation,
- Co-financing and de-risking sustainability investments that drives companies to upscale sustainable production and trade, and
- Learning and innovating for delivering and testing new business cases (replicable models for up-scaling).

FIGURE 3: IDH ESSENTIALS



IDH value propositions

In the 2021-2030 IDH Strategic Direction, IDH summarizes its own relevance and usefulness to companies, government and civil society/NGOs as follows:

“IDH value to companies:

To reduce company risk (supply, reputation) and create new business opportunities (innovation, funding, pre-competitive collaboration):

- (Convening) Mobilizing pre-competitive collaboration and public private partnerships for joint action, at global and local levels. We are founders of the Better Cotton Initiative to ensure mainstream market demand and supply of responsible cotton. We pilot and implement verified sourcing areas for palm oil and soy.
- (Investment) Mobilizing funds for innovation and improvement, grants and market finance through blended finance. In coffee, IDH has mobilized 10m public funding for sustainable coffee, and market funding for smallholder finance.
- (Innovation): Building and testing business cases based on a wide range of best practices we generate across countries and value chains with different partners. We generate data and provide benchmarks, *e.g.* service delivery models for sourcing from smallholder farmers, or benchmark information on sustainable import of fruits and vegetables. These data support sourcing decisions.

IDH value to governments:

To drive partnerships between governments and private partners increasing public good impact through market mechanisms and private funding.

- (Convening): We drive local public-private partnerships where mutual accountability optimizes results for sustainable development. Our landscapes programs facilitate policy improvement, investment and adjusted production and sourcing practices resulting in sustainable land use and water management.
- (Investment): By leveraging grants, we have secured double (and with blended finance even tenfold) private sector investment into joint projects generating impact on jobs, income, working conditions, gender and land use in Africa, Asia and Latin-America.
- (Innovation): Driving innovation in multiple sectors and countries generates lessons learned and innovations for more effective aid and trade policies. Our experience with sustainable palm oil production impacted on the EU agenda and on design of national support programs in Norway and UK.

IDH value to civil society/NGO's:

To support effective participation by civil society organization in public-private partnerships and secure that the voice and implementing capacity of civil society is incorporated in our programs, to the benefit of inclusive growth.

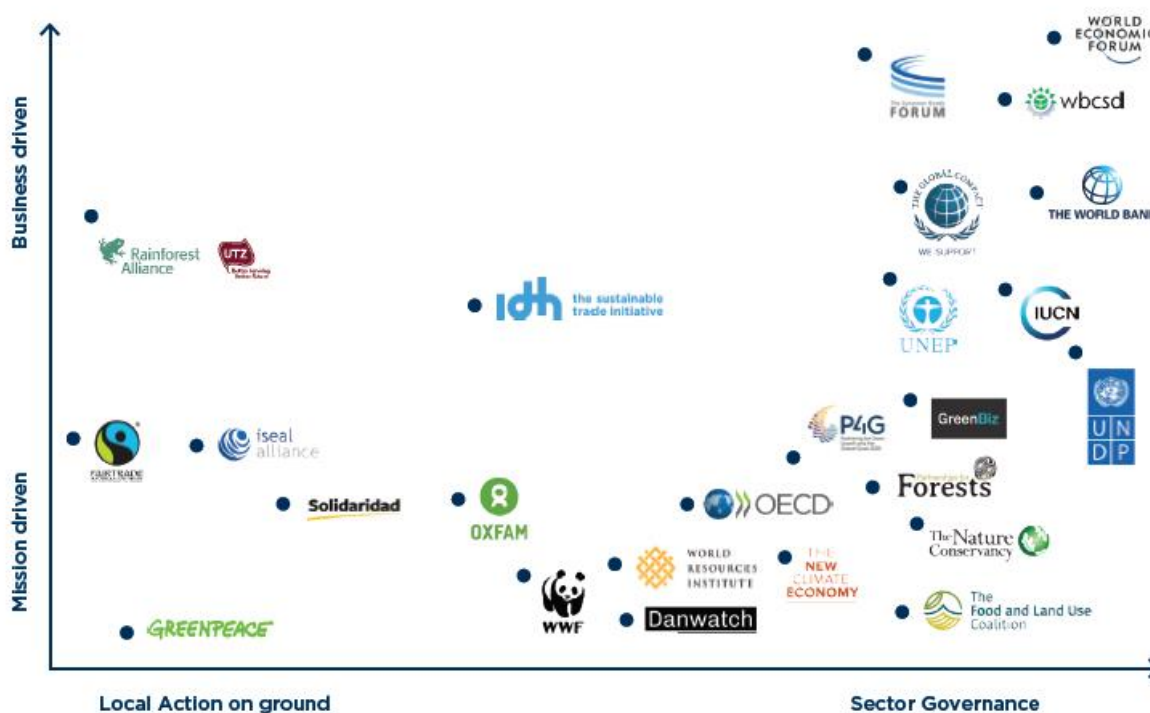
- (Convening): We drive inclusive local and global public private partnerships where mutual accountability optimizes results for sustainable development. Civil society is key to assure local voice and accountability, mobilizing consumers and communities for sustainable trade.
- (Investment): We partner with NGO's and invest through NGO's as implementing partners where have most leverage for lasting impact.
- (Innovation): We partner with NGO's as knowledge institutions to co-design innovations that work on the ground. Together we drive innovation that pushes governments and businesses to next level sustainability.”

Geographical presence and focus

The IDH headquarters is located in Utrecht (the Netherlands). IDH has gradually expanded its international presence to having international offices in Brazil, Côte d'Ivoire, Ethiopia, India,

IDH's positioning in the diagram shows that it is combining activities in the field with those of sector governance while – at the same time – it is mission as well as business driven. In doing that, and placing itself almost alone in the middle, it distances itself from most other global actors. This means that IDH has succeeded – as indicated by stakeholder appreciation and private funding leverage – in achieving a broad and consensus-based engagement from the most important actors.

FIGURE 6: IDH POSITIONING

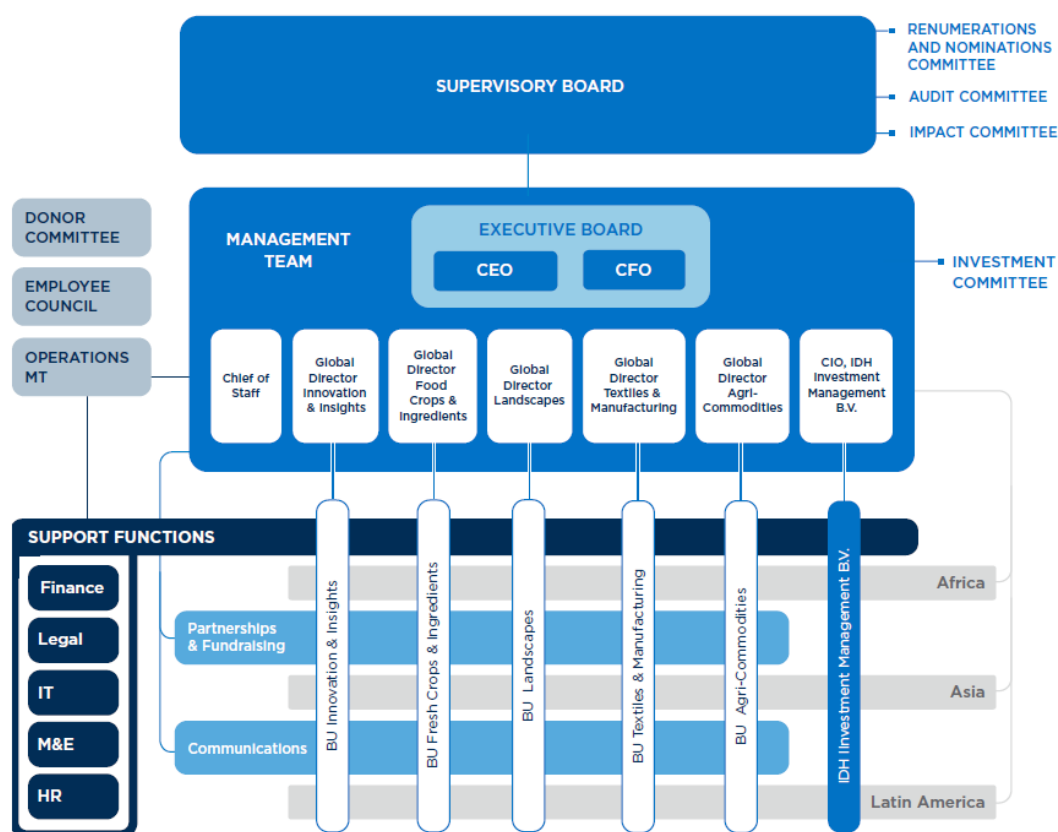


Organisation and governance

An IDH organigram is presented below. IDH has re-organized during the previous MYP (2016-2020) in order to improve efficiency of operations with the introduction of five business units in 2019, the appointment of its first Chief Financial Officer, a leaner management team (formerly 13 directors, now 8), and with a stronger and more formalised presence in focus countries (devolution).

The IDH Supervisory Board (SB) is the formal governance body of IDH and guards the policy and functioning of the IDH office. SB is charged with supervising the policy of the Executive Board, IDH's general business framework and IDH's performance. SB periodically discusses the performance of IDH with the Executive Board and intervenes, where necessary, to provide (strategic) advice to the Executive Board. This includes budget, financial statements and the accounting system maintained by the Executive Board. SB is guided by the interests of IDH, and has an Audit, Remuneration & Nominations and an Impact Committee. It appoints and selects its own members and meets four times a year. At present, SB consists of 8 representatives that are acting in their individual capacity and come from private sector (Nestlé, COOP Denmark, RaboBank, PWC) and civil society/public sector (German Ministry for Economic Cooperation, the World Economic Forum, the Consumer Goods Forum).

The SB appoints the Audit Committee from among its members. The Audit Committee provides SB with advice on the legality and validity of IDH's financial management, policies and activities. It assesses IDH's internal planning and control system, including internal accountability. The Audit Committee provides advice on the appointment of the external auditor; reviews the draft financial statements; discusses results of the financial audit with the external auditor and ensures that recommendations are complied with; reviews the interim financial reports and assesses the risks and the effectiveness of the treasury policy pursued.



The Impact Committee is appointed by SB and consists of members of the SB itself and external experts. Members are selected based on relevant knowledge/experience of impact/impact measurement. The Impact Committee provides SB with (strategic) advice on delivering, measuring and communicating the social and environmental impact of IDH activities, with a special focus on small-scale farmers and producers. Core donors are entitled to suggest candidates for vacant seats at the Impact Committee. Ultimately, the Impact Committee itself is the final decision-maker in the appointment of a vacant seat.

The Remunerations and Nomination Committee supports SB by assessing the performance of the Executive Board and setting performance targets.

The two-person Executive board consists of the CEO and CFO and is supported by a wider Management Team with another five global directors and a Chief of Staff. The Executive Board is responsible for the management of IDH - i.e. the realization of IDH's objectives, the strategy, the finance and the overall policy making and policy implementation. The Executive Board's management is under supervision of SB.

The internal Investment Committee has the aim of improving quality of interventions, alignment of interventions and ultimately create better value for money. The Investment Committee is set to meet every month to decide – based on due diligence and assessment of projects’ additionality – on project proposals based on for example pre-contracting guidelines with partner assessment tools, screening for gender equality etc.

In terms of support functions, IDH is organized in five business units. The business units Food Crops & Ingredients, Agri commodities, Textiles & Manufacturing, and Landscapes work through their own clusters of expertise (“Program clusters”). The Innovation & Insights business unit provides overall organizational support on thought leadership, designing tools and solutions, and strategic advice to facilitate organizational learning, innovations and the scaling up of successful initiatives. Finally, departments of HR, International Partnerships and Fundraising, Communication, Monitoring and Evaluation, and Legal and Finance makes up the rest of the IDH organisation.

Staffing

On December 31, 2021, IDH’s headcount stood at 264 employees (including associates) across the entire organization (for all entities including the IDH Farmfit Fund but excluding contractors). IDH’s people represent 49 nationalities, with a presence in over 28 countries in Europe, Asia, Latin America, and Africa. IDH has a balanced gender representation and has reaffirmed its commitment to equal opportunities and diversity.

IDH’s organisational performance and capacity has been assessed during the 2017 Danida mid-term-review and 2018 multi-donor mid-term review. Staff were found to be extremely hardworking, competent and dedicated. Only about one third of the total organization works from the Netherlands, out of which about 45% are Dutch nationals, having taken up positions in IDH for various reasons; the main being personal interests in the sustainability agenda and the chance to work in a highly international and innovative environment. The culture appeared to be corporate, but with a good mix of NGO and business-oriented individuals.

3. PARTNER CAPACITY – SWOT ANALYSIS

In support of the formulation of the new partnership, IDH has in May 2022 undertaken a self-assessment in the form of a SWOT analysis. The findings from the exercise are summarised in the SWOT-table presented on the next page.

The “strengths”, “weaknesses” and “opportunities” identified are reflected and addressed in IDH’s strategies and plans while “threats” are reflected upon in the IDH risk management framework (see Annex 4). However, it is important to realize and accept that the fast-changing world (*e.g.* post-COVID and in light of the war in Ukraine) provides many uncertainties – uncertainties that can quickly change the frameworks in which IDH operates. Adaptive management – and flexible funding mechanisms – are more needed than ever, providing informed responses both to threats and opportunities.

Ongoing revisions to results measurement systems – considered necessary to address weaknesses as pointed out by the 2021 KPMG end-evaluation - are described in Annex 3.

INTERNAL IDH SWOT ANALYSIS

Strengths	Weaknesses
What do you do well? What unique resources can you draw on? What do others see as your strengths?	What could you improve? Where do you have fewer resources than others? What are others likely to see as weaknesses?
<ul style="list-style-type: none"> - Convening power – impartial convening between parties, unique position, and reputation especially among private sector actors - Leveraging funding from private sector for the SDGs - Agile and innovative organization with an entrepreneurial mind-set - Focus on doing and learning - Knowledgeable and dedicated staff - Sought after solutions and innovations - Relevant networks – among producers, traders, processors and retailers, international initiatives, financial institutions, as well as regional and national governments - Funding base (core funding) 	<ul style="list-style-type: none"> - Capturing (including documenting and communicating) outcomes and proving our impact especially from our convening efforts - Improved communications/narrative to describe what IDH does in clear and simple wording - Entrepreneurial drive and agility of the organization affecting organizational efficiency - Lack of high-quality implementing partners in the countries where we operate - Vulnerable to staff turnover due to the nature of the organization (convening) - Not being allowed to build a continuity reserve from institutional funding makes that IDH cannot take risks in the provision of funding (e.g., contract more than 100% of funding)
Opportunities	Challenges / Threats
What opportunities are open to you? What trends could you take advantage of? How can you turn your strengths into opportunities?	What threats could harm you? What is your competition doing? What threats do your weaknesses expose you to?
<ul style="list-style-type: none"> - Taking up a role of convener on a global/pan-European scale, building on the developments of sustainable value chains at EU and global level - Disruptions of international and regional supply chains, creating renewed interests from partners to engage and invest in market transformation - Accelerated climate change, making the business case for new solutions - Market uptake of analytical tools developed by IDH Innovation & Insights - Gradually evolving into a data driven organization - Further improving the efficiency and quality our interventions to become the organization more partners want to work with to test business cases - Leverage financiers' interests on IDH value proposition (farmer finance, landscape/climate change) 	<ul style="list-style-type: none"> - Risk of less finance for national and international sustainability efforts by businesses, governments, due to COVID-19 and war in Ukraine - Ambitious mission (systems change) - Strengthening our structures and standardizing processes without hampering agility and entrepreneurial drive of the organization - Delivering on targets in a broad and ambitious value proposition (systems change) - Operating in a global context, organizing a uniformed and harmonized way of working across all countries where we operate - Delivery versus fundraising: Diversification of funding base leading to additional reporting and account management. - Capturing the results of convening activities in a system change context vs the framework of our institutional donors

4. FINANCIAL AND ADMINISTRATIVE MANAGEMENT CAPACITY

As has been the case during previous partnerships, financial management of the use and flow of funds will follow the established internal rules, procedures and systems of IDH. Those rules and procedures have developed during the past decade and are supported by ICT systems across the organisation and its country offices.

What is new as compared to earlier, is the requirement of IDH to be able to trace the Danish earmarked funds (financially as well as results) down to selected thematic initiatives. The Strategic Steering Committee (SSC) to be established for the new partnership will check that this is taking place, including checking that the consolidated audits include statements on the earmarked Danish funding.

Quality of IDH rules and systems, including anti-corruption

The gradual development and strengthening of procedures, rules and systems has been overseen by a dedicated Audit Committee under SB that provides advice on the legality and validity of IDH's financial management, policies and activities. It assesses IDH's internal planning and control system and provides advice on the appointment of the external auditor; reviews the draft financial statements; discusses results of the financial audit with the external auditor and ensures that recommendations are complied with; reviews the interim financial reports and finally, assesses the risks and the effectiveness of treasury policies.

The present set of rules, regulations and systems are found to be of high standards, *e.g.* as reported by the external auditor in their 2018 management letter; stating that IDH has reached a high overall maturity level of internal controls. In addition, financial management was subject to a Danish MFA review in September 2019 and performance was found to be satisfactory. As part of the 2020 appraisal process for the 2021 project document, IDH did a financial management self-assessment. The 2020 appraisal did not observe any contradictions to the conclusion of the MFA financial monitoring visit.

Furthermore, IDH has a 'Code of Conduct', 'Anti-bribery and Anti-Corruption Policy' and a 'Speak-up Policy' in place. The Speak-up Policy and associated whistle-blower system in place gives staff members and third parties working with IDH the opportunity to anonymously flag any suspicions of misconduct or irregularities.

Implementing partners

Since a significant part of IDH's finances are spent by Implementing Partners (IPs), tender and contract management is essential. Through a global contract management system, IDH brings key data together in one tool for approvals, reporting and document management. Financial controls over project, programme and business unit management as well as reporting are all built into the system.

An Investment Committee acts as an independent decision body, tasked with revising and sharpening project funding decisions while at the same time ensuring a broad discussion about how specific investments are contributing to business unit strategies and IDH's goals and results more generally (including that of gender). It also ensures that proper due diligence has been undertaken of IPs as well as their specific investment proposals. The Investment Committee is thus an extremely important tool for management and quality assurance.

In support of IP management, IDH has comprehensive guidelines for planning and reporting, which are referred to in all contracts with IPs. Various guidelines document the minimum requirements for all reporting expected of IPs along the three major phases of project planning, implementation and closure – including requirements for IPs having safeguarding and anti-corruption policies. In addition to these guidelines, IDH has specific requirements for project proposals, project budget and eligible private sector investments. These criteria are included in the

Criteria for Calls for Proposals. IDH may also request additional documentation when agreed upon with the IPs. Regular exchange of information between IDH and IPs is required by IDH.

5. GENDER EQUALITY

Since gender ambitions during previous partnership phases (2012-2015) were found to be low, gender equality has since then been a key issue in relation to Danish support to IDH (incl. performance framework). Continuous Danish attention to gender quality and empowerment has been given during consultation on annual planning, strategy setting (for the MYP 2025) at not least documentation and reporting. The attention to the subject – and driving IDH to a more ambitious and scientific approach – has been of equal importance to the two other IDH core donors.

The two mid-term reviews of IDH found that progress had been achieved and that IDH has embarked on a journey towards becoming gender transformative (see illustration below) in its operations and initiatives. However, there is still some way to go before this is going to be fully integrated and not least have measurable impact.

The IDH gender equality journey:

From gender unintentional to gender transformative:

- **Gender unintentional** – Takes no steps to understand different needs and constraints of women and men, or target gender gaps or barriers.
- **Gender intentional** – Considers the different needs and constraints of women and men and takes steps to adapt to their needs without changing gender norms or barriers.
- **Gender transformative** – Considers different needs and constraints of women and men, and addresses the root cause of gender inequality by fostering change in individual agency, gendered norms and expectations, and institutional rules and practices

In the MYP 2021-2025, IDH further integrates gender across all IDH Business Units and impact areas (better income, better jobs and better environment) by:

- Convening of platforms and coalitions with the private sector, farmers and governments, where gender is integrated as a core part of the overall strategy on better incomes, better jobs and better environment.
- Integrating gender intentional and transformative interventions into IDH co-funding projects that relate to any of the three impact areas.
- Creating insights and innovations through gathering and analysing gender disaggregated data; developing easy to use tools and innovations (such as the gender tool and the Salary Matrix) to promote gender equality and inclusive business practices; and performing program evaluations and ensuring continuously learning loops

Since mid-2021, IDH has taken some key actions to prepare the organization to adequately mainstream gender across all co-funding projects. Amongst others, these included hiring a full-time

senior manager that leads gender globally, setting up a training an internal gender champions structure, training all program teams on the use of the IDH gender tool.

Furthermore, in Q3 2021, IDH partnered with CGAP (the Consultative Group to Assist the Poor) to organize the event marking the launch of the convening phase of IDH's work on Gender Transformative Business Models.

As of 2022, the IDH gender tool is being applied to every co-funding project being submitted to the Investment Committee (IC) for approval. The learnings in Q1 led IDH to revise its 2022 gender projects targets being now "100% projects approved at IC level to become gender intentional" and "5% projects to become gender transformative", putting therefore the emphasis on having in place an adequate gender interventions plan to become gender intentional or transformative at the moment of IC approval.

Future activities to be implemented to ensure consistently strong gender mainstreaming on all IDH's projects include defining common gender Key Performance Indicators (KPIs) and an appropriate monitoring system to capture progress on the KPIs. In addition to IDH projects, a systematic gender approach to IDH's convening work needs to be developed. This includes, amongst others, setting gender convening targets, developing a suitable tool or framework, having relevant KPI's and the right monitoring system in place.

Finally, IDH is also strengthening its contribution in thought leadership on gender transformative approaches. In addition to the creation of a blogpost and participation as speaker on webinars and podcasts, IDH has partnered with CGAP to develop a roadmap on gender transformative business models. Its objective is helping companies active in agriculture and the food system take ambitious actions to make their business models more gender inclusive and gender transformative.

The gender roadmap has four milestones: 1) Measure; 2) Standardize and Benchmark; 3) Experiment and Synthesize; and 4) Share and Learn. In 2022, the first step is being rolled out with the support of the global gender & business consultancy firm, Value for Women, whose assignment is to come up with a commonly accepted definition and key characteristics of what a Gender Transformative Business Model is in the agricultural and rural sectors and the key metrics to measure whether a business model is gender transformative (business models of agribusiness, digital platforms that are active in agriculture, and financial service providers active in agriculture).

6. DONOR COORDINATION

Until now, donor coordination has taken place in the limited forum of the three core donors (the Netherlands, Switzerland, and Denmark) in the Donor Committee described below. Donor coordination mechanisms are being overhauled at the time of writing. Consequently, this chapter will need to be updated – likely in Q4 of 2022. The present thinking of IDH is to operate with three types of donors (core donors, strategic donors, and programme donors) and offer them different levels of servicing/engagement that still need to be defined. New mechanisms will be presented by IDH and discussed bilaterally with donors in Q3-Q4 2022. The partnership should explore the opportunities for ensuring closer donor/funder engagement with the Supervisory Board and/or the Executive Board, for instance, on an annual basis.

Twice a year, a Donor Committee Meeting is organized to foster exchange between IDH management and representatives from core donor governments. The IDH Donor Committee works to ensure donor alignment and facilitates strategic dialogue on policy making and IDH's future direction. Via these meetings, core donors are invited to provide input (where appropriate) on IDH policy and program matters; provide sector and country insights and share their priority areas; provide high-level guidance to IDH on the direction of the annual plan or other inputs.

Objectives of the Donor Committee meetings are:

- to establish a platform for ongoing policy dialogue between IDH management and donors,
- to follow-up on the performance of the partnership and discuss progress of IDH programs, and
- to provide input and comments on (high level version of) the Annual Plan and Annual Report.

The timing of these strategic meetings (typically June and November) is aligned with the IDH planning and reporting cycle in order to provide the basis for discussion. The November meeting is organized to discuss the IDH Annual Plan for the coming year (including core donor funds distribution). This meeting is hosted by IDH with input from the core donors on the agenda. The June meeting is organized to discuss the Annual Report. This meeting is hosted by the core donors (in rotation), while IDH supports preparations.

Although the Donor Committee does not possess formal decision powers, *de facto* it has had - and will continue to have - a significant influence on IDH's strategy, prioritisation, annual planning and budgeting, reporting as well as results measurement. Core donor cooperation has been excellent; driving forward shared priorities, *e.g.* gender and smallholder inclusion. For the two relatively smaller core donors (Denmark and Switzerland), the significance of the Donor Committee as well as intra-donor consultations is outspoken.

7. SUMMARY OF EXTERNAL ASSESSMENTS AND CASE STUDY

The table below summarises the main conclusions from the most recent external assessments of IDH.

KPMG end-evaluation 2021	<ul style="list-style-type: none"> • IDH has grown into a big and influential actor in its context. • IDH is an impact-driven organization that systematically steers on relevance, coherence and sustainability while scoring well on effectiveness, with most tangible results in sector governance and business practices • IDH enhances its relevance, additionality and effectiveness through innovation • IDH is capable of accelerating existing initiatives, putting the pieces of a unique puzzle together, and providing innovative finance solutions. • IDH's ToCs per impact theme are logical but not always transformative by design • To be transformational, you ... need a global reach of interventions at both supply and demand side. Field level...replication is not necessarily a guarantee for scale within a sector.
---------------------------------	---

	<ul style="list-style-type: none"> • IDH overpromised on its impact. IDH's ToCs lack specificity on when to expect impact as well what exactly to expect. This makes it challenging to determine the reason why impact cannot be measured yet: it could be due to insufficient attention given to the complexity of the issue, execution error, or other driving forces • IDH has an organic way of learning and an entrepreneurial drive, resulting in many new initiatives. As a result, IDH efforts are diluted
Danida Strategic Review 2021	<ul style="list-style-type: none"> • Clear evidence of the delivery of high-quality results and of sustainability of activities implemented by IDH. • Confirmed the continued relevance of IDH in relation to the Danish Government's long-term strategy for global climate action "A green and sustainable world" • Merit in a continuation of Danish support to IDH but in the form of earmarked support, since IDH's mandate and its strategic vision are too broad to allow Danish support to continue as core support
KMPG mid-term impact assessment 2019	<ul style="list-style-type: none"> • Successfully jump-starts processes with frontrunners, IDH clearly contributes to increased market demand in different sectors • Contribution to interventions with regard to field level sustainability is clearly visible, evidence of adoption of good agricultural practices is, however, more limited.
Swiss unicuity study 2019	<ul style="list-style-type: none"> • High relevance along the lines of partners' strategies and interests, unique in PPP-world. • Pragmatic and business driven work makes IDH highly relevant. However, engaging at low level of standards not fully synchronized with the needs of parts of the target group. • Linkages between outputs, outcomes and impact could be strengthened
Multi-donor mid-term review 2018	<ul style="list-style-type: none"> • IDH's reputation is outstanding among stakeholders, highly relevant, competent and influential. • IDH delivers towards and in some cases above its targets, however communication of results could be improved.
Danish mid-term review 2017	<ul style="list-style-type: none"> • Fully aligned with the Danish strategy for development cooperation and humanitarian assistance with an increased focus on the inclusion and livelihood of small-holders. Limited gender focus. • Good progress in IDH's delivery of outputs and outcomes, catalyzing private investments successfully.

CASE STUDY ON SUSTAINABILITY OF PREVIOUS DANISH EARMARKED SUPPORT (FROM 2021 DANIDA STRATEGIC REVIEW)

Conclusion: The Strategic Review was both able to track and to identify lasting "footprints" from the early Danish earmarked funding (2012-2015) to the coffee and cotton programmes (Uganda, Ethiopia, and Mozambique).

The Danish funded Sustainable Coffee Program started in 2012, the aim of which was to increase production by “working with national and international coffee stakeholders and by catalysing the energies of the Ugandan coffee sector to produce more sustainably through the development of a national sustainability curriculum and promote public-private coordination through the National and District coffee steering committees.” 4 large roasters worked together to collectively increase the amount of sustainable production of coffee, set-up national platforms that support national dialogue, and established the national sustainability curricula to align farmer extension services.

The program successfully created a national dialogue and developed the national sustainability curriculum (NSC) on coffee sustainability in Uganda. In addition, through field level projects the NSC was used for training with a focus on farmer profitability. The focus on farmer profitability, the alignment through sector dialogue and the NSC were continued in the years following the program. Through an integrated approach towards coffee extension services (TICS) both in projects (with still existing partners JDE and Sucafina) and in the Uganda coffee sector at large (through Café Africa) the NSC was used to work with farmers to increase farmer profitability through integration of the NSC in all extension services for coffee. The National Platform of Uganda is managed through the Global Coffee Platform and Café Africa, who are in close contact with the Uganda Coffee Development Authority. Together they build the coffee roadmap for Uganda, which defines targets for the growth of the sector. Through the existing connections, there is now an infrastructure through which policy documents like the coffee roadmap can be linked to challenging and systemic issues around closing the living income gap. Although the convening area remains challenging, it has built on the foundations of the program in 2012-2014.

In Ethiopia, the coffee program focused on building a national sector dialogue and on the auction system traceability to enable private sector to certified coffee. Through building a sector dialogue, hiring a consultant and field level projects a model was developed that could be scaled up. At the end of the program there was the potential for a sector organization to drive this forward. Ethiopia presents a very challenging convening area and since then conversations and field level projects have mostly come to a stop. However, currently Global Coffee Platform is scoping the options for a sector wide national dialogue to work further on collaboratively defined solutions for sustainable coffee in Ethiopia.

On a global scale, the Sustainable Coffee Program was merged with the 4C association and became the Global Coffee Platform in 2016. The Global Coffee Platform aims to build nationally driven platforms, which help to address systemic issues, such as living income. The follow-up on the programmes in Uganda and Ethiopia shows how important looking at local context is, and even when the Ethiopia program was not continued for a few years, it still provides some foundations from which a living income program could potentially be built.

The images below demonstrate how the impact of IDH activities have continued post project completion:

Coffee Program Uganda 2012-2024

National convening in combination with field level projects



DANIDA

1



IDH started working through the Better Cotton Fast Track Program (BCFTP) in Mozambique in 2012 by investing in farmers training and capacity creation. IDH operated with two implementing partners in Mozambique: OLAM (multinational) and Sanam (national). The Better Cotton Fast Track Program was a non-competitive collaboration between donors and private partners supported by the cotton industry and civil society stakeholders to accelerate the implementation of the system of the Better Cotton Initiative (BCI) and improve the social and environmental impacts of cotton cultivation. The BCFTP aimed at increasing household income of smallholder producers of cotton and other crops by improving farming techniques, better seeds, larger land holding and strengthening marketing channels.

IDH was able to collect evidence, post project completion, of increasing yields at the end of the 2014/15 picking season, income diversification and is able to confirm that the partnership between OLAM and the local ministry is still active and functioning.

Cotton Program Mozambique 2012-2014

National convening in combination with field level projects



DANIDA

1



8. SUMMARY: JUSTIFICATION OF PARTNER SELECTION

The continued partnership between Denmark and IDH is highly relevant and well aligned with Danish climate change and development cooperation strategies and policies. In terms of contextual relevance, climate mitigation and adaptation through sustainable land use-management and convening of stakeholders in addressing the issue of sustainability, deforestation, and transparency along the value chains, is one of IDH's two overarching goals. Providing better jobs and income for both men and women is the second overarching goal and as such farmers and workers enrolled in IDH activities can be expected to recover faster from shocks due to break-down of value chains, markets and trading systems due to epidemics, war, rising food prices etc.

In terms of relevance to stakeholders, those interviewed as a part of the two mid-term reviews, the 2021 Danida Strategic Review and various evaluations, expressed that IDH is considered relevant from their various perspectives. The same holds true for stakeholders' positive judgement of IDH's methodologies, tools, capacity, and operations (effectiveness). IDH's uniqueness in its proven success in combining public-private interests and leveraging donor funding, further accentuates the effectiveness.

The partnership with IDH provides very good coherence and compatibility with other Danish policy and aid instruments that can be mutually reinforcing, e.g. with Strategic Sector Cooperation (SSC), Strategic Partnerships (SPa), and Trade Council (TC) activities. In addition, the ambition is to bring the IDH partnership closer to other Danish partnerships and initiatives in support of sustainable value chains, transition of agriculture and food systems, and nature-based solutions. This includes IFU, World Resources Institute, UN Global Compact, World Benchmarking Alliance, P4G and others. Finally, the 2021 partnership with the Danish Ethical Trade Initiative (DIEH) and a forthcoming implementation of an NGO proposal on decarbonisation of the soy supply chain in Brazil, presents obvious opportunities for programmatic synergies.

In terms of efficiency, IDH management and its funders are very aware of and cautious about operational costs. In 2022, IDH organizational expenditure represents 11% of total IDH expenditures. IDH has re-organized during the previous MYP (2016-2020) in order to improve efficiency of operations, with the introduction of five business units in 2019, the appointment of its first Chief Financial Officer, a leaner management team, and with a stronger and more formalised presence in focus countries (devolution).

Impact measurement is receiving significant attention and IDH's innovative impact measurement methodology as well as results are overseen by a sub-committee of IDH's Supervisory Board (see Chapter 2 under the section on organisation and governance). It is concluded in the 2021 KPMG end-term evaluation that IDH activities increasingly contribute towards larger measurable impact as compared to earlier assessments. However, the evaluation points out that IDH needs to describe its expected impact from the outset and improve its ability to document it. The evaluation proved IDH's contribution across all impact themes at output and outcome level and underpinned that IDH is on the right track. The evaluation clearly singled out IDH's main strength: convening stakeholders to accelerate change. An integrated part of IDH's learning processes across business units is applied to ensure that models, which do not provide impact, are redesigned or eventually abandoned.

Sustainability is an integral part of the IDH approach, as IDH aims to develop sustainable business models that are taken up by businesses and retailers, who will continue their efforts without IDH involvement. This is why private co-financing is an important principle for IDH programming. Market uptake of business models frees up resources for IDH to invest in and scale up new and existing activities, for example on learning, innovation, piloting and co-financing. The case study presented in Section 7 above illustrates also the sustainability of previous Danish funding to IDH.

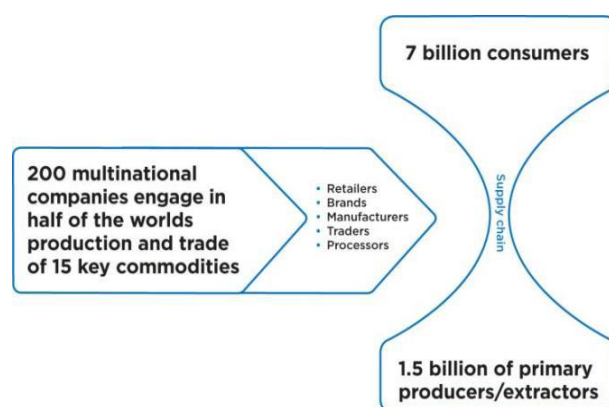
ANNEX 3

THEORY OF CHANGE AND RESULTS FRAMEWORK

1. Theory of Change

The overall vision of IDH is a private sector that contributes to realising the SDGs and the Paris Agreement targets through sustainable production of – and global trade with – selected agro-commodities. At impact level, IDH defines its success as contributing to better jobs, better income and better environment – *i.e.* the improvement of social, economic and environmental conditions for primary producers (smallholders and workers) in developing producer countries. IDH seeks to realise its vision and contribute to impact by facilitating systemic transformation in selected global commodity sectors (soy, palm oil, coffee, cocoa, tea, horticulture, cotton etc.) and specific commodity-producing landscapes.

IDH's unique value proposition as a facilitator of sector transformation is its proven ability to bring big, multinational companies to the table along with governments, civil society, and primary producer representatives. Based on the production and global trade analysis illustrated to the right, IDH argues that impact is best achieved by engaging the relatively few multinational companies that dominate the world's production and trade. According to IDH, moving these companies (with their massive outreach to both producers and consumers) from niche to norm in terms of sustainable production and trade is key to successful sector transformation.

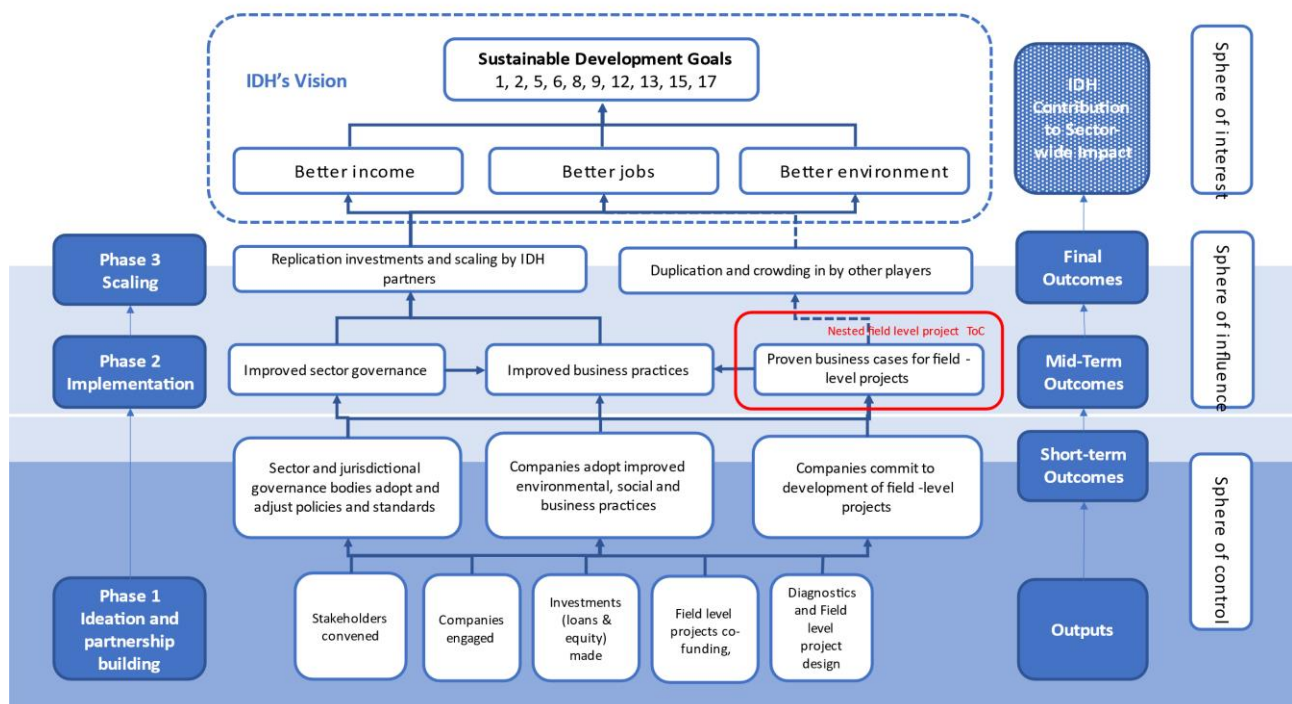
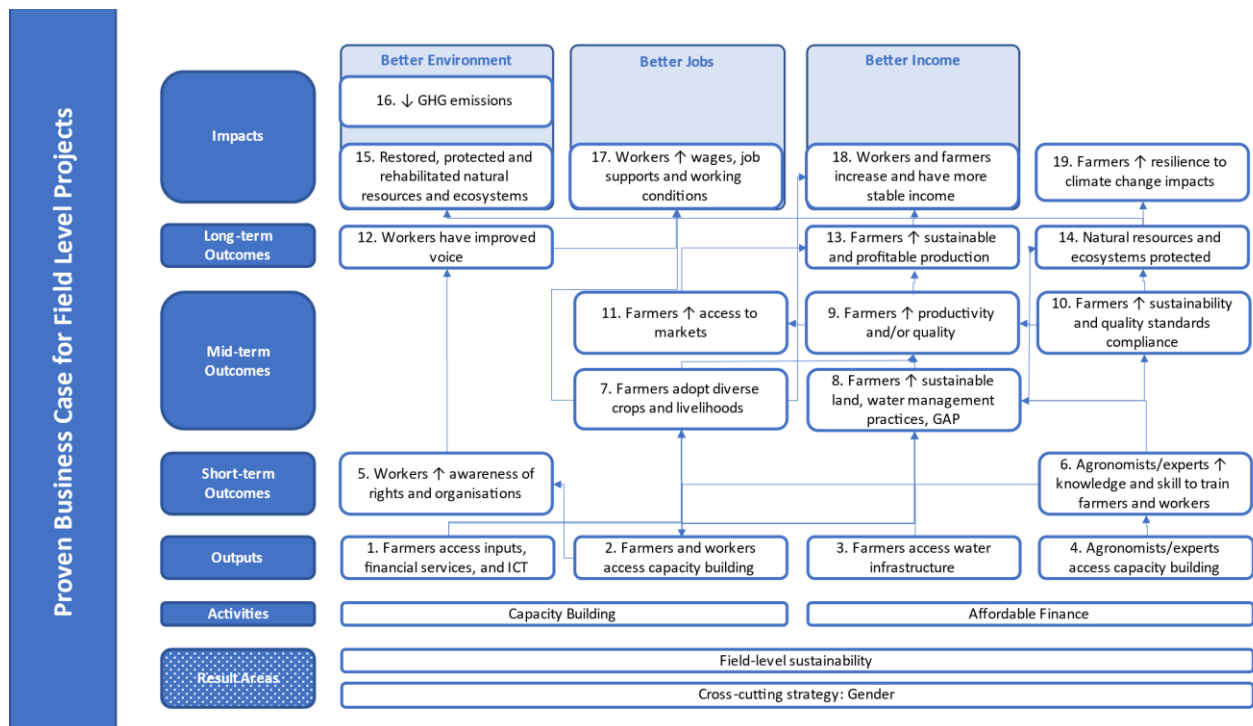


Source: WWF

The IDH approach to sector transformation is based on the organisation playing three complementary roles, namely: 1) convenor of collaborative multi-stakeholder partnerships for sustainability commitments, 2) co-financer and de-risker of specific sustainability solutions for private sector dissemination and scalability and 3) innovator of evidence- and data-informed business cases for sustainability by developing, testing and proving solutions at field level. The logic is that if all three roles are played successfully, results will be achieved through three interconnected, mid-term outcomes, namely: a) improved sector governance, b) improved business practices, and c) proven business cases for field level projects.

The IDH Theory of Change (ToC) assumes that these mid-term outcomes will bring about two higher ranking, final outcomes, namely: 1) replication of investments and scaling by IDH partners and 2) duplication and crowding in by other players. Achieving these outcomes (*i.e.* market up-take and scaling of sustainability solutions) will constitute sustained sector transformation that again will contribute to sector-wide impact (better jobs, better income and better environment) and ultimately the realisation of the SDGs.

The overall ambition of sector transformation – and the phases and results chains constituting the Theory of Change to get there – are illustrated in the two figures below. The first figure depicts the overall corporate ToC; the second figure depicts the ‘nested field level project ToC’



A detailed description of IDH’s Theory of Change is provided in IDH’s “Narrative Theory of Change” (reference document), including problem analysis and assumptions.

2. IDH's overall Results Measurement Framework and supporting M&E systems

A Detailed description of IDH's Monitoring, Evaluation and Learning (MEL) systems is provided in the "MEL Plan" accompanied by a "RFM Indicator Guidance" document, that descriptions of data collection and analysis, key definitions, data management, evaluation plan, reporting etc. In addition, a "Quality Assurance Plan" describe the main principles and procedures of IDH and how IDH ensures quality in its organization, programs and projects. All three documents are included in Annex 5 and are considered 'living documents' that are being continuously updated.

The KPMG end-evaluation provided far-reaching recommendations to improve IDH's capacity to measure and document its results. IDH is revising its systems in a response to the evaluation, see "Update action plan KPMG recommendations May 23rd 2022" in Annex 5.

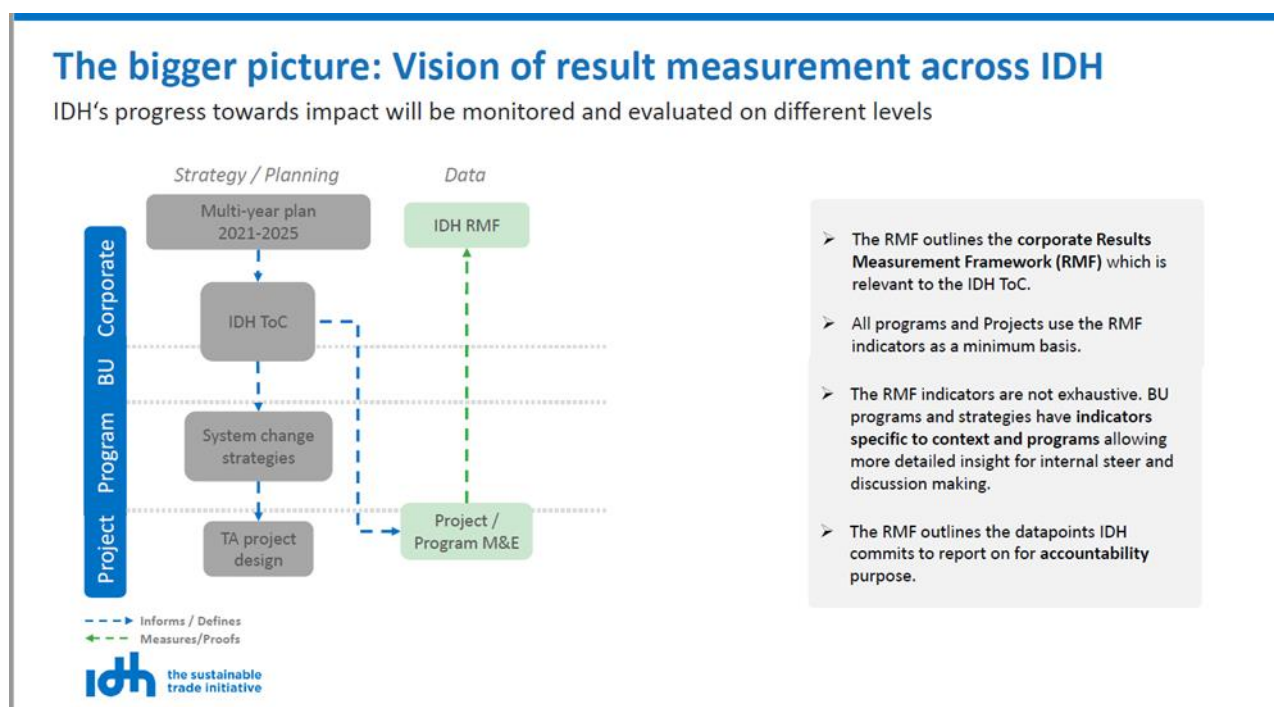
The overall IDH Results Measurement Framework (RMF) is based on an extensive and multi-layered M&E system that collects (from implementing partners), aggregates and analyses quantitative key performance indicators (KPIs) and targets at output, outcome and impact level. The KPIs are complemented with qualitative outcome and impact data.

Through the RMF, IDH keeps track of progress reported by IDH Business Units through their specific Programme Clusters through their respective Implementing Partners (IPs). IDH contracts IPs to execute projects and set strict rules for IP spending, for adherence to reporting against the RMF KPIs, and for reporting cycles. IP reporting is based on agreed indicators for inputs, outputs, outcomes and impact for the specific project. In addition to IP reporting, IDH program teams are informed through field visits and regular meetings and discussions.

Impact is measured through special impact studies combined with additional research assessed by external evaluations at project, program and corporate level before and after interventions. A dedicated Impact Committee (including external M&E capacities) is established by the Supervisory Board, providing strategic advice on delivering, measuring and communicating impact of IDH activities.

The RMF underwent a complete revision in 2021 to reflect the revised IDH organisation and Theory of Change contained in the MYP 2021-2025. However, some reporting from existing activities and projects continues to be based on contracts entered under the previous RFM. This fact constitutes a methodological challenge which can only be solved over time in line with old activities and contracts being closed.

The revised RMF contains a total of 39 harmonized, corporate level KPIs against which all IDH projects and programmes report. However, this only forms the minimum basis of indicators, and projects and programmes have specific, individual indicators to track progress and ensure learning within and across projects and programmes (see figure below).



To support the role-out of the RMF, a measurement guidance document has been developed. This document describes the details of each KPI, including definition, metrics, measurement method, frequency of collection, data source etc.

In order to promote the continuous adoption of the RMF (with indicators and targets aggregating results from across the entire IDH portfolio), the following work streams have been launched in IDH:

- activities of familiarisation and dissemination to the whole organisation.
- preparing inventories of all KPIs in use in existing projects and programs and first quality checks on KPI completeness.
- starting the development of an online portal for partner reporting of result data.

Further, in order to facilitate the migration of the previous monitoring and results measurement system to an online digital RMF platform for data collection, additional steps are being taken:

- continued harmonisation of existing program and project KPIs with the new RMF indicators when indicators are actually equivalent or nearly equivalent to RMF KPIs
- clarification of RMF "parent indicators" and program and project "child indicators" in case of those program indicators which are actually reporting on the same result area as the RMF indicator, but which have more detail or granularity for program monitoring purposes¹⁰
- promoting cross-portfolio exchange and use of program-specific indicators. This has proven to be quite a challenge (operating with individual Excel-based forms) but will become easier when IDH have fully applied the use of its new digital management system (ROSA).

¹⁰ Example: where the RMF "parent" indicator talks to "Number of farmers and workers trained" the "child" indicator could speak about "number of farmers trained in regenerative agricultural practices".

This transformation process will thus be an ongoing task. The evolution of hundreds of KPIs in existing contracts towards a more streamlined set of harmonized KPIs captured in dashboards will take time. The transformation progresses steadily with old contracts phasing out and new contracts starting on basis of the newly established RMF.

3. Results framework

IDH plans and reports on results under three headlines: a) ‘improved sector governance’, b) ‘improved business practises’, and c) ‘proven business cases for field level projects’. Those result headlines logically constitute the three outcomes of the future partnership between IDH and Denmark.

A set of suitable, harmonized RMF KPIs contained in the MYP 2021-2025 (and thus presented in annual plans and progress reports) has been identified and included in the project results framework presented below.

To illustrate IDH’s absolute scale and delivery of aggregated results contained in its MYP 2021-2025, the indicative results framework below contains two sets of targets: 1) aggregated for the MYP and 2) for the eight Danish funded initiatives alone¹¹.

Further, outcome targets and potentially also output can be subject to revisions annually, typically when agreeing on the following year’s annual plan in November/December (refer to chapter 5 and 6). Finally, since it is suggested to have 25% of the total budget as unallocated, the results framework will need revision at the time of the mid-term review scheduled for November 2023.

Project	Catalyzing Private Sector Solutions for the Sustainable Development Goals		
Project Objectives	<p><i>Development objective: Climate change mitigation and adaptation, strengthened biodiversity and ecosystems, and enhanced social and economic development.</i></p> <p><i>Project objective: Increased public and private sector engagement in sustainability solutions related to selected agri-commodity supply chains in developing countries.</i></p>		
Impact Indicators	<p>1) Area of forest(ed) land under sustainable (agro) forest management or other improved conservation or protection practices (SDG target contribution 12.2)</p> <p>2) Other sources of public, private or blended finance investments/funding leveraged by the programme (SDG target contribution 17.3)</p> <p>3) Offtake volumes of focus crops (SDG target contribution 1.1, 1.2 and 8.2)</p>		
	Indicator 1)	Indicator 2)	Indicator 3)
Baseline 2020	376,934 ha	EUR 85,930,803	0
Target 2025	2,079,758 ha	EUR 374,461,502	185,500 tonnes ¹²

¹¹ Results presented under the initiatives are those related to the Danish funding alone. For 2022, the Danish funding cover the activities in their entirety, but this may not necessarily be the case in the following years. If so, a pro rata principle will be applied.

¹² AR2021 estimate for 2025 was 185,500 mt. The Balsas estimate by itself 300,000 mt This was previously not a indicator which the landscape programs reported on. Therefore, the MYP 2025 targets need revision in next AP process.

Outcome 1		Improved sector governance	
Outcome indicator 1.1		# of multi-stakeholder agreements (multi-stakeholder coalitions, committees, secretariats, initiatives, and platforms) <u>signed</u> as a result of IDH interventions	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	33	-
Target	2021	-	-
Target	2022	-	0
Target	2023	-	1
Target	2024	-	1
Target	2025	90 (cumulative)*	TBD**
Indicative total 2022-2024			2

Output indicator 1.1.1		# of multi-stakeholder coalitions, committees, secretariats, initiatives, and platforms <u>convened</u> to sign and support a common vision, goals or strategy on sustainable development or sourcing	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	61	-
Target	2021	-	-
Target	2022	-	2
Target	2023	-	2
Target	2024	-	0
Target	2025	127 (cumulative)*	TBD**
Indicative total 2022-2024			4

Outcome indicator 1.2		# of new or improved policies or standards that are effectively enforced	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	-	-
Target	2021	-	-
Target	2022	-	1
Target	2023	-	1
Target	2024	-	0
Target	2025	35*	TBD**
Indicative total 2022-2024			2

Output indicator 1.2.1		# of agronomists, extension workers and experts trained	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	9,466 (641 women)	-
Target	2021	-	-
Target	2022	-	52
Target	2023	-	2
Target	2024	-	2
Target	2025	27,857 (cumulative, of which 5,735 women)	TBD**
Indicative total 2022-2024			56 ¹³

¹³ Note that this figure relates to experts specifically trained in systems to monitor deforestation in cocoa sector in West Africa to help to enforce the new forestry law

Outcome 2		Improved business practises	
<u>Outcome indicator 2.1</u>		# of private companies adopting guidance tools (better income, better environment)	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	N/A (not included in MYP)	-
Target	2021	-	-
Target	2022	-	9
Target	2023	-	23
Target	2024	-	40
Target	2025	-	TBD**
Indicative total 2022-2024			72

<u>Output indicator 2.1.1</u>		# of guidance tools created (better income, better environment)	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	N/A (not included in MYP)	-
Target	2021	-	-
Target	2022	-	2
Target	2023	-	0
Target	2024	-	0
Target	2025	-	TBD**
Indicative total 2022-2024			2

<u>Outcome indicator 2.2</u>		# of end-buyers with long-term buying commitments based on inclusive sourcing	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	TDB	-
Target	2021	TDB	-
Target	2022	TDB	TDB
Target	2023	TDB	TDB
Target	2024	TDB	TDB
Target	2025	TDB	TBD**
Indicative total 2022-2024			TBD

<u>Output indicator 2.2.1</u>		# of end-buyers convened to engage in local/inclusive sourcing	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	TDB	-
Target	2021	TDB	-
Target	2022	TDB	TDB
Target	2023	TDB	TDB
Target	2024	TDB	TDB
Target	2025	TDB	TBD**
Indicative total 2022-2024			TBD

<u>Outcome indicator 2.3</u>		% of projects in IDH portfolio that are gender intentional/transformational	
		IDH Aggregated target	Initiatives
Baseline	2020	0%	-
Target	2021	-	-

Target	2022	-	<i>To be populated after assessment</i>
Target	2023	-	<i>To be populated after assessment</i>
Target	2024	-	<i>To be populated after assessment</i>
Target	2025	80% intentional, 10% transformative ¹⁴	TDB**
Indicative total 2022-2024			<i>To be populated after assessment</i>

Output indicator 2.3.1		# of referrals by external organisations/businesses to newly developed and commonly accepted IDH method/definition and metrics of what a gender transformative business model is	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	NA (not included in MYP)	-
Target	2021	-	-
Target	2022	-	1 (developed)
Target	2023	-	3 (tested)
Target	2024	-	10 (referrals)
Target	2025	-	TBD**
Indicative total 2022-2024			10 (referrals)

Outcome 3		Proven business cases for field level projects disseminated and upscaled	
Outcome indicator 3.1		# of farmers with increased number of crops (including those intercropped with focus crop) cultivated by the farmer	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	0	-
Target	2021	-	-
Target	2022	-	8,512
Target	2023	-	504
Target	2024	-	484
Target	2025	330,546 ¹⁵	TBD**
Indicative total 2022-2024			9,500

Outcome indicator 3.2		# Area of soil under restoration and rehabilitation practises on-site (hectares)	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	1,636 ha	-
Target	2021	-	-
Target	2022	-	7,000
Target	2023	-	7,000
Target	2024	-	3,000
Target	2025	475,302*	TBD**
Indicative total 2022-2024			17,000

Output indicator 3.1		# of agronomists, extension workers and experts trained	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	9,466 (641 women)	-

¹⁴ Following an MT decision last year, the MYP gender target was revised down from 100% intentional to 80% intentional, 10% transformative in 2025. The Annual Report 21 mistakenly says target is 100% intentional in 2025

¹⁵ It is not possible for most of the programs to set gender disaggregated targets for 2025 since projects and programs have not been designed yet. For example, in the Landscapes BU some programs estimate 30% women, but of course this depends on the intervention.

Target	2021	-	-
Target	2022	-	15,127
Target	2023	-	52
Target	2024	-	2
Target	2025	27,857 (cumulative out of which 5,735 women ¹⁶)	TBD**
Indicative total 2022-2024			15,181

Output indicator 3.2		# of farmers and SME workers trained	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	2,762,622 (33,727 women) ¹⁷	-
Target	2021	-	-
Target	2022	-	1,521,027 ¹⁸
Target	2023	-	514
Target	2024	-	509
Target	2025	1,500,331 (#women TBD)	TBD**
Indicative total 2022-2024			1,522,050

Output indicator 3.3		# of farmers gained access to inputs and technology, incl. ICT	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	12,511	-
Target	2021	-	-
Target	2022	-	5,000
Target	2023	-	3,000
Target	2024	-	3,000
Target	2025	73,014 ¹⁹	TBD**
Indicative total 2022-2024			11,000

Output indicator 3.4		# of farmers who gained access to financial services	
		IDH Aggregated target	Initiatives (incremental targets)
Baseline	2020	8,973	-
Target	2021	-	-
Target	2022	-	8,600
Target	2023	-	5,951
Target	2024	-	2,449
Target	2025	1,073,037	TBD**
Indicative total 2022-2024			17,000

* From 2021 Annual Report

** To ensure adaptability of the Danish support, the 2025 targets will be decided based on recommendation from the 2023 MTR.

¹⁶ Landscapes contributes 4,257 out of the total number. It is not possible for many of the programs to set gender disaggregated targets for 2025 since projects and programs have not been designed yet. In this case in the Landscapes BU some programs estimate 30% women, but of course this depends on the intervention.

¹⁷ The MYP baseline is significantly higher than estimated cumulative target 2025. IDH has removed BCI numbers from this indicator. Therefore, the 2.7M farmers baseline should no longer be part of this indicator. They are now part of a BU specific KPI “ Number of farmers reached with training as per IDH contribution to upscaling the innovation.

¹⁸ This program applies a training of trainer approach in which 7,000 AEs are to be trained this year, which would result in 700,000 farmers to be reached (indirectly trained) as part of the AEGF program.

¹⁹ It is not possible for many of the programs to set gender disaggregated targets for 2025 since projects and programs have not been designed yet. In this case in the Landscapes BU some programs estimate 30% women, but of course this depends on the intervention.

ANNEX 4 RISK MANAGEMENT

Scoring options:

Likelihood	Impact
- Very unlikely	- Insignificant
- Unlikely	- Minor
- Likely	- Major
- Almost certain	- Significant

The contextual, programmatic and institutional risks described and analysed below all emanate from a multitude of profoundly intertwined and mutually reinforcing global crises and threats manifest today. Most prominently, these include the climate change crisis, global pandemics, the growing economic crisis in the wake of COVID, the crisis of democracy/rule based international systems (UN, EU, G8, WTO etc.) as well as war and conflicts – most recently the war in Ukraine and the resulting food and supply energy crisis. The global financial crisis in 2008, the growing evidence of the negative effects of climate change, increasing inequality, Trumpism, Brexit, COVID – all have led to a much less optimistic perception of globalisation and capitalism as automatically being to the perpetual benefit of all people on the planet – as being the end of history.

In the public discourse of today, there is little doubt that, for the sake of people and planet, we cannot continue business as usual. The UN Sustainable Development Goals are often cited as marking the pathway out of the crisis quagmire. We thus have clear eyesight of the “illness” as well as the “cure”.

The engagement of the public and the private sector in sustainability solutions to (some or all of) the crises mentioned above contains both opportunities and risks – it can be either a race to the top or a race to the bottom (sometimes maybe even both at the same time). Having described the opportunities at length in the Project Document itself, the following will zoom in on a selection of the most prominent risk factors of a new Danish partnership with IDH.

Contextual risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Reduced private sector commitment to sustainability/SDG prioritization, meaning less interest in and funding for projects and participation in joint	Likely	Major	Gather and manage intelligence from international networks and partners. React and adapt to new developments. Intensifying value proposition selling efforts in reaching out to private sector stakeholders, i.e.	Residual risk not reduced significantly in the short term IDH and partner engagement in producer countries can significantly reduce the	Disruption due to the several crises can be used a ‘selling point’ for IDH sustainability solutions. IDH convening powers can be increased when companies experience threats of national protectionism and trade barriers.

<p>commitments and convening</p>			<p>though convening, documenting the business case of IDH sustainability solutions and emphasize the increased resilience of value chains, reduced production and transaction costs. Mobilizing and benefit from leveraging powers of core and strategic donors</p> <p>Strengthen & expand Source Up, Verified Industrial Areas.</p> <p>Promote and enable local sourcing and access to new markets.</p>	<p>risk in the medium/long term to having minor negative impact and even a potential for positive impact.</p>	<p>This risk varies across supply chains and geographies.</p>
<p>Reduced government, regulator etc. commitment to sustainability/SDG prioritization, meaning less interest in and funding and participation in joint commitments and convening</p>	<p>Likely</p>	<p>Major</p>	<p>Gather and manage intelligence from international networks and partners. React and adapt to new developments.</p> <p>Intensifying value proposition selling efforts in reaching out to public sector stakeholders, especially national and local governments in target countries.</p> <p>Support development of in-country production for local/regional consumption.</p> <p>Capitalize on the Build Back Better & Greener agenda to increase government and regulators' momentum on sustainability.</p>	<p>As above</p>	<p>As above</p> <p>IDH has built capacity for increased dialogue with governments, and benefits from the support of local public/private partners.</p>

			Mobilizing and benefit from leveraging powers of core and strategic donors		
Reduced consumer and civil society commitment to sustainability/SDG prioritization, meaning less demand for sustainable products, and lowered interest in and funding and participation in joint commitments and convening	Likely	Major	As above but with a focus on civil society organisations and partnerships Use effective communication to provide evidence for private and public sector partners to influence public opinion	As above	As above Projections show increased public interest in sustainability and transparency.

Programmatic risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Donor funding reduced as a result of reduced commitment.	Likely	Major	<p>Increase efforts with current and new donors to further diversify donor base.</p> <p>Strengthen capacity in fundraising and adapt fundraising strategies.</p> <p>Active scenario planning to adjust programs and organization to available funding.</p>	<p>Risk is reduced through IDH’s active engagement but remains considerable due to unpredictability of long-term donor commitments.</p> <p>Hopefully minor in the long run.</p>	<p>New fundraising team has been operational since 2019. A fundraising strategy has been prepared and is being implemented.</p> <p>IDH is agile and can adapt quickly to new funding scenarios. Ambitions included in the MYP may need to be adjusted down. This will be done through the Annual Plans and according to funding projections.</p>
Implementation of activities hampered due to overall framework conditions	Likely	Major	<p>Pro-active communication with partners and donors.</p> <p>Optimal use of ICT applications and platforms to continue work online.</p> <p>Restructure workplans, targets and planning to new implementation/field realities.</p>	Minor	<p>After the first waves of COVID-19, IDH proved to be agile and able to adjust its operations quickly.</p> <p>Although some field activities were running late, much of the convening work were not affected significantly, as most companies, organizations and governments are now able to work online.</p> <p>Country presence by IDH lowers risk of disruptions.</p>
Fraud/corruption within IDH partners (co-funders,	Likely	Minor	Integrity (including anti-bribery and anticorruption) training is part of the IDH onboarding program.	Risk will be reduced through partner assessments, training and	Integrity is one of the key values of IDH and is part of the IDH Code of Conduct ²⁰ .

²⁰ The IDH Code of Conduct provides the ethical framework in which IDH and any party contracted by IDH must operate. It provides an overview of the values, commitments, responsibilities and integrity that IDH stands for. IDH expects its business partners to apply similar standards of conduct when working for IDH. The following text is a mandatory part of all implementation agreements:

4.1 The Parties are aware of the IDH Code of Conduct (which can be found [here](https://www.idhsustainabletrade.com/policies), or via the ‘Our policies’ tab on the ‘About’ webpage: <https://www.idhsustainabletrade.com/policies>).

implementing partners etc.)			IDH conducts a partner assessment before engaging with a partner in a project. Additionally, partners are regularly informed about the Speak Up policy, through which they are encouraged to flag any suspicions of misconduct or irregularities	raising awareness, but cannot be eliminated totally.	IDH checks if partners have the appropriate policies in place and if their financial systems are sound before engaging with the partner in a project. IDH has invested in setting up an online Speak Up system lowering the threshold as much as possible for employees and third parties to notify IDH of any suspicion of misconduct or irregularity.
-----------------------------	--	--	--	--	--

Institutional risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Loss of reputation due to IDH being perceived as a tool for corporate “SDG washing”.	Unlikely	Major	Adherence to own mission and vision. Adherence to international norms and standards including the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and core ILO conventions.	Minor	Strengthened quality of ODA eligibility and smallholder/worker focus in IDH MYP 2021-2025 and ToC. Strong focus on IDH engagements on living wage and living income. Strengthened donor dialog on the need for impact (development results in developing countries).

4.2 The Parties will not offer to third parties or seek or accept from third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which would be deemed corrupt or illegal.

4.3 The Parties will refrain from providing any form of support to activities that have the goal of undermining the political independence of a state, or unlawfully overthrowing a lawful government. The ‘lawfulness’ (or unlawfulness) referred to in this clause is not solely defined by the opinions or views of the government in question, but is also defined by international standards and/or international law.

4.4 IDH partners and persons associated with IDH projects who become aware or suspect the existence of fraud, corruption or bribery shall bring it to the attention of IDH.

			<p>Inclusion of “critical “civil society voices in governance structure.</p> <p>Project screening in Investment Committee.</p>		
Fraud/corruption inside IDH organization.	Unlikely	Major	<p>IDH enforces a strict anti-bribery and anticorruption policy.</p> <p>Staff and external parties are regularly informed about the Speak Up policy, through which they are encouraged to flag any suspicions of misconduct or irregularities (this can also be done anonymously).</p>	Risk is reduced significantly through policies, employee trainings and raising awareness but cannot be eliminated totally.	IDH reports transparently on incidents that are flagged through the Speak Up policy.
Lack of organizational integration and focusing on IDH mandate/-mission	Unlikely	Major	<p>The new organisational structure into different Business Units enables to divide and share expertise across the organization (i.e. easier to manage)</p> <p>Donor and Supervisory Board attention to strategic direction, planning and implementation</p>	Minor	New and improved MYP 2021-2025 includes a much more clear and consistent narrative on organisation and mandate/mission. Recent Annual Report 2021 follows this trend and is a vast improvement in terms of consistency with the ToC and RMF of IDH.
Weak systems support	Likely	Major	<p>Institutionalise & digitalise knowledge, network and experience on shared platforms (Salesforce, Citrix Files), new learning management system.</p> <p>This is being addressed through the revision of the IT strategy.</p> <p>Donor and Supervisory Board attention to results measurement framework</p>	Minor	IDH has embarked on a thoroughly planned out and time bound journey towards stronger systems support, not least in terms of project/activity reporting and MEL. The recruitment in 2021 of a new COO responsible for systems roll-out and compliance testifies to the seriousness of IDH efforts to reinforce systems support.

Brain-drain (loss of staff and capacities to innovate and convene)	Likely	Minor	Existing staff retention and career development systems being applied and expanded Staff competencies are continuously built.	Risk of a lack of continuity, loss of knowledge, network and experience is largely reduced, but cannot be entirely removed.	Until now, despite observed staff turnover, IDH has been able to maintain its strength. It has not proven difficult to attract new and highly competent staff. Risk responses will address organisational efficiency and performance to avoid overstretching.
Lack of physical and personal safety, including harassment etc.	Unlikely	Major	Business continuity plan and gathering of intelligence from network. Staff training & emergency response team. Regular checks on systems, ensuring controls and protection of data is up to standard. Continuously raise awareness of risk to IDH staff and organize regular mandatory cybersecurity trainings. Conduct regular external IT audits Data storage offsite and offline.	Minor	IDH has raised awareness of global staff on the risk of cyber security breaches, through conducting cyber security training that was followed by all staff that was subsequently tested. An external IT audit has been conducted.

ANNEX 5

LIST OF SUPPLEMENTARY MATERIALS

DOC1	IDH Portfolio End Evaluation 2016-2020 (KPMG November 2021)
DOC2	Updated action plan on KPMG recommendations (IDH responsum to End Evaluation recommendations, May 2022)
DOC3	IDH MEL plan (August 2021)
DOC4	RMF Indicator Guidance (March 2022)
DOC5	Quality assurance plan (August 2021)
DOC6	Narrative of Theory of Change (August 2021)
DOC7	Annual plan 2021
DOC8	Annual plan 2021 business unit annexes
DOC9	Annual report 2021
DOC10	Annual accounts 2021
DOC11	Annual plan 2022
DOC12	Annual plan 2022 BU annexes
DOC13	IDH Multi-Year Plan 2021-2025
DOC14	IDH Multi-Year Plan 2021-2025 (annexes)
DOC15	Strategic Review 2021 (including GDK responsum to recommendations)
DOC16	2018 multi-donor mid-term review
DOC17	2017 Danida mid-term review

ANNEX 6 PLAN FOR COMMUNICATION OF RESULTS

For 2022 and first half of 2023, communication of results will be based on IDH's public reporting (homepage and annual reports) as well as synthesized progress and issue reporting from IDH to core donors.

A detailed Danish communication strategy will be prepared in collaboration with IDH within the first year of project implementation.

ANNEX 7

PROCESS ACTION PLAN

Action/product	Deadlines	Responsible/involved Person and unit	Comment/status
Appraisal – submission of draft report	12 August 2022 CoB	ELK	
Appraisal – GDK comments to draft report	19 August 2022 CoB	GDK	
Appraisal – submission of final report	26 August 2022 CoB	ELK	
Submission of PD plus annexes to UPR	5 September 2022 CoB	GDK	
Presentation to UPR	22 September 2022	GDK	
Approval by the Minister for Development Cooperation	Medio October 2022	GDK	
Signing of development Cooperation Agreement with IDH	End October 2022	GDK	
Implementation starts	1 November 2022	IDH	

ANNEX 8

APPRAISAL RECOMMENDATIONS

Title of project support	Danish Support to the Sustainable Trade Initiative (IDH) 2022-2025
File number:	F2: 2021-25045
Appraisal report date:	24 August 2022
Council for Development Policy meeting date:	
Summary of possible recommendations not followed:	
<p>The August 2022 desk appraisal of the Danish support “The Sustainable Trade Initiative (IDH) for the period 2022-2025” covers the remaining four years of IDH’s Multi Year Plan 2021-2025. The Appraisal provides an independent quality assurance of the project design and documentation as per DANIDA’s Aid Management Guidelines.</p> <p>The Appraisal is based on the</p> <ul style="list-style-type: none"> • recommendations from the 2020 Core Funding Appraisal (CFA) of the Danish support to the first year of IDH 2021-2025 MYP; • guidance of the 2021 Strategic Review of the support to IDH; • comments to the draft Project Document (PD) and recommendations of the Programme Committee-meeting 25th May 2022 <p>The PD provides a good and well-argued justification for continued support to the Sustainable Trade Initiative 2022-2025. The preliminary considerations in the PD on an Adaptive Management Approach to counter the challenges emerging from <u>a new earmarked</u> support modality appear well aligned and suitable for implementation as part of the suggested delivery mechanism.</p> <p>The Appraisal finds the plans for integrating the future partnership with IDH in country strategic frameworks with relevant Danish representations and other priority interventions supported by Denmark adequate and a good addition to a holistic approach to the cooperation between Denmark and IDH.</p> <p>The Appraisal agrees with the rationale presented in the PD for support to “Catalyzing Private Sector Solutions for the SDG’s”. The Appraisal acknowledged the role of IDH in transforming production and trade in emerging economies in Africa, Latin America and South Asia. The focus aligns well with Danish climate policies and the Danish Strategy for Development Cooperation “The World We Share”. IDH brings big multinational companies to engage with sector transformation essential to implementing the SDGs. The Appraisal recognize PD’s presentation of a new Danish partnership with IDH with future funding earmarked for initiatives in line with: i) Danish priorities and policies; 2) ODA-eligibility; 3) traceability of Danish funds to results.</p> <p>Overall recommendation: The proposed Support to the Sustainable Trade Initiative (IDH) for the period 2022-2025 is <i>recommended for approval with minor adjustments</i> taking the</p>	

<p>recommendations of this report into consideration. The Appraisal recommends approval of an annual budget up to DKK 20 Million and a budget ceiling of unallocated funds at 25% for approval of new activities in connection with the Mid-Term Review.</p>	
<p>Recommendations by the appraisal</p>	
<p>Follow up by the Representation</p>	
<p>#1: Clarify the objective of the support and ‘sharpen’ formulations towards the SDG’s. Further, SDG-targeting of the supported initiatives should be ‘unfolded’.</p>	<p><u>Recommendation accepted.</u> Discrepancy between Development Objective formulation in Chapter 3 and in the Results Framework corrected. Column on SDG Target contribution inserted in the initiative description table in Chapter 3.</p>
<p>#2: Substantiate the role of IDH at holding company level in relation to the initiatives earmarked for Danish supported and, outline how it is separate from activities carried out by IDH at subsidiary level, which are not part of the Danish support.</p>	<p><u>Recommendation accepted.</u> The overall Key performance Indicators (KPIs) of the IDH Annual Report (AR) show case IDH impact, outcome and output targets and results at group level, meaning that activities of all IDH entities (“holding company” and “subsidiaries”) are included in the reporting at KPI level. The targets and results of the eight Danish funded initiatives feed individually into the KPIs of the AR. To trace separately the Danish “share” of the overall KPI results achievement, the Results Framework in Annex 3 has specified the KPI targets and results that can be ascribed directly to the eight initiatives. IDH will provide separate reporting on the achievement of the results of the eight Danish funded initiatives as an annex to the overall AR. This has been further elaborated in Chapter 4 and Annex 2.</p>
<p>#3: Enhance the governance with a more holistic DDD-approach:</p> <ol style="list-style-type: none"> 1. GDK to respond to the questions and concerns raised by the CFA and the Strategic Review in relation to the institutional context and governance structure of IDH and its subsidiaries. This should include a description of the institutional context for the SSC and a more holistic approach to overall IDH governance. 	<p><u>Recommendation accepted.</u> Ad 1): Institutional context and governance structure of IDH presented in Annex 2. Clarity on Danish funding to - and the corresponding reporting of results of - the IDH “holding company”/”Stichting” as separate from the various IDH subsidiaries are addressed in the response/follow-up to Recommendation 2 and 6. Specifically, GDK understands that IDH is in the process of</p>

<p>2. The SSC is a well-placed forum for cooperation and a deeper Danish dialogue and learning from the eight specific initiatives directly funded by Danida. The SSC should open for close cooperation, integration and possibly identification of new initiatives relevant to Danish representations.</p>	<p>reorganising its categorization of donors/funders as presented in Annex 2 (i.e. Core Donors, Strategic Donors, and Programme Donors). The institutional context of the SSC will be that of the “Strategic Donor” category. GDK will work to ensure better and more holistic institutional engagement with the top echelons of IDH governance (i.e. the Supervisory Board) on the one hand, and the other donor categories on the other hand to ensure maximum strategic alignment and coordination.</p>
<p>#4: Denmark in its dialogue with IDH and through the donor committee continues to encourage IDH to set milestones to drive results further in relation to the SDG-targets on poverty and gender.</p>	<p><u>Recommendation accepted.</u> It should be noted, however, that Denmark’s strategic dialogue with IDH from now on will primarily be conducted through the SSC and not the Donor Committee. See also the response to Recommendation 6.</p>
<p>#5: Establish a forum for consultations with the Danish interest- and resource-base to open up for dialogue and better alignment and integration of views from these partners. Membership of relevant fora for individual initiatives might be considered for the Danish resourcebase.</p>	<p><u>Recommendation accepted.</u> Fora for engagement of the Danish resource-base will be sought established where relevant. This could include an annual meeting between IDH Management and relevant/interested Danish multi-stakeholder as proposed by WWF Denmark and DanChurchAid in May 2022 in their joint response to the public consultations on the draft IDH Project Document. Also, GDK will connect the individual initiatives (the eight existing as well as future new ones) closer with the Danish resource-base through already existing initiatives, alliances and platforms in Denmark (e.g. the Danish Soy Alliance, the Danish Palm Oil Alliance and the newly established Danish Coffee Alliance under DIEH). This has been elaborated in Chapter 2.6 as well as in Annex 1.</p>
<p>#6: GDK to prioritise an active and constructive participation in IDH’s Supervisory Board to facilitate the work of the SSC and the Danish supported initiatives.</p>	<p>GDK acknowledges the “specific concern” raised by the appraisal in relation to IDH donor coordination and dialogue mechanisms (page 16 of the Appraisal report). A similar concern has been raised by GDK at the last IDH</p>

	<p>Donor Committee meeting in June 2022. GDK understands that IDH is in the process of reorganising its categorization of donors and funders as presented in Annex 2 (i.e. Core Donors, Strategic Donors, and Programme Donors). GDK has specifically pushed for a donor coordination mechanism that spans the three donor categories, thereby enhancing strategic coordination among IDH donors and funders. GDK will continue the push for stronger coordination between the categories. It is noted that the IDH Supervisory Board consists of individuals appointed by its own members and that donor/funder participation in the Supervisory Board is not presently envisaged. However, GDK will explore the opportunities for ensuring closer donor/funder engagement with the Supervisory Board and/or the Executive Board, for instance, on an annual basis. This has been elaborated in Annex 2.</p>
<p>#7: The Results Framework should be updated to reflect the linkages between concrete results of IDH initiatives and outcomes to the SDG's. The results framework should also be adjusted to reflect the unallocated funds and the 'dynamics' or <u>adaptability</u> of the Danish support.</p>	<p><u>Recommendation accepted.</u> SDG Target contribution (aligned with the SDG Target column in the initiative description table) has been added at Impact and Outcome level in the abbreviated Results Framework presented in Chapter 4. Also, reflections of the adaptability of the Danish support as a justification of the unallocated funds and their future corresponding targets have been inserted in the abbreviated results Framework table.</p>
<p>#8: An early Mid-Term review (November 2023) to assess progress of the earmarked support, as well as assess the project proposals to be financed by the 25% unallocated funds and to be implemented during the remaining MYP.</p>	<p><u>Recommendation accepted.</u></p>
<p>#9: Include monitoring of risks and procedures for an adaptive risk management approach as a minimum for the risks listed in the Risk management Matrix. The procedures</p>	<p><u>Recommendation accepted.</u> The need to establish specific procedures for adaptive risk management has been included in the ToR for the SSC (point 9) in Chapter</p>

<p>should be described in terms of likelihood and impact in order to be aligned with the existing risk matrix, and the adaptive procedures should be included in the risk matrix.</p>	<p>6. Furthermore, the generic outline of the stages of adaptive risk management procedures have been inserted in Chapter 7 to guide the development of the procedures themselves. The procedures will be developed and made operational within the first year of the partnership.</p>
---	--

I hereby confirm that that the above-mentioned issues are part of the appraisal and that the appraisal has provided the recommendations stated above.

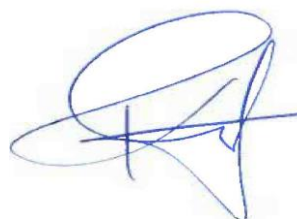
Signed 24th August 2022



.....

Torben Traustedt Larsen
Chief Consultant, ELK

I hereby confirm that GDK has undertaken the follow-up activities stated above. In cases where recommendations have not been accepted, reasons for this are given either in the table or in notes enclosed.



Signed 2 September 2022

.....

Karin Poulsen, Head of Department, GDK

--0000--