

## **DISCLAIMER**

Approval of funding awaits the lifting of the temporary suspension of new Danida commitments. Observing this, current and planned appropriation steps will continue, including public hearing, presentation to the Danida Programme Committee, appraisal, and presentation to the Council for Development Policy.

# **Project Document**

*(Early version for public consultation and  
presentation to the Danida Programme Committee)*

## ***Catalyzing Private Sector Solutions for the Sustainable Development Goals***

### **Partnership with the Sustainable Trade Initiative (IDH) for the period 2022-2025**

#### **1. Introduction**

This early version Project Document (PD) outlines the redesigned, future partnership between Danida and the Sustainable Trade Initiative (IDH) for the period 2022-2025. The purpose of the PD is to facilitate public consultation and presentation to the Danida Programme Committee in May 2022. 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.

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 agro-commodities becomes more sustainable as market-based means to reduce poverty, secure human rights and protect the environment in developing countries.

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 future 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. It is recommended that such initiatives should be: 1) reflecting relevant Danish priorities and policies, 2) DAC'able (*i.e.* used to bring about development results in developing countries), and 3) with full traceability of 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 that respect, the new 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 of the future partnership.

## **2. Background**

### *2.1. Context and key challenges*

The production and global trade of commodities have the potential to be key drivers for prosperity but 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 factory 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. Challenges are contextualised and solutions framed by the target-setting of SDGs 1 (no poverty), 8 (decent work and economic growth), 12 (responsible consumption and production) and 13 (climate action).

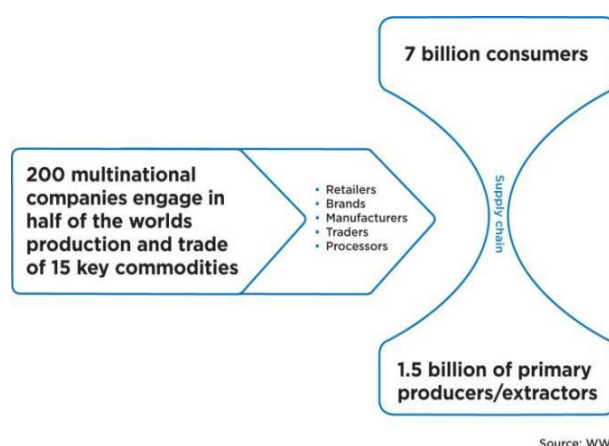
As the sustainability problems have multiple causes and multiple actors involved, the resulting complexity requires more structural and systemic solutions. Over the last two decades, this has led to an increasing emphasis on private sector development approaches, aiming to promote sustainable production 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 are necessary to catalyse and bring to scale the sustainability solutions to the challenges described above are framed by the target setting of SDG 17 (Partnerships for the Goals).

### *2.2. 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 agro-commodity producer countries. IDH seeks to realise its

vision and contribute to impact by facilitating systemic transformation in selected global agro-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.



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.

### 2.3. Poverty orientation and Danish strategic priorities

IDH's ToC as well as the MYP 2021-2025 are fully aligned with key Danish strategic priorities and actions as presented in:

- *The World We Share – Denmark's Strategy for Development Cooperation* 2021 (Climate, Nature and Environment, Objective 4).
- *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 grants are directed to ODA eligible countries and further, it will secure a stronger Danida emphasis on Africa as around 80% of the future funding will be directed to initiatives in Sub-Saharan Africa. As also reflected in past partnerships, gender inclusion and equality remain important focus areas of the partnership.

In addition, through the IDH impact focus on better environment - and leaning on SDG 12 and 13 - the 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 business 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.

#### *2.4. Previous support, lessons learned and choice of partnership modalities*

Danida has been partnering with IDH since 2012 (grants totalling DKK 124.7 million). Since 2016, Danida has provided un-earmarked core funding to two consecutive MYPs of IDH. Most recently, Denmark has provided a bridging grant of DKK 15 million as un-earmarked core funding for the first implementation year of the MYP 2021-2025. This PD thus covers the remaining four years of the MYP.

Lessons learned from previous support, as highlighted in reviews and evaluations, show that IDH has successfully delivered results at output and outcome level in terms of improved governance and improved business practices within specific agro-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 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 will not be possible. Catalysing private sector solutions for achieving the SDGs thus remains highly relevant.

Another 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 the 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.

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.<sup>1</sup> 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 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 2021-2025 itself (see chapter 3 for more detail on the specific earmarking).

## *2.5 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 'targeted partnership countries' (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<sup>2</sup>. 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, 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).

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 a forthcoming

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<sup>1</sup> KPMG: Assessing IDH's contribution to public good impact at scale – End-line portfolio evaluation (November 2021)

<sup>2</sup> 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.

implementation of an NGO proposal on decarbonisation of the soy supply chain in Brazil<sup>3</sup>, presents obvious opportunities for programmatic synergies.

In terms of closer involvement of the Danish resource base – which was critically voiced during earlier public hearings - IDH's ToC and comparative advantage as a convener of big, multinational companies for impact 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 its successor Danida Green Business Partnerships (DGBP), Thematic NGO Call for Proposals, DIEH, CISU, etc.).

### **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 multi-stakeholder 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 and other 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:

*Enhanced, rights-based social and economic development, climate change mitigation and adaptation, and protection of biodiversity and ecosystems.*

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).

In practise, IDH was requested to submit a preliminary list of Danida 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 Danida funding to IDH is justified by:

- Clear and direct linkages to key Danida 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 Danida 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:

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<sup>3</sup> Approval of funding for this NGO proposal also awaits the lifting of the temporary suspension of new Danida commitments.

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 very brief summary 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.

The final PD (for appraisal and subsequent presentation to the Council for Development Policy) will contain more details on the specific initiatives and their activities, including description of how IDH uniqueness is brought into play and how private business solutions will be catalysed.

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

No	Title	Country/ Region	Business Sector Partners	Description and contribution to IDH ToC
1	Monitoring forests in Côte d'Ivoire to support protection activities of the Cocoa and Forests Initiative (CFI)	Côte d'Ivoire	The signatories of the Cocoa & Forests Initiative in Côte d'Ivoire  (e.g. Nestlé, Mondelez, Mars, Ferrero, Barry Callebaut, Cargill, Olam, Unilever, Lindt, Hershey, Godiva).	CFI promotes policies and practices to end deforestation, to expand reafforestation and agroforestry, to improve farmer incomes and ensure full traceability of sustainable cocoa production. As part of the CFI, the initiative <b>convenes</b> sector 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 and for which local experts will be trained to use it. The initiative thus contributes to <b>improved sector governance and business practices</b> .
2	Produce Conserve and Include (PCI) Compact - Balsas Region	Brazil	Potentially Danish stakeholders/Soy Alliance in preferential sourcing and co-investment.	The Balsas PCI Compact promotes sustainable Production of agricultural crops (focus on soy) while ensuring Conservation of forests and other ecosystems and safeguarding the Inclusion of all key stakeholders with a focus on marginalized groups (indigenous peoples and local communities). As part of the PCI approach, the initiative <b>convenes</b> sector partners to support increased focus on the implementation of major field activities of the PCI Compact. This will help all Compact signatories reach their PCI targets. The initiative will focus on the I pillar of the PCI approach by setting up physical Hubs where smallholders, indigenous people and local communities can seek support in compliance with pro-forest legislation and good agricultural practices. The initiative thus contributes to <b>improved sector governance and business practices</b> as well as <b>proven business cases for field level projects</b> .



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

No	Title	Country/ Region	Business Sector Partners	Description and contribution to IDH ToC
3	Regional Exchange Hub on Halting Cocoa-Related Deforestation (CFI)	Cote d'Ivoire, Cameroon, Ghana, Liberia	Nestlé, Mondelez, Mars, Ferrero, Barry Callebaut, Cargill, Olam, Unilever, Lindt, Hershey, Godiva	The goal of this initiative is to create alignment in how main African cocoa producing countries (Cote d'Ivoire, Cameroon, Ghana and Liberia) address deforestation in the cocoa sector. The initiative will <b>convene</b> sector partners in a regional 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 initiative will strengthen the collaboration between the initiatives in West Africa and similar initiatives focusing on European market demand. The initiative thus contributes to <b>improved sector governance and business practices</b> .
4	Strengthening the Cocoa and Forests Initiative (CFI)	Côte d'Ivoire	Nestlé, Mondelez, Mars, Ferrero, Barry Callebaut, Cargill, Olam, Unilever, Lindt, Hershey, Godiva	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. As part of the CFI, the initiative aims at strengthening the <b>convening</b> power of the CFI in Côte d'Ivoire through setting up a secretariat that will assist to improve government enforcement of deforestation regulations, private sector reforestation efforts and facilitate investments in improving cocoa markets. The initiative thus contributes to <b>improved sector governance and business practices</b> as well as <b>proven business cases for field level projects</b> .
5	Grown Sustainably in Africa (GSA)	Nigeria, Rwanda, Kenya	Nestlé, AIF, Lattice	The Grown Sustainably in Africa approach 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. As part of this effort on Value Chain Development, the GSA initiative <b>convenes</b> private businesses and other sector partners to secure local sourcing commitments while also securing <b>co-financing</b> of smallholder inclusive field level projects to become proven business cases for future scaling and market up-take. The initiative thus contributes to <b>improved business practices</b> as well as <b>proven business cases for field level projects</b> .

6	Agri-Entrepreneurship Program	India	Syngenta Foundation, Tata Trust	The Agri-Entrepreneurship Program targets the smallholder cotton industry, focusing on training rural youth to become agri-entrepreneurs. The initiative works along the entire cotton value chain, facilitating <b>co-financing</b> and drawing on <b>learning and innovation</b> in bringing access to credit, market linkage, access to high-quality inputs and crop advice (incl. crop diversification) together under one roof for associated farmers who can avail previously inaccessible services and earn improved incomes. The initiative thus contributes to <b>improved business practices</b> as well as <b>proven business cases for field level projects</b> .
7	Sustainable intensification of cotton cropping systems <sup>4</sup>	Chad	Olam, Cotontchad Société Nouvelle	The goal of the Programme is to improve climate resilience and alleviate poverty through 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 of the Programme 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. Drawing on IDH <b>learning and innovations</b> insights from previous PPI experiences, the initiative will <b>convene</b> sector partners to commit to sustainability solutions and the <b>co-financing</b> of these. With a strong focus on smallholder inclusion and climate adaptation, the initiative will contribute to <b>improved sector governance and business practices</b> as well as <b>proven business cases for field level projects</b> .
8	Thematic support to Innovation and Insights	Global with a focus on West Africa (cocoa) and East Africa (coffee)	Touton, SMS, Zaintain Harvest, Ugacof, CMS, Kenyacof, Barry Callebaut, Cargill, Sucden, Raphael Group, Smart Logistics.	The initiative will support all three roles of IDH ( <b>convening, co-financing and learning</b> ) through the development of a number of IDH guidance tools/solutions for businesses involved in field-level implementation involving smallholders and women. Examples of tools to be developed are: 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. The initiative will thus contribute to <b>improved sector governance and business practices</b> with a strong focus on <b>proving business cases for field level projects</b> .

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

#### 4. Draft 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 disseminated and upscaled’. Those result headlines logically constitute the three outcomes of the future partnership between IDH and Danida.

The partnership is based on significantly different funding modalities as compared to earlier – including flexibility over time to adapt to new opportunities and risks (via 25% unallocated funds in addition to budgetary flexibility between initiatives and years – see chapter 5).

A subset of suitable, harmonized Key Performance Indicators (KPIs) contained in IDH’s overall results framework (and thus presented in annual plans and progress reports) has been identified and included in the indicative and preliminary 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 Danida funded initiatives alone<sup>5</sup>.

Further, outcome targets and potentially also output indicators to be contained in the final results framework will 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 be in need of revision at the time of the mid-term review scheduled for November 2023.

#### Indicative 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 2) IDH leveraging of private sector co-financing 3) Number of new or temporary/seasonal jobs created		
Outcome 1		<b>Improved sector governance</b>		
Outcome indicators		1) # of multi-stakeholder agreements (multi-stakeholder coalitions, committees, secretariats, initiatives, and platforms) <u>signed</u> as a result of IDH interventions 2) # of new or improved policies or standards that are effectively enforced		
			IDH MYP Aggregated	Initiatives
Baseline	Year	2021	TBD	TBD
Target	Year	2022	TBD	TBD
Target	Year	2023	TBD	TBD
Target	Year	2024	TBD	TBD
Target	Year	2025	TBD	TBD
Output indicators		• # 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		

<sup>5</sup> 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.

		● # of agronomists, extension workers and experts trained		
Outcome 2		Improved business practises		
Outcome indicators		1) Offtake volumes of focus crops 2) # of private companies adopting guidance tools (better income, better environment) 3) # of end-buyers with long-term buying commitments based on inclusive sourcing		
			IDH MYP Aggregated	Initiatives
Baseline	Year	2021	TBD	TBD
Target	Year	2022	TBD	TBD
Target	Year	2023	TBD	TBD
Target	Year	2024	TBD	TBD
Target	Year	2025	TBD	TBD
Output indicators		● # of end-buyers convened to engage in local/inclusive sourcing ● # of guidance tools created (better income, better environment)		
Outcome 3		Proven business cases for field level projects disseminated and upscaled		
Outcome indicators		1) # of farmers with increased number of crops (including those intercropped with focus crop) cultivated by the farmer. 2) total amount of credit facilitated to participating farmers 3) # of factories, cooperatives, SMEs, plantations, traders or industrial parks with improved access to financial services such as blended finance, equity, or serviced through investment deals or commercial loans		
			IDH MYP Aggregated	Initiatives
Baseline	Year	2021	TBD	TBD
Target	Year	2022	TBD	TBD
Target	Year	2023	TBD	TBD
Target	Year	2024	TBD	TBD
Target	Year	2025	TBD	TBD
Output indicators		● # of agronomists, extension workers and experts trained ● # of farmers and SME workers trained		

## 5. Inputs/budget

The total grant for 2022-2025 is DKK 80 million (DKK 20 million annually). All funds transferred to IDH will be accounted for down to the level of the eight Danish funded initiatives. IDH will operate with detailed 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. All other financial management arrangements remain unchanged as compared to the previous partnership. Auditing the flow of funds/Danish earmarking will be undertaken as a part of IDH's standard auditing.

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 agreed upon in parallel.

An amount of DKK 20 million (equivalent to 25%) remains unallocated. It is suggested to keep this unallocated for the year 2025, so that the planned mid-term review in late 2023 can review suggestions for allocation.

The anticipated allocation between initiatives is presented in the below table.

**Tentative budget, DKK million**

Initiative for earmarked funding		2022	2023 <sup>^</sup>	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	AEFG 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
<b>Grand total, DKK million</b>		<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>80.0</b>

<sup>^</sup> 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 Danida will be governed by a cooperation agreement signed by the two parties for the period of 2022-25. Steering and management will likely take the form of a lean Steering Committee for annual consultations and negotiations between the parties.

A mid-term review 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 a future partnership (post 2025). Special studies can be carried out prior to the mid-term review as needed.

Standard IDH annual reporting (including also auditing) will be accompanied by additional information on Danida budgetary allocations as well as attributable results in accordance with a 'dashboard' for the eight initiatives (to be developed).

The earmarking opens up for a closer Danish following of and learning from the specific initiatives directly funded by Danida that 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 IDH and Danida beforehand. In addition - depending on available resources - Danida can 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).

## **7. Risk Management**

The final PD will include a risk management matrix in accordance with the Aid Management Guidelines. It will as far possible be based on IDH's existing risk management framework as contained in its 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.

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 joint steering of the future partnership and in responding fast and qualified to new opportunities and threats.