

Concept Note

Catalyzing Private Sector Solutions for the Sustainable Development Goals - Addressing climate change and inequalities through public-private action

Support to Sustainable Trade Initiative (IDH) 2021
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ABBREVIATIONS

CEO	Chief Executive Officer
COO	Chief Operating Officer
DAC	Development Assistance Committee of OECD
DIEH	Danish Initiative for Ethical Trade
DKK	Danish Kroner
EUR	Euro (1 EUR ~7.5 DKK)
FAO	The Food and Agriculture Organization of the United Nations
GHG	Greenhouse Gasses
IDH	The Sustainable Trade Initiative
IPCC	Intergovernmental Panel on Climate Change
KPI	Key Performance Indicators
MFA	Ministry of Foreign Affairs, Denmark
MYP	Multi-year Plan
NGO	Non-Governmental Organisation
SDG	Sustainable Development Goals
SIFAV	Sustainability Initiative Fruits & Vegetables
SME	Small and medium-sized enterprises
SWOT	Strengths, weaknesses, opportunities and threats

QUESTIONS TO THE PROGRAMME COMMITTEE

Historically, the involvement of Danish embassies and other stakeholders as well as public and green diplomacy from the Danish support to IDH has been limited.

- Taking resource constraints into consideration, is there an option of involving a limited number of Danish embassies (potentially trade councillors) in selected IDH's focus countries?
- How can the partnership with IDH contribute to Danish climate diplomacy in general?

Several of the recommendations from the Danish government's 'klimapartnerskaber' relates to addressing the climate impact of global activities and import. IDH is engaged in a number of agricultural commodity value chains including soy, palm oil, cocoa, coffee, tea, spices, fruits and flowers.

- How can the Danish partnership with IDH be used strategically in this context and what would resonate best with known interests of Danish private sector and civil society stakeholders?

1 CONTEXT

1.1 Introduction

This concept note outlines the background, justification and focus of an envisaged grant of DKK 15 million for IDH, “The Sustainable Trade Initiative”, covering year 2021 and in support of implementation of the first year of IDH’s Multi Year Plan 2021-2025, titled: *Catalysing private Sector Solutions for the Sustainable Development Goals – Addressing climate change and inequalities through public-private action*. The Danish support builds on lessons learned from previous partnership with IDH since 2016. The background for the one-year commitment is related to the expected COVID19 impact on Danish ODA-budgets, as a three-year grant was originally allocated through the Danish Finance Act 2020. A continued Danish support to IDH will be subject to assessment during 2021.

The Sustainable Trade Initiative (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 under Dutch law. 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 its two overall goals of 1) climate change mitigation and adaptation and 2) improved livelihoods of smallholder farmers and workers. This is done through 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 funds its activities¹ by (a) non-earmarked funding from ‘core donors’ (the Dutch, Danish and Swiss governments) and (b) ear-marked funding from ‘programme donors’ (e.g. the Dutch, UK, US, Belgian, Norwegian and Australian governments, Bill and Melinda Gates Foundation, ILO, GEF, Ikea Foundation and UNDP). As matter of principle, IDH’s programme activities are matched by private sector co-financing of at least 50%. On average, IDH programme expenditures are matched by the double amount of private funding (leverage factor 1:2).

1.2 Key challenges to be addressed

The urgent climate and environmental crisis

The impacts of climate change are among the greatest future risks to the global community and can jeopardize the realization of the Sustainable Development Goals. Currently, the world is far from being on track to limit global warming to 1.5 degrees as per the Paris Agreement.

According to the IPCC², agriculture, forestry and other land uses account for 23 percent of global human-caused emissions with deforestation linked to farming as a main driver. Commodity production continues to be associated with negative climate and environmental impacts. For example; tropical deforestation is driven by a few specific commodities; beef, soy, palm oil and to a lesser extent timber, coffee, cocoa and rubber. In addition to well-known hotspots in Latin America and Asia deforestation levels are increasing in Africa as new deforestation hotspots emerge in West Africa and the Congo Basin.

Moreover, the impacts of climate change are putting further pressure on ecosystems and natural resources such as arable land and fresh water. This pressure is exacerbated by unsustainable farming practices, fuelled by the need to feed a growing world population that is set to double in Africa alone by 2050. As a consequence, water scarcity is equally set to displace populations and increase migration patterns.

¹ The total IDH expenditures equaled EUR 39 million in 2019

² <https://www.wri.org/blog/2019/08/7-things-know-about-ipcc-special-report-land-and-climate>

Hence, sustainable land use and water management and de-linking commodity production from tropical deforestation has a great potential to not only reduce but also remove CO₂ emissions from the atmosphere as well as mitigate the effects of climate change.

Despite various efforts by governments, international organizations, NGOs and the private sector, the global share of responsibly produced commodities leaves room for improvement. In a new report by IDH it is estimated that only 6% of soy and 7% of tropical timber is responsibly produced. The percentage for palm oil (19%) and rubber (30%) are slightly better while coffee has the highest score of 55%. According to IDH there are sustainability gaps throughout the supply chain, some being a lack of transparency and traceability as well as access to finance for support to sustainable practices.

Further the processing of commodities especially in developing countries, such as the textile industry, leaves room for improvement in terms of climate and environmental impact, incl. responsible use of plastics and circularity (energy and water savings, waste management).

Inequality and lack of economic opportunities

Despite decline in the percentage of the global population living in extreme poverty, the absolute numbers remain alarmingly high, especially in Africa. Further the gap in income inequalities at the extremes are getting bigger. Lack of employment opportunities as well as living wage gap is part of the problem. Again, the situation remains particularly alarming in sub-Saharan Africa, where the share of working poor stood at 38 percent in 2018.

The majority of the world's poor live in rural areas and are dependent on agriculture. 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.

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, connection to global value chains represents an economic opportunity for smallholder farmers, if the agreements with the buyers and processors are on fair terms and support the farmers in further developing their farming practices towards higher yields, climate resilience and sustainable agriculture.

Further, according to World Development Report 2020, global value chains account for almost 50% of global trade and can continue to be a driver of sustainable development. However, the positive effects are not evenly distributed and especially for unskilled workers in developing countries there are challenges linked to decent work, living wage and workers' rights. Hence, promoting workers' rights, better working conditions and income presents an opportunity to make global trade work for developing countries.

COVID19 outbreak and the call to build back better and greener

The global COVID19 pandemic is not just a health crisis but as much a socio-economic crisis with severe implications for the livelihoods of people around the globe, not least in developing countries. The world is facing economic recession and hundreds of millions of jobs are expected to be lost, and millions of people will be pushed into extreme poverty.

Due to COVID19, global trade has slowed down, and global value chains have been disrupted on both the supply and demand side. The effects on workers and smallholder farmers in developing countries with little or no savings or social security is expected to be severe. Lockdown measures across the world have left hundreds of millions of workers without a job, notably in the tea and in the apparel industry where plantations and factories are not set to be functional with social distancing measures and have consequently closed down all operations. Due to the lockdown measures, smallholder farmers

find themselves cut from the supply chain and unable to channel their production to the market nor to receive agricultural inputs to keep on producing; leading to a risk of a severe food crisis notably in Africa.

The COVID19 outbreak has accentuated the need for robust supply chains, responsible business practices; ensuring the livelihoods of workers and farmers linked to the production of commodities in global and regional value chains. Further attention is also brought on the importance of short circuits and local value chains to increase regional trade and create a local added value.

There is a strong call from the global community to focus on building back better and greener post COVID19. While the total effects of the crisis will be devastating in many ways, the socio-economic responses present opportunities to shape the future and contribute to the societal and green transformation required for a prosperous future for people and planet. The UN Secretary General has made a call for global solidarity underlining that *“Everything we do during and after this crisis must be with a strong focus on building more equal, inclusive and sustainable economies and societies that are more resilient in the face of pandemics, climate change, and the many other global challenges we face”*. The UN are calling for a whole of society approach for the recovery efforts, and the private sector has a very important role to play in this.

The role of the private sector

There is broad consensus that the engagement of the private sector is crucial to the realization of both the 2030 Agenda and the Paris Agreement - in terms of job creation, finance and investments as well as concrete solutions and change in business practices. Multi-stakeholder partnerships and public-private partnerships are a central modality to drive and attain this change.

When it comes to global value chains, businesses and retailers are facing increasing consumer demands related to the social and environmental sustainability of products and it is increasingly clear that a lack of responsible business practices poses a reputational risk. Consequently, a growing number of companies have sustainable sourcing as part of their business strategy. These are all attempts to move towards more sustainable business practices. Private sector commitments to sourcing of sustainable produced and processed goods can hence be a driver for climate change mitigation and adaptation, preservation of ecosystems and decent work and living wage. That said, research undertaken during reviews of IDH revealed that many companies were not comfortable in embarking on this alone; without guidance, tools and co-financing support.

It could be a concern that as a result of the impacts of the COVID19 outbreak the focus of many companies would shift away from achieving the SDGs and combatting climate change. OECD as well as the World Economic Forum have, however, argue that in recovering from COVID19, the integration of responsible business into their way of conducting business will contribute to creating more robust supply chains to the benefit of companies.

1.3 The IDH offer

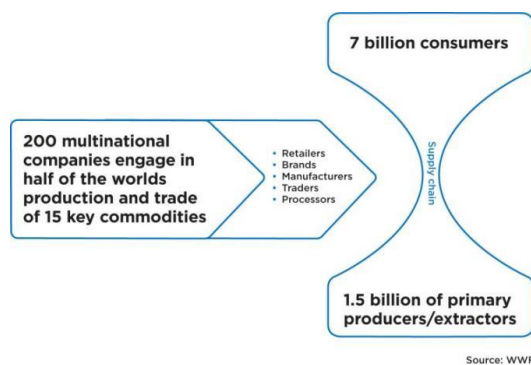
The raison d'être of IDH is the to make international trade a driver for environmental, social and economic sustainable development, by facilitating a shift on the demand side of global value chains towards sustainably produced agricultural commodities and support the transition towards more sustainable production through private sector co-financed programs. The mission of IDH is to drive systematic market transformation in order to actively mitigate and adapt to climate change and to improve the livelihoods of smallholder farmers and workers in developing countries.

The new IDH Multi Year Plan (MYP) 2021-2025, which is currently being finalized in close consultations with core donors, has enhanced its focus on climate change mitigation and adaptation as well as on Africa, while the strong focus on better jobs and income remains. The stronger focus on climate is reflected in concrete targets on reduced GHG emissions and improved GHG storage from their interventions. Using the Rio-markers, in 2019 all IDH programs were considered at least

40 percent climate relevant, while six related to deforestation were considered 100% climate relevant³. The climate relevant activities are expected to increase in the period of the MYP 2021-2025. In absolute terms, the environmental targets for the MYP 2021-2025 have increased compared to the past framework (hectares of forest protected/restored + ha with climate smart agriculture). In relative terms, IDH is currently defining its methodology to work on GHG emissions as well as its targets, and will hence be able to better attribute impact to interventions which will reflect in the share of climate relevant activities.

IDH will focus on activities in 26 countries, 13 in Africa⁴, 7 in Asia and 6 in Latin America. In terms of budget allocation 54 percent of program funding will be allocated towards activities in Africa.

To achieve its goals IDH focuses on 1) *improving sector governance*⁵ through joint commitments by public and private actors in order to 2) *change business practices* towards sustainable sourcing and production by co-investing in new models for production, processing and trade, and 3) *create field level sustainability* by promoting sustainable land use management and climate smart agricultural practices that do not lead to deforestation and by creating better jobs and living wage for small holder farmers and workers.



As illustrated in the figure, the strength of IDH lies within its partnership approach, where IDH works with front-running companies and multinationals as well as governments and civil society organisations to drive market transformation within key commodity value chains and geographical jurisdictions. By gathering companies, civil society and local and national governments IDH facilitates joint commitments from these stakeholders to environmentally and socially sustainable production.

By getting a few front-runner companies on board, IDH also creates the opportunity for Small and Medium Sized Enterprises (SMEs) to join-in on the effort and benefit from the pull (and budget) created by frontrunners.

The uniqueness of IDH lies within its ability to mobilize private sector commitments that are backed by private funding at a ratio of 1:2⁶. In addition, the uniqueness of IDH further lies in its ability to manoeuvre, through its established networks, impartially across what are often wrongly perceived as opposing public-private interests.

By having gradually expanded its ability to access and communicate with large international companies as well as governments and civil society organisations, IDH has been successful (see section 2.2) in developing, promoting and co-financing hands-on action in a number of commodity value chain programmes (“Agtech”), manufacturing programmes (mainly textiles) and also territorial programmes (named ‘landscapes’ in IDH).

During the past few years, IDH has also engaged with international finance in developing, testing and de-risking business cases (“Fintech”, now under FarmFit initiatives) for international banks to venture into sustainability investments with private companies.

³ Source: Trinomics (May 2020): Mobilised private (climate) finance report 2019

⁴ Tanzania, Kenya, Madagascar, Uganda, Ethiopia, Malawi, Mozambique, Rwanda, Cameroon, Côte d’Ivoire, Ghana, Mali, Nigeria

⁵ Improved sector governance, change of business practices and field-level sustainability constitute the three outcome areas of IDH.

⁶ Meaning that public funding is matched by the double amount of private funding.

IDH activities to transform markets can be broken down into the following three headings:

1. Convening public-private partnerships for collective action both globally and locally – building on identifying common interests and jointly setting and committing to targets for environmental and social standards, e.g. through sector wide initiatives such as Better Cotton Initiative the Cocoa and Forest Initiative, or the Sustainability Initiative Fruits & Vegetables (SIFAV). Through commitments to sustainable sourcing these initiatives promote enhanced environmental farming practices (e.g. less use of agro-chemicals, water resource management) and better working conditions as well as inclusion of smallholder farmers and SMEs in global value chains. Further, the Cocoa and Forest Initiative directly targets deforestation.
2. Co-financing and de-risking sustainability investments that drives companies to upscale sustainable production and trade, e.g. the Neumann Kaffee Gruppe's Coffee Smallholder Livelihoods Facility in Kenya; a global investment into sustainable sourcing that will provide credit and access to farm investments to 300.000 coffee farmers in cooperation with ABN-AMRO
3. Learning and innovating for delivering and testing new business cases (replicable models for up-scaling). For instance, all learnings acquired on servicing farmers through Farmfit (point 2) are shared externally to IDH partners on the Farmfit Intelligence Portal to create a level-playing field. This includes the IDH Salary Matrix and the Living Wage roadmap that are tools for suppliers to assess how the remuneration (they provide to their workers) compare to living wage benchmarks and to help them take next steps to bridge the gap.

IDH funds its activities⁷ by (a) non-earmarked funding from 'core donors' (the Dutch, Danish and Swiss governments) and (b) ear-marked funding from 'programme donors' to specific programmes (e.g. the Dutch, UK, US, Belgian, Norwegian and Australian governments, Bill and Melinda Gates Foundation, ILO, GEF and UNDP). As matter of principle, IDH's programme activities are matched by private sector co-financing of at least 50%. On average, IDH programme expenditures are matched by the double amount of private funding (leverage factor 1:2).

In order to ensure resources for innovation, learning, piloting and convening, IDH is dependent on untied core funding. More importantly, core funding is much needed to co-finance and support participating companies in joint implementation activities, especially in dealing with activities concerning inclusiveness and rights. In addition, internal investments have historically been needed to develop results measurement methodology and reporting; an effort that needs continued updating based on learning. Finally, core funding ensures agility in operations and provides the ability to quickly trigger - based on built-up competencies inhouse and in IDH's network - new initiatives responding to global or local opportunities or threats like COVID19.

2 STRATEGIC CONSIDERATIONS AND JUSTIFICATION

2.1 Past Danish engagement with IDH

Denmark has been a donor to IDH since 2012 and since 2016 has been one of three core donors (others being the Dutch and Swiss governments) providing untied core funding. Denmark has most recently provided a non-ear-marked contribution of DKK 20 million annually that ran from 2016-2020, covering the current Multi Year Plan (MYP) of IDH. The Danish engagement with IDH has been

⁷ The total IDH expenditures equaled EUR 39 million in 2019

guided by an Organization Strategy covering the period of 2015-2020. The main focus areas for Denmark have been 1) enhanced smallholder inclusion, productivity and livelihood improvement in key sectors⁸, 2) mainstreaming of gender equality and women's empowerment across IDH activities. Further focus has been on organizational development as well as synergies with other Danish development cooperation engagements and Danish private sector stakeholders.

Denmark has been a full and active member of the Donor Committee since 2016. There has been a high level of constructive cooperation and dialogue between IDH and MFA, including the secondment of an MFA officer to IDH (2018-2020).

2.2 Results and lessons learned

In its dialogue and direct engagement with more than 535 companies, 35 civil society organisations, and national and local governments in more than 50 countries across Africa, Asia and Latin America, IDH has achieved the following from 2016 to 2019:

- 4.7 million farmers (of which 35% women) reached through training and other services
- 9.5 million hectares of land under sustainable production practises
- 548,00 hectares of forest with implemented interventions that support protection, restoration and sustainable rehabilitation
- 8.4 metric tonnes of sustainably produced commodities
- EUR 250 million of private sector investments leveraged.

Two mid-term reviews and a mid-term evaluation⁹ concluded *inter alia* that IDH's reputation is outstanding amongst its stakeholders. This is well justified due to the fact that both the role played and work undertaken by IDH is found to be highly relevant, competent and influential, based on the fact that IDH has been very successful in convening multi-stakeholder coalitions and is capable of jump-starting processes with frontrunners, both through knowledge provision and by co-funding. The reviews also concluded that IDH delivers towards and in some cases above its output and outcome targets. Outcomes are expected to translate into changes at impact level and IDH has engaged and is applying the most recent thinking and expertise on impact measurement methodology¹⁰.

Some more critical issues identified by the reviews were risks of organisational overstretching due to high delivery expectations while at the same time being expected to diversify its funding and expand ambitions. Also, the observed high staff turnover rate (especially at director level) was a concern. Nonetheless, the reviews concluded that IDH - being a relatively young and still maturing organisation - appeared to be ambitious and dynamic to a degree above usual. Organisational risks are included in the risk management framework (Annex 5).

In summary, IDH delivered satisfactorily and is considered a trusted partner by both Denmark and the other core donors. 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. The new MYP 2021-2025 thus addresses needed changes in strategy and planned interventions to reflect the evolving context and core donor priorities, but also appears to have addressed recommendations of the reviews¹¹.

⁸ Cotton, coffee, tea, cocoa, palm oil, aqua culture and "fresh and ingredients" (fruit vegetables, spices and flowers).

⁹ A Danish mid-term review in 2017 (due to renewed appropriation) and a multi-donor mid-term review in 2018 (with a much larger scope). A mid-term evaluation was carried out by KPMG in 2019

¹⁰ IDH has commissioned the Wageningen University & Research and KPMG Advisory to assist in developing methodology for and in applying the DCED standards throughout IDH's impact results measurement framework

¹¹ IDH management provides response to recommendations of reviews and evaluation and core donors are following up on actively

2.3 Alignment with Danish policies and strategies

The work of IDH is very well aligned with Danish climate and development cooperation priorities and contributes especially to the Sustainable Development Goals 1, 5, 8, 12, 13, and 17.

The political agreement in the Danish climate law states that Denmark shall actively work to limit the global temperature rise to 1.5 degrees by raising the global ambitions for green transition. It further states that Danish foreign, development and trade policy shall also contribute to this. IDHs' strong focus on climate mitigation and adaptation measures through green transformation of global value chains presents an option to deliver concrete results on the ground. The climate focus has been reinforced in the proposed multiyear plan 2021-2025, including by having targets on reduced GHG emissions and improved storage. The work of IDH directly contributes to SDG 13 on Climate Action, SDG 12 on Responsible Consumption and Production and SDG6 on Water Management.

Further, through 13 climate partnerships, the Danish government tasked the Danish private sector to develop recommendations to the Government on how to achieve the national 70 per cent reduction target, as well as to give their inputs on how the sectors themselves can contribute to the green transition. Several recommendations relate to international issues, not least GHG emissions outside Denmark caused by production, import, etc. For example, the recommendations from the partnership on trade have a strong focus on issues related to emissions from global value chains; how to calculate and address these. Working with the private sector on developing and financing new business models is part of IDH's core business, and they could be a potential partner for Danish companies and associations in addressing such value chain issues. IDH is already engaged with Danish private sector stakeholders, including Bestseller, in relation to their commitment to sustainable apparel sourcing. IDH also recently signed a financial support agreement with Danish Initiative for Ethical Trade (DIEH) for both the Danish national soy and national palm oil initiatives. 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 – that together shape trade coming through Rotterdam harbour into the whole of Europe.

However, among others due to IDHs focus on larger market players, the participation of Danish companies in IDH's partnerships has so far been limited. The engagement shown by the climate partnership on trade could be a starting point for further future cooperation with Danish stakeholders. In addition, there are good opportunities for the engagement of Danish SMEs which is something that will be further explored.

The work of IDH delivers on several priorities in Denmark's Strategy for Development Cooperation and Humanitarian Action. IDH's combined focus on climate and environmental sustainability and better jobs and living wage contributes to "*Sustainable, inclusive growth and development*" and through this also to addressing the root causes of migration. Interventions specifically target contributes to SDG 8 'Decent Work and Economic Growth', and SDG 1 'No Poverty'. In a broad sense, IDH's work is increasingly focused on women's empowerment and worker's rights and hence contributes to "*Freedom and development – democracy, human rights and gender equality*". Hence the work of IDH contributes directly to SDG 5 on gender equality. Furthermore, IDH's partnership approach is very much aligned with Danish priorities and commitment to SDG 17 on Partnerships. Finally, the geographical focus of IDH matches Danish priorities, as more than 50 percent of their activities are in Africa, and the new multiyear plan emphasizes the focus on Africa.

Furthermore, the work of IDH is considered highly relevant in a COVID19 recovery context and the Danish ambition to support efforts to build back better and greener. IDH has a key role to play in terms of making the value proposition for companies for their active engagement in decarbonizing their production and value chains and do so in a socially just manner, and to develop and co-finance new business models to that end, which also creates more decent jobs in developing countries.

Denmark is one of seven signatories to the Amsterdam Declaration Partnerships on deforestation – a non-legally binding commitment to put an end to deforestation caused by commodity production, in

which IDH is closely involved as well through its work with several European industry associations (e.g. soy and palm). Halting deforestation and protection of ecosystems by promoting sustainable land use management is a central focus area of IDH. In terms of Danish climate diplomacy, this can also become an asset; positioning Denmark as a credible partner that contributes to developing concrete solutions, making it easier to push for commitment from countries with high deforestation rates. Along the same line, Denmark is, through EU, expected to put more emphasis on green transition in trade agreements. Danish engagement IDH is a way to not only demand green transition, but also supporting partner countries in achieving it.

2.4 Relevance and justification for support

In summary, the justification for continued Danish support to IDH is considered to live up to the five DAC criteria as follows:

As described above, the support to IDH is highly relevant and aligned with Danish climate 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 the break-down of value chains due to the impacts of the COVID19 outbreak¹².

In terms of relevance to stakeholders, those interviewed as a part of mid-term reviews and evaluation expressed that what IDH does is considered relevant also from their various perspectives. The same holds 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 by up to a factor three, further accentuates the effectiveness.

In terms of efficiency, IDH management and its core donors are very aware of and cautious about operational costs. Since 2016, organisational expenditures have been in the range of 14-16% of total IDH expenditures (6-7% if calculated based on both core funding, earmarked program funding and leveraged private sector co-finance), decreasing slightly to 13.4% in the preliminary budget for the next MYP. IDH has re-organized twice during the present MYP in order to improve efficiency of operations, the latest reorganisation being in 2019 with the introduction of five business units, a leaner management team, and with a stronger and more formalised presence in focus countries (devolution).

Impact measurement is receiving significant attention and its innovative impact measurement methodology as well as results are overseen by a sub-committee of IDH's Supervisory Board. It is concluded in the mid-term evaluation that impact is created to a larger degree than during earlier assessments. The evaluation proved IDH's contribution across all impact themes at outcome level and underpinned that IDH is on the right track. The report clearly carved out IDH's 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.

In terms of sustainability, a market uptake of proven business models and Sustainability Solutions is an important part of IDH's future strategy. As those solutions are taken up and increasingly financed by private sector, IDH would gradually be in less need of donor core funding. That said, through core

¹² Farmers and workers supported through IDH programs experience an easier access to markets and a stronger economic resilience. This is already the case for palm smallholder farmers taking part of IDH's programs in Indonesia that are able to sell their sustainably certified RSPO products at a good premium; or for cotton farmers in India that received insurance against COVID19. As soon as the vegetable production recovered in Rwanda, smallholder farmers that comply with high-quality and sustainability standards through IDH's support, were able to directly restore their exports towards to the European market. Similarly, apparel factories enrolled in IDH programs have also started to hire workers again in Ethiopia and in South-East Asia by switching their production to Personal Protective Equipment (PPE) that are currently in high demand globally. This type of response facilitated by IDH helps both the industry and the workers to recover from the economic crisis caused by the corona virus.

funding, IDH is able to finance those of its activities considered public goods such as learning and innovation, piloting, and co-financing. Core funding furthermore ensures agility in operations and giving the ability to quickly trigger - based on built-up competencies inhouse and in its network - new initiatives responding to global or local opportunities. As such, core funding will remain – as also reflected in IDH’s long term strategy – an important contribution to maintain the uniqueness of IDH and thus necessary to ensure continued innovation and to leverage private funding.

3 PROJECT PRESENTATION

3.1 Objective and strategic priorities

The objective of the Danish support to IDH’s MYP is:

Contributing to climate change mitigation and adaptation in developing countries (with a special focus on Africa), by catalysing private sector solutions and leveraging investments for ‘decarbonisation’ of global value chains and through these efforts also create better jobs and living wages for male and female small-holder farmers and workers.

The objective refers directly to IDH goals as they are presented in the MYP “Catalyzing Private Sector Solutions for the SDG (2021-2025)”:

- a. Climate change mitigation and adaptation
- b. Improved livelihoods of smallholder farmers and workers

In setting the objective of the Danish support, these two IDH goals have been elaborated to better capture the rationale of the Danish support. Climate and environmental impacts are at the forefront of Danish priorities for the work of IDH. In addition, IDH efforts contribute equally to better jobs and income for farmers and workers in international value chains.

Danish support will be core funding in 2021 of DKK 15 million to IDH under a set of strategic priorities.

- The enhanced focus on climate change mitigation and adaptation as per the MYP 2021-2025, is reflected in all of IDH’s work and especially in its Africa programs.
- Better jobs and income are integrated parts of IDH’s climate related effort.
- Results in GHG reductions and storage as well as field level climate adaption should be measurable through integration of the Rio-markers in the Results Measurement Framework.
- IDH continues to be a strong partner for companies, including to a gradually increased degree also SMEs, in decarbonizing value chains.
- A continued strong focus on Africa throughout IDHs programs.

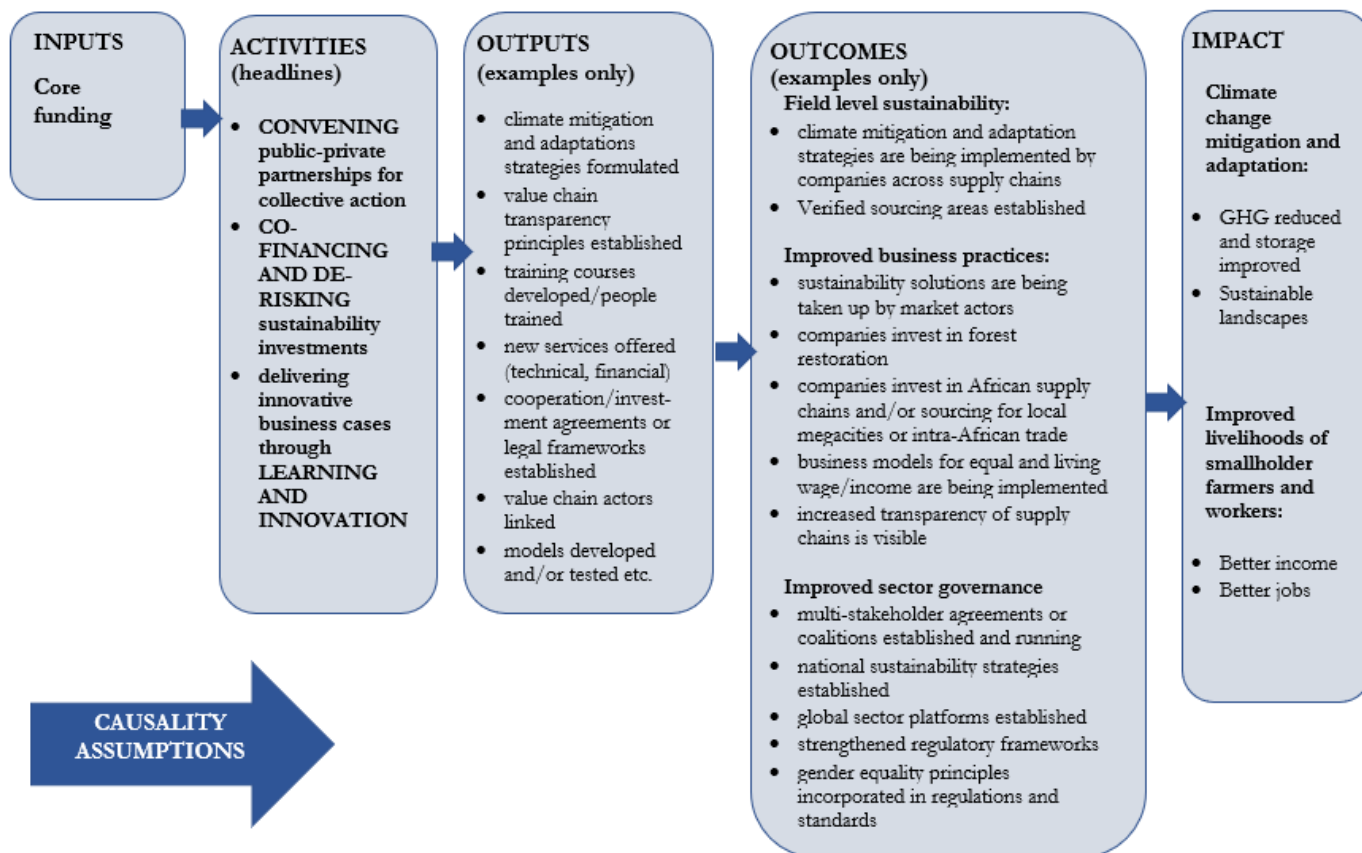
Further, Denmark will continue to support IDH’s work on gender equality and employment opportunities for women throughout its programs.

Denmark will pursue these priorities through strategic dialogue with IDH in the Donor Committee, through bilateral meetings and through joint initiatives and ongoing dialogue including on synergies with Danish programs at country level.

3.2 Theory of change

A simplified and preliminary description of the Theory of Change is provided in the illustration below.

DRAFT THEORY OF CHANGE



For the first two causality assumptions, there is ample evidence from earlier cooperation that IDH delivers consistently on (a) investment leveraging, (b) activity levels and (c) promised outputs.

The third causality assumption is that outputs are translated into the three outcomes (field level sustainability, improved business practices and improved sector governance). Evidence from the mid-term evaluation and mid-term review suggests – with expected variations across programmes – that important overall achievements at outcome levels are found and based on a significantly higher evidence than earlier.

The fourth and final causality assumption is that outcomes generate impact under four impact headings. The 2018 mid-term review concluded that it is not unlikely that IDH meets its impact statement goals of the present MYP and the mid-term evaluation concluded that IDH has made clear progress and that impact is created to a larger degree than during earlier assessments. Based on that it is expected that the activities of IDH will create the envisaged impact and that IDH will be able to report on this.

3.3 Summary of results framework

A preliminary results framework for the Danish support – based on IDH’s draft results framework for MYP 2021-2025 - is included in Annex 3A (standard indicators) and 3B (strategic priority indicators). It will be further elaborated and expanded with outputs during formulation, also in terms of including measurable indicators on GHG (e.g. Rio markers) and gender as they emerge in IDH’s ongoing work.

4 MANAGEMENT AND BUDGET

4.1 Management set-up

IDH is managed by a two-person Executive Board, overlooked (in terms of strategy, budget, finance, remuneration, accounting, audit, impact) by an independent Supervisory Board¹³. The Executive Board is assisted by a five-person management team. A Donor Committee – the major platform for consultations on policy dialogue and performance - meets twice annually to discuss and provide input to the Executive Board, and also provide inputs and comments to annual plans and report. The Donor Committee consists of core donors (the Dutch, Swiss and Danish governments). 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. In general, the priorities of the core donors are well aligned including on the enhanced focus on climate change. Further, discussions on how to build a more strategic partnership between IDH and core donors based on joint and specific national priorities are currently ongoing between IDH and the donors as well as in the donor group internally. This is something that will be further explored in the coming period.

Financial management was subject to MFA review in September 2019 and performance was found to be satisfactory. IDH management provided response to review recommendations and follow-up will be done during formulation. IDH has had unqualified positive audits for the past 11 years, and its controls are accompanied by whistle blower policies and anti-fraud (speak-up) hotline. For full description of management and operations, please refer to Annex 2.

4.2 Funding and budget

The suggested Danish funding is a core funding grant of DKK 15 million for 2021. The total envisaged budget for the MYP 2021-2025 is EUR 350 million, of which EUR 170 million is expected from core donors and EUR 180 million from other donors (programme specific). The preliminary budget for core donors' funding for 2021 is EUR 34 million. Core donor commitments are not yet resolved since they are individually entering into new or changed appropriation periods but based on projections for funding of present core donors, a financing gap of around EUR 10 million could be expected. The significant Dutch contribution (83% of core funding in 2018) may change into a ten-year appropriation, potentially subject to public tender. The question of the need for tender is under review. The Dutch MFA hopes to have a decision on the ten-year appropriation towards the fall of 2020. Should a tender be necessary they will devise a bridging funding to ensure continued funding. On top of the envisaged Danish funding of DKK 15 million for 2021, the Swiss government is anticipated to provide core funding of around EUR 2.4 million in 2021 under a new four-year commitment (2021-2024) with the same level of funding for the consecutive years.

4.3 Communication of results

IDH's main communication tool is its annual report, accompanied by its extensive webpage and other social media. Planning and reporting are being simplified forward-looking, responding to recommendations of mid-term reviews. Core donors are briefed extensively on progress and strategic issues during Donor Committee meetings as well as through communication in-between meetings.

¹³ The Supervisory Board (the supreme governance body) consists of self-selecting representatives of stakeholders (at present Nestlé, COOP Denmark, KPMG Albron and Royal BAM Group, RaboBank, World Economic Forum, WWF, The Goods and Consumer Forum).

4.4 Monitoring and evaluation

IDH has an extensive M&E system that provides quantitative and qualitative Key Performance Indicators (KPI) at output and outcome levels. Impact is being measured through special impact studies; those combined with additional research are assessed mid-term and end by external evaluations.

5 RISKS

A draft risk management matrix is included in Annex 5. The risk management matrix is subject to review in annual reports as well as during Donor Committee meetings. Main risks to be taken into consideration during formulation of the Danish support include core as well as programme funding uncertainties and effects of COVID19.

ANNEX 1

CONTEXT ANALYSIS

1. Overall development challenges, opportunities and risks

Briefly summarise the key conclusions from the analyses consulted and their implications for the programme regarding each of the following points:

Climate crisis 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. The COVID19 outbreak and the economic slowdown have had some immediate positive mitigative effects, however these are expected to be short term.
- According to the IPCC, agriculture, forestry and other land uses account for 23 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 ecosystems 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 percentage of people living in extreme poverty globally fell to a new low of 10 percent in 2015 — the latest number available — to 736 million. Sub-Saharan Africa has the highest percentage of population living in extreme poverty.
- Global inequality is raising and lack of employment opportunities in developing countries especially for women is part of the explanation.
- Despite having a job, 8 per cent 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 (GVCs) account for almost 50% of global trade today. 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 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.

COVID19 and the call to build back better and greener:

- The COVID19 outbreak is not only a global health crisis but as much an economic and social crisis with massive impact. A global recession is foreseen and for the first time in 25 years, we expect to see economic recession on the African continent.
- ILO estimates that the drop in working hours in second quarter of 2020 will be equivalent to 305 million full time jobs.
- The World Bank estimates that 49 million will be pushed into extreme poverty in 2020, 23 million will be in Sub Saharan Africa.
- The impacts from COVID19 will hit the most vulnerable the hardest, including women children and marginalized groups.
- Global trade has been disrupted by extensive lock down causing global value chains to collapse, impacting both workers and small holder farmers negatively.
- Across the global community there is a strong call to Build Back Better and Greener – the economic recovery from COVID19 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 COVID19, the integration of responsible business practices will contribute to create more robust supply chains to the benefit of companies.

List the key documentation and sources used for the analysis:

- IPCC: <https://www.wri.org/blog/2019/08/7-things-know-about-ipcc-special-report-land-and-climate>
- Various IDH related documents (including draft Multi Year Plan 2021-2025, annual reports, studies conducted by IDH, IDH webpage, policies and internal guidance documents, Danish Midterm Review 2017, Joint Donor Midterm Review 2018, KPMG impact evaluation 2018 etc.)
- FAO 2017: *the Future of Food and Agriculture, Trends and Challenges*
- ILO Monitor: *COVID-19 and the world of work. Third edition*
- ILO Issue Brief Prepared for the 2nd Meeting of the Global Commission on the Future of Work, 2018, *Global value chains for an inclusive and sustainable future*
- OECD note 2020: *COVID-19 and Responsible Business Conduct*
- UNSG report: *Shared responsibility, global solidarity:*
https://www.un.org/sites/un2.un.org/files/sg_report_socio-economic_impact_of_covid19.pdf
- World Bank on COVID19: <https://blogs.worldbank.org/opendata/impact-covid-19-coronavirus-global-poverty-why-sub-saharan-africa-might-be-region-hardest>
- WRI 2019 on special IPCC report <https://www.wri.org/blog/2019/08/7-things-know-about-ipcc-special-report-land-and-climate>
- World Bank; *World Development Report 2020, Trading for Development in the Age of Global Value Chains*
- 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*
- Report of the Secretary-General 2019; *Special edition: progress towards the Sustainable Development Goals*
- World Bank and WTO: *Global Value Chain Development Report 2019: Technological Innovation, Supply Chain Trade and Workers in a Globalized World*

Are additional studies / analytic work needed? How and when will it be done?

No additional studies needed.

2. Fragility, conflict, migration and resilience

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

The proposed engagement directly addresses resilience as part of climate action. 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 built.

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.

List the key documentation and sources used for the analysis:

Various IDH documents

IOM, Migration Factsheet no 1: Drivers of migration

Are additional studies / analytic work needed? How and when will it be done?

Not needed

3. Assessment of human rights situation (HRBA) and gender¹⁴

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

The HRBA Guidance Note may provide further guidance, or hrbaportal.org

Human Right Standards (international, regional and national legislation)

The work of IDH is directly promoting human rights especially workers' rights and smallholder farmer's land 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.

IDH have 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

¹⁴ The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach, and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

(formalized in an Investment Note). These includes assessment of gender issues, capacity, governance and reputation of the partner as well compliance with ICRP.

Universal Periodic Review

- N.a.

Key rights holders are smallholder farmers and workers in developing countries.

Key duty bearers are companies as well as local and national authorities.

Human Rights Principles (PANT)

Participation

At the core of IDH's work is the convening of stakeholders to further inclusion of smallholder farmers in global and regional value chains and hereby creating better income and livelihood for them. The same goes for workers.

Accountability

See above section on due diligence

Non-discrimination

Mainly concerned with non-discrimination of women

Transparency

Building transparency throughout the supply chains is embedded in IDH's strategy. In its territorial 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 Danish, Swiss and Dutch priorities during the present phase (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.

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. Secondly, by transforming the primary production of smallholders it becomes more attractive to younger farmers to engage and become involved at household or village levels; not migrating to the larger cities or abroad.

-

List the key documentation and sources used for the analysis:

Various IDH documents and policies

Are additional studies / analytic work needed? How and when will it be done?

Not at this point

4. Inclusive sustainable growth, climate change and environment

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

Funding to IDH directly targets climate change mitigation and adaptation as well as environmental protection, including water resource management and biodiversity. 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.

List the key documentation and sources used for the analysis:

Various IDH documents

If this initial assessment shows that further work will be needed during the formulation phase, please list how and when will it be done?

No need for further assessments.

5. Capacity of public sector, public financial management and corruption

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

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. Further IDH is developing a jurisdictional approach called Verified Sourcing Areas (VSA), which also contributes to better governance of both environmental and social matters. The VSA model aims to provide a market mechanism that enables responsible sourcing and sustainable development at scale, by connecting sourcing jurisdictions to markets. Central to the VSA 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.

List the key documentation and sources used for the analysis:

Various IDH documents.

Are additional studies / analytic work needed? How and when will it be done?

No need for further studies

6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

The work of IDH is in general well aligned with Danish climate policy interests and development cooperation priorities.

As is also reflected in the recommendations from Danish governments 13 “Klimapartnerskaber”, there is a willingness from the Danish private sector to assess and address the climate impact throughout the value chain. IDH is well positioned to engage with Danish stakeholders on this agenda and has reiterated its commitment to do so as part of the Danish partnership with IDH.

In cooperation with the Danish MFA IDH organized the conference “Creating Green Value” in Copenhagen in November 2019, gathering Danish private sector stakeholders. However, so far, the engagement with Danish stakeholders have been limited. The commitment from Klimapartnerskaberne might present an opportunity for further engagement with IDH which will be investigated further by IDH and the MFA in the coming period.

List the key documentation and sources used for the analysis:

- *Anbefalinger fra regeringens 13 klimapartnerskaber*
- *Follow up note by IDH on the conference Creating Green Value*

Are additional studies / analytic work needed? How and when will it be done?

As part of the formulation of the project document, selected Danish stakeholders will be interviewed to identify possible opportunities for further engagement of Danish private sector and civil society actors. Furthermore, interviews with Danish stakeholders carried out during the two midterm reviews will inform this process.

7. Stakeholder analysis

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

Key stakeholders and beneficiaries from the work of IDH are smallholder farmers within key commodity sectors and workers in developing countries, where IDH have 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 engages their economic situation and livelihood. Workers have their voice heard and gets access to training and improved working conditions and better wage.

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. All IDH activities are co-financed by the private sector and hence their engagement are backed by economic commitment.

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

List the key documentation and sources used for the analysis:

Various IDH documents

Are additional studies / analytic work needed? How and when will it be done?

No further studies needed at this point.

ANNEX 2

PARTNER SELECTION AND DESCRIPTION

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1 SUMMARY OF STAKEHOLDER ANALYSIS

Stakeholder analysis is presented in Annex 1.

By having gradually expanded its ability to access and speak the languages of board rooms of large international companies as well as corridors of governments and civil society organisations, IDH has developed its own unique features as compared to other stakeholders.

A major uniqueness of IDH is its ability to generate private sector financing through de-risking and co-financing projects and programmes. Compared to Solidaridad, who in 2018 mobilised private capital by factor 1:0.22 to public finance, IDH mobilised private capital by factor 1:1.98¹⁵. The Climate Investor One (CIO) mobilised private capital by factor 1:1.05, the Global Environmental Facility (GEF) by factor 1:0.05, and the Green Climate Fund (GCF) by factor 1:0.27.

IDH’s uniqueness can be further illustrated by the figure below¹⁶ which is an attempt to place a variety of major global stakeholders in terms of their positioning within four action areas:

- Is the stakeholder (a) mission driven or (b) business driven – or both?
- Is the stakeholder mainly involved in (c) action on the ground or (d) on sector governance – or both?

¹⁵ Source: Trinomics (April 2019): Mobilised private (climate) finance report 2018
¹⁶ Source: IDH MYP 2021-2025

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



2 CRITERIA FOR PARTNER SELECTION

2.1 Criteria applied

Alignment with Danish policies and priorities of mitigating and adapting to climate change – with a special focus on Africa - have been important criteria during partner selection. Other Danish priorities of inclusion and rights have also been important criteria. IDH's uniqueness in terms of leveraging public funds by successfully convincing and engaging the private sector is significant and IDH also provides opportunities for Danish stakeholders. Finally, it has been a criteria to select a trustworthy partner with a proven track record.

2.2 Justification for selection of IDH as partner

IDH has been found to meet all of the above selection criteria. In summary, and as described in the main text of the Concept Note, the justification for continued Danish support to IDH is considered to live up to the five DAC criteria as follows:

The support to IDH is highly relevant and aligned to Danish climate 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 the break-down of value chains due to the impacts of the COVID19 outbreak¹⁷. Hence, the work of IDH deliver development results on the ground related to several SDGs.

In terms of relevance to stakeholders, those interviewed as a part of mid-term reviews and evaluation expressed that what IDH does is considered relevant also from their various perspectives. The same holds 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 by up to a factor three, further accentuates the effectiveness.

In terms of efficiency, IDH management and its core donors are very aware of and cautious about operational costs. Since 2016, organisational expenditures have been in the range of 14-16% of total IDH expenditures (6-7% if calculated based on both core funding, earmarked program funding and leveraged private sector co-finance), decreasing slightly to 13.4% in the preliminary budget for the next MYP. IDH has re-organized twice during the present MYP in order to improve efficiency of operations, the latest reorganisation being in 2019 with the introduction of five business units, a leaner management team, and with a stronger and more formalised presence in focus countries (devolution).

Impact measurement is receiving significant attention and its innovative impact measurement methodology as well as results are overseen by a sub-committee of IDH's Supervisory Board. It is concluded in the mid-term evaluation that impact is created to a larger degree than during earlier assessments. The evaluation proved IDH's contribution across all impact themes at outcome level and underpinned that IDH is on the right track. The report clearly carved out IDH's 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.

In terms of sustainability, a market uptake of proven business models and Sustainability Solutions is an important part of IDH's future strategy. As those solutions are taken up and increasingly financed by private sector, IDH would gradually be in less need of donor core funding. That said, through core funding, IDH is able to finance those of its activities considered public goods such as learning and innovation, piloting, and co-financing. Core funding furthermore ensures agility in operations and giving the ability to quickly trigger - based on built-up competencies inhouse and in its network - new initiatives responding to global or local opportunities. As such, core funding will remain – as also reflected in IDH's long term strategy – an important contribution to maintain the uniqueness of IDH and thus necessary to ensure agile innovation and sustainability.

¹⁷ Farmers and workers supported through IDH programs experience an easier access to markets and a stronger economic resilience. This is already the case for palm smallholder farmers taking part of IDH's programs in Indonesia that are able to sell their sustainably certified RSPO products at a good premium; or for cotton farmers in India that received insurance against COVID19. As soon as the vegetable production recovered in Rwanda, smallholder farmers that comply with high-quality and sustainability standards through IDH's support, were able to directly restore their exports towards to the European market. Similarly, apparel factories enrolled in IDH programs have also started to hire workers again in Ethiopia and in South-East Asia by switching their production to Personal Protective Equipment (PPE) that are currently in high demand globally. This type of response facilitated by IDH helps both the industry and the workers to recover from the economic crisis caused by the corona virus.

3 BRIEF PRESENTATION OF PARTNER

3.1 Background and activities

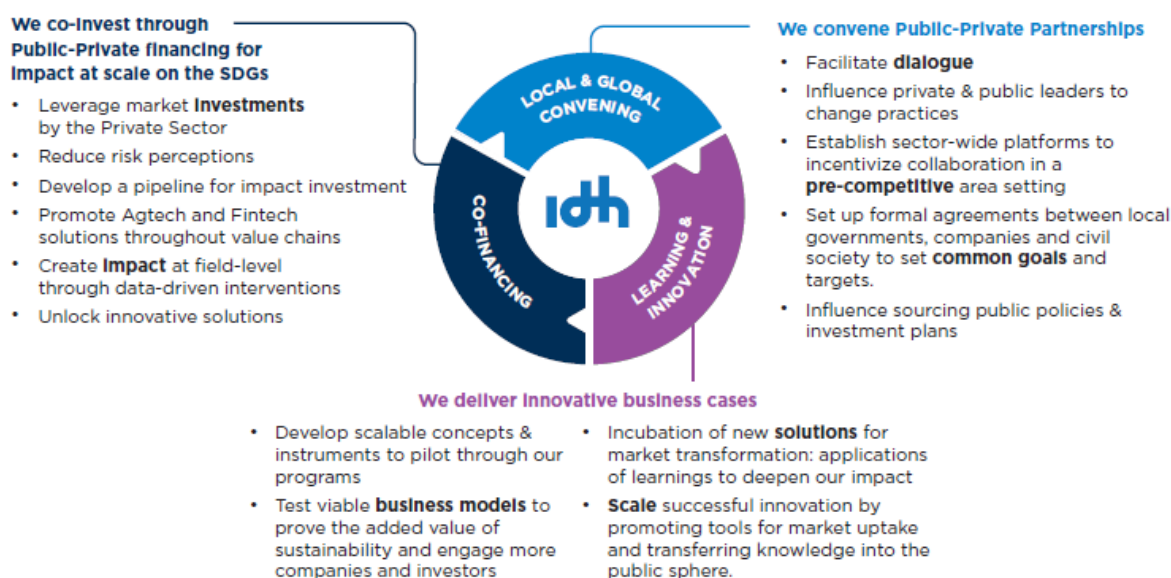
The Sustainable Trade Initiative (IDH) was originally created in 2008 jointly by the Dutch government, private companies, NGOs and trade unions. In 2011, it was formally established as a non-profit foundation (“*Stichting*”) under Dutch law with the formal and registered purpose of being “*involved in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

The mission of IDH is to drive systematic market transformation in order to actively mitigate and adapt to climate change and to improve the livelihoods of smallholder farmers and workers. The new IDH Multi Year Plan (MYP) 2021-2025, which is currently being finalized in close consultations with core donors, has enhanced its focus on climate change mitigation and adaptation as well as on Africa, the strong focus on better jobs and income remains. IDH will focus on activities in 26 countries, 13 in Africa¹⁸, 7 in Asia and 6 in Latin America.

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



¹⁸ Tanzania, Kenya, Madagascar, Uganda, Ethiopia, Malawi, Mozambique, Rwanda, Cameroon, Côte d’Ivoire, Ghana, Mali, Nigeria

3.2 Value proposition to companies, governments and civil society

IDH summarises in the 2030 strategy its relevance and usefulness to companies, government and civil society/NGOs as follows:

IDH value to companies:

We 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:

We 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.

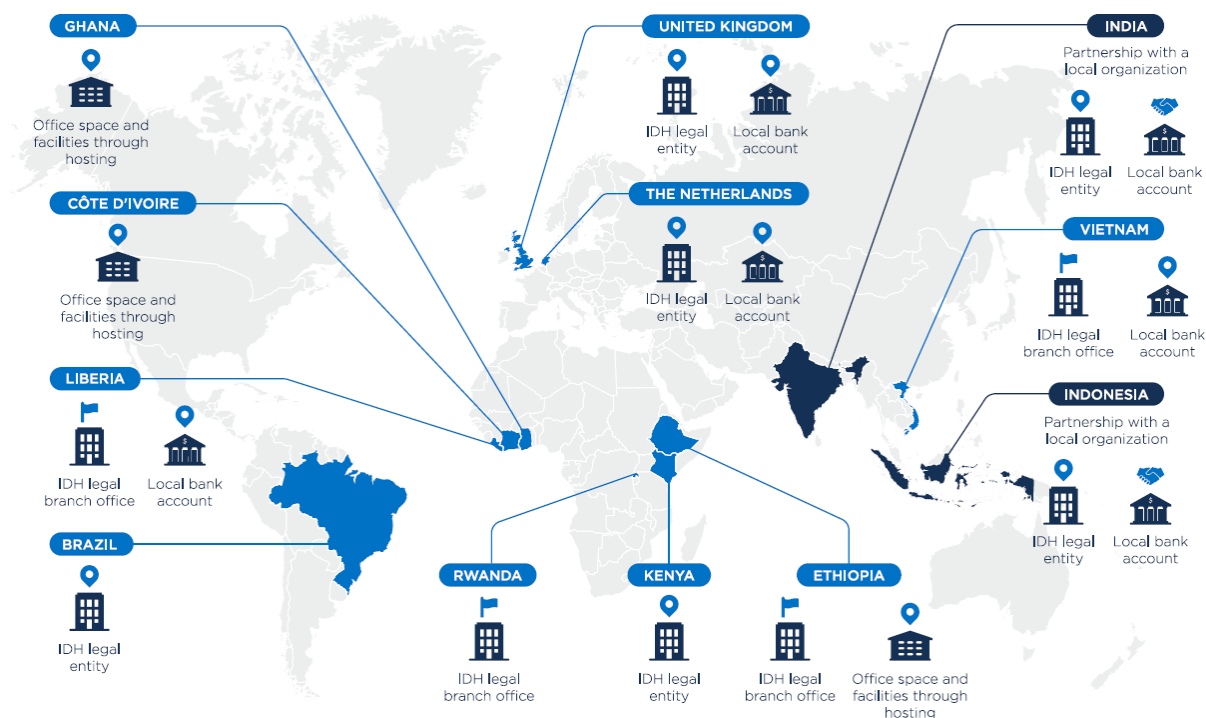
IDH value to civil society/NGO's:

We 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.

3.3 Geographical presence and focus

The IDH headquarter is located in Utrecht (the Netherlands). IDH has gradually expanded its international presence to having international offices in Brazil, Côte d'Ivoire, Ethiopia, India, Indonesia, Kenya, Liberia, Malawi, Nigeria, South Africa, Tanzania and Vietnam. Global presence is illustrated in the figure below.



In terms of allocation of efforts between continents, the largest emphasis in the 2021-2025 MYP is on Africa where 50% of IDH's focus countries are located (13 countries). Asia contains 27% of focus countries and Latin America 23%. In terms of budgetary allocations, 54% of total programme spending is in the MYP 2021-2025 planned for Africa and up to 80% for African agricultural value chain programmes.

3.4 Gender equality and empowerment

Since gender ambitions at the outset of Danish support to IDH were found to be low, gender equality has been at the centre of cooperation agreements (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 at least reporting. The attention to the subject – and driving IDH to a more ambitious and scientific approach – has been of equal importance to the other two core donors (BUZA and SECO).

Two years into the MYP 2016-2020, a separate and additional impact theme on gender equality and empowerment was included. Various initiatives have since then been carried out to start seeing a positive impact, including that of a Gender Kit/Tool. Shaping of a gender approach, internal staff competencies, resource allocation and actual activities in the field have since then improved gradually.

The two mid-term reviews 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, but that there is a way to go before this is going to be fully integrated and not at least to have measurable impact.

The IDH gender equality journey:

Gender blind (pre-2016)

- ➡ **neutral** (*'do no harm' as an absolute minimum*)
- ➡ **aware** (*ongoing, through applying gender strategies and separate POCs*)
 - ➡ **sensitive** (*ongoing gradual organisational process, also having investment proposals gender screened. Development and testing of gender transformation models, .e.g. on Gender Based Violence*)
 - ➡ **transformative** (*future/post-2020, as models have been tested and mainstreamed into POCs/programmes*).

The 2019 mid-term evaluation concluded that it was too early to measure impact for the gender equality impact theme and noted that IDH remains on a 'growing curve' and need to improve evidence and reporting its gender ambitions. The evaluation also concluded that IDH has high potential to drive gender transformative activities, for example seen in the Kenya tea programme. IDH possesses the resources, knowledge, convening power and independence to work effectively with companies and being a catalyst on the ground for gender transformation.

The principle of application gender equality into operations in the MYP 2021-2025 is that of mainstreaming gender across its business units; increasing gender awareness across the organisation and its work. Planning and reporting data will be gender disaggregated as relevant and a separate gender indicator will be included in the final Results Measurement Framework being developed up to the next annual plan (anticipated September 2020).

3.5 Organisation and Governance

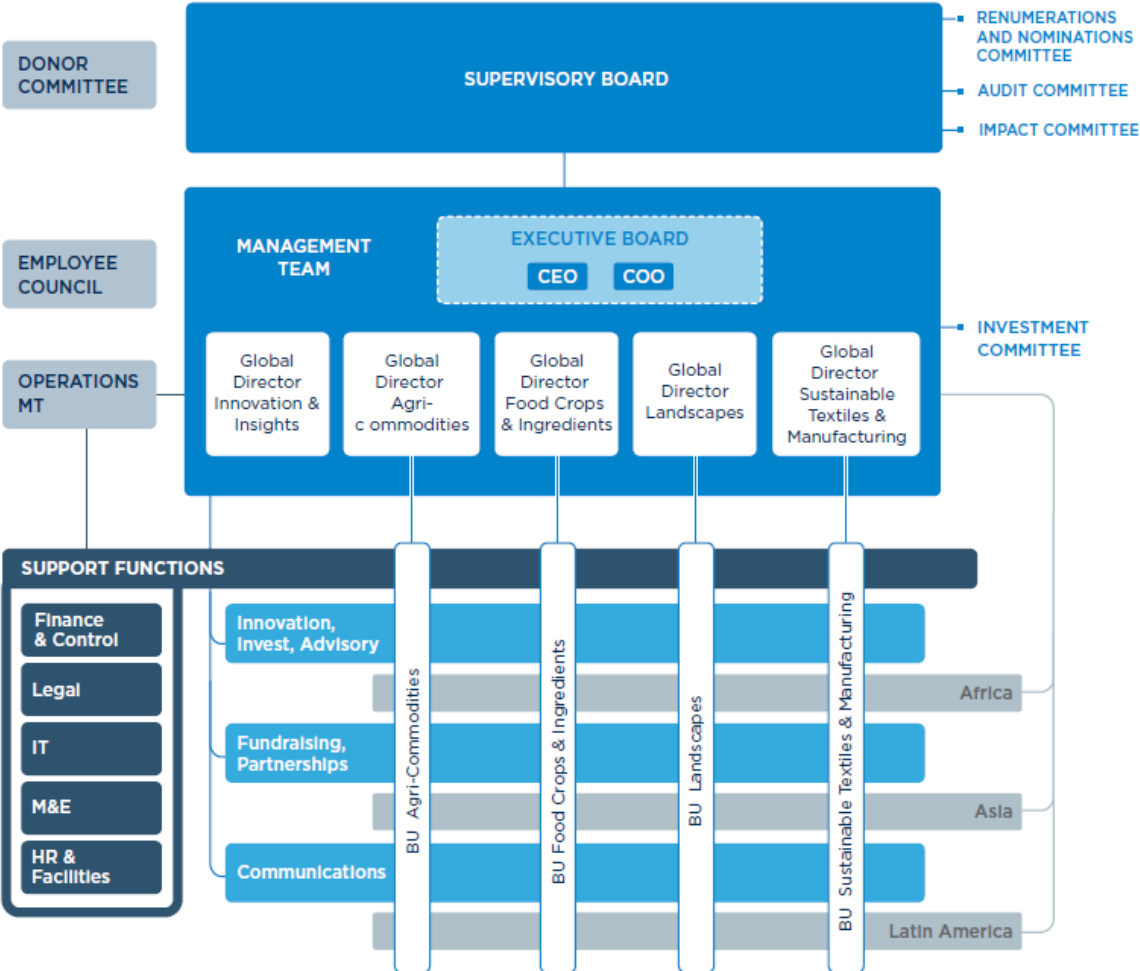
An organigram is presented below. IDH has re-organized twice during the present MYP in order to improve efficiency of operations, the latest reorganisation being in 2019 with the introduction of five business units, a leaner management team (formerly 13 directors, now 7), and with a stronger and more formalised presence in focus countries (devolution).

The Supervisory Board is the formal governance body of IDH and guards the policy and functioning of the IDH office. The Supervisory Board (SB) is charged with supervising the policy of the Executive Board, IDH's general business framework and IDH's performance. The Supervisory Board 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. The 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 about three times a year. Core donors are entitled to suggest candidates for vacant seats at IDH Supervisory Board. Ultimately the SB itself is the final decision maker in the appointment of a vacant seat. At present, the Supervisory Board consists of representatives from Nestlé, COOP Denmark, KPMG Albron and Royal BAM Group, RaboBank, World Economic Forum, WWF and The Goods and Consumer Forum.

The Supervisory Board appoints the Audit Committee from among its members. The Audit Committee provides the 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.

GLOBAL ORGANIZATION AND GOVERNANCE OF IDH



The Impact Committee is appointed by the Supervisory Board and consists of at least one of its members and external experts. Members are selected based on relevant knowledge/experience of impact/impact measurement. The Impact Committee provides the Supervisory Board 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 the Supervisory Board by assessing the performance of the Executive Board and setting performance targets.

The two-person Executive board consists of the CEO and COO and is supported by a wider Management Team with another five global directors. 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 the Supervisory Board.

An internal Investment Committee was introduced in 2017 with the aim of improving quality of interventions, alignment of interventions and ultimately create better value for money. The IC 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.

The Donor Committee works to ensure donor alignment and facilitates strategic dialogue on policy making and IDH's future direction. Members are representatives from the core donor countries (The Netherlands, Switzerland, and Denmark). Twice a year, a Donor Committee meeting is organized to foster exchange between IDH management and representatives from core donors' governments. 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 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 (May and October) is aligned with the IDH planning and reporting cycle in order to provide the basis for discussion. The October meeting is organized to discuss the IDH Annual Plan for the coming year (including core donors funds distribution). This meeting is hosted by IDH with input from the core donors on the agenda. The May meeting is organized to discuss the Annual Report. This meeting is hosted by a core donor, in rotation, where IDH supports in the agenda and 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.

3.6 Results management framework

IDH has an extensive M&E system that provides quantitative and qualitative Key Performance Indicators (KPI) at output and outcome levels. Impact is being measured through special impact studies; those combined with additional research are assessed mid-term and end by external evaluations.

IDH collects information on KPIs for changes in output and outcome level in three result areas (business practices, sector governance and, sustainability at the field level). All programs and projects are expected to collect data biannually or annually for several indicators that apply to their activities.

Through the RMF IDH keeps track of progress reported by program teams and Implementing Partners (IPs). IDH contracts IPs to execute projects and set strict rules for IP spending, the KPIs and the reporting cycles they have to commit to. The formulated KPIs are based upon an input, output, outcomes and impact framework. Through closely monitoring the progress in each

project, IDH builds upon the approaches that are most effective and continuously make improvements to its programs. In addition, program teams are informed through field visits and regular meetings and discussions.

3.7 Budget and financial management

The financial statements for 2019 and 2018 are presented in the table to the right.

3.8 Staffing and capacity

In IDH's Utrecht office, at year-end 2019 it employed 85 FTEs, plus 142 contracted team members in the 24 countries in which IDH operates. This is an increase of 34% compared to 2018, mainly due to additional donors and number of included landscapes in landscape programs and strengthening of FinTech teams. IDH's total turnover increased by an impressive 33% from 2018 to 2019.

IDH's organisational performance and capacity has been assessed during mid-term reviews. Staff were found to be extremely hardworking, competent and dedicated. Only about half of the persons met were 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.

3.9 Communication

IDH's main communication tool is its annual report, accompanied by its extensive webpage and other social media. Planning and reporting are being simplified forward-looking, responding to recommendations of mid-term reviews.

3.10 Risk management

Risk management is an integral part of IDH's internal control system and provides input into decision-making process by identifying (potential) risks and measures to mitigate them. IDH risk management is currently performed at corporate, project and partner level.

In 2020, IDH will work to further improve its risk framework, and will organize risk sessions to identify risks at business-unit level. Risk analysis and planned mitigation measures are continuously updated based on ongoing new insights, testing of these measures, or materialization of specific risks.

A draft risk management matrix is included in Annex 6 to the Concept Note. The risk management matrix is subject to review in annual reports as well as during Donor Committee

Amounts in millions of Euros	Actual 2019	Actual 2018
Program Contributions:		
Private partners - via IDH	1.73	1.49
Private partners - directly to project	44.43	35.87
Total private partners	46.16	37.36
Other donors - via IDH	0.19	0.35
Other donors - directly to project	5.44	1.69
Total other donors	5.63	2.04
IDH	28.60	19.71
Total Program Contributions	80.39	59.11
IDH Expenditures:		
IDH Program Contributions	28.60	19.71
IDH contribution on behalf of private partners	1.73	1.49
IDH contribution on behalf of other donors	0.19	0.35
Total IDH Program Contributions	30.52	21.55
Learning, Innovation and Impact	1.66	2.47
Support and outreach	0.93	1.07
Total Program Related Costs	2.59	3.54
Congress and communication	0.36	0.61
Personnel	4.37	2.99
Organization	1.56	1.13
Total IDH organizational expenditures	6.29	4.73
Financial income & expenses and taxes	-0.02	-0.06
Total Fin income/expenses	-0.02	-0.06
Total IDH Expenditures (incl. contributions via IDH)	39.37	29.76
Total incl. Partner Contributions	89.2	67.3
Ratio program contributions IDH: private	1:1.6	1:1.9
Percentage IDH organizational Expenditures: Total IDH	16.0%	15.9%
Percentage IDH organizational Expenditures: Total incl. Partner contributions	7.0%	7.0%

meetings. Main risks to be taken into consideration during formulation of the Danish support include core funding uncertainties and effects of COVID19.

3.11 SWOT Analysis

As a part of IDH's early strategy development, an internal self-assessment was done in 2017 to determine main strengths, weaknesses, opportunities and threats. A synthesis of that exercise was:

Strengths

- Unique market position and reputation
- Relevant networks – among both producers, traders, processors and retailers, international initiatives, financial institutions, as well as regional and national governments.
- Impartiality – convening between parties
- Funding base (core funding)
- Talking business as well as government languages – access to board rooms and corridors
- Agility and staff dedication

Weaknesses

- Analytical quality and organisational efficiency because of stretched organisation
- High staff turnover/ Junior team
- Few strong implementing partners
- Limited financial reserves

Opportunities

- Interest at financiers in the pipeline we can offer on farmer finance and landscapes/climate change
- Emerging donors with aid & trade agendas
- Scope for strategic partnerships to offset our limitations
- Digitization has potential for efficiency
- Developing advisory services will incentivise further improvement of our back office

Challenges

- Becoming a scale-up without stifling corporate structures
- Broad value proposition
- Uncertain resources beyond 2020
- Delivery versus fundraising
- Resources to invest in future
- Transition from centrally controlled trust to parent-subsidary model
- New competencies required for new services

The 2030 strategy and the MYP 2021-2025 is found to be built on those strengths and opportunities and addresses in various ways weaknesses and challenges, e.g. through reorganisation, a broader funding base with more programme donors, and a clearer communication of value propositions.

ANNEX 3 A

PRELIMINARY RESULTS FRAMEWORK

Based on IDH's preliminary results framework included in the draft Multi Year Plan 2021-2025, the below table summarises a selection of indicators suitable for the focus of the Danish support. It will further be elaborated during formulation of the programme, based on input from IDH as they proceed with producing a Results Measurement Framework for MYP 2021-2025 (including selecting relevant outputs and related indicators that will be measurable for the first year of the programme only (2021)). Approximately three output indicators per outcome will be included.

Programme title		Danish support to IDH implementing the multi-year plan “Catalyzing Private Sector Solutions for the SDG (2021-2025)”	
Strategic programme objective		Contributing to climate change mitigation and adaptation in developing countries (with a special focus on Africa), by catalysing private sector solutions and leveraging investments for decarbonisation of global value chains and through these efforts also create better jobs and living wages for male and female small-holder farmers and workers	
Partner objectives (IDH goals)		a. Climate change mitigation and adaptation b. Improved livelihoods of smallholder farmers and workers	
Impact Indicators (measured mid-term and end 2025)		a.1 GHG reduced and storage improved (measurement methodology development ongoing) a.2 Sustainable landscapes – area under sustainable land use management b.1 Better income – reduced living wage gap b.2 Better jobs – improved working conditions	
Baseline	Year	End 2020	NA
Target	Year	2025	a.1 (to be established) a.2 7 million hectares under sustainable land use management b.1. Living wage gap reduced by 50% for 200,000 workers (men and women) b.2 Working conditions improved for 1,315,000 workers (men and women)

Outcome 1		Improved business practises	
Outcome indicator		1.1 Private sector investments in sustainability through IDH programmes 1.2 Investment leverage factor of IDH:private sector funding 1.3 Number of companies sourcing from VSA 1.4 Greater transparency of value chains/sourcing/GHG emissions(scope3)/workers'/womens' rights?	
Baseline	Year	End 2020	1.1 NA - incremental number 1.2 To be established 1.3 NA - incremental number 1.4 To be established
Target	Year	2025	1.1 EUR 350 million 1.2 To be established 1.3 100 companies 1.4 To be established

Output 1.1		<i>To be selected during formulation</i>	
Output indicator			
Baseline	Year		
Target	Year 1		
Target	Year 2		
Target	Year 3		
...		
Target	Year		

Outcome 2		Improved sector governance	
Outcome indicator		2.1 Number of multi-stakeholder agreements or coalitions established and running	
Baseline	Year	End 2020	(NA - incremental numbers)
Target	Year	2025	2.1 To be established

Output 2.1		<i>To be selected during formulation</i>	
Output indicator			
Baseline	Year		
Target	Year 1		
Target	Year 2		
Target	Year 3		
...		
Target	Year		

Outcome 3		Increased field level sustainability	
Outcome indicator		3.1 Number of farmers adopting and implementing sustainable production practises, including adaptation to climate change? (not yet established) 3.3 Reduced deforestation and increased reforestation 3.4 Reduced environmental footprint of farming and processing? 3.5 Sustainable sourcing other than VSA, e.g. African mega cities?	
Baseline	Year		3.1 To be established October 2020 3.2 To be established 3.3 To be established 3.4 To be established
Target	Year	2025	3.1 To be established October 2020 3.2 To be established 3.3 To be established 3.4 To be established

Output 3.1		<i>To be selected during formulation</i>	
Output indicator			
Baseline	Year		
Target	Year 1		
Target	Year 2		
Target	Year 3		
...		
Target	Year		

ANNEX 3 B

ADDITIONAL STRATEGIC PRIORITY INDICATORS

To reflect the special Danish priorities of supporting IDH, the following *additional* strategic priority indicators will be reported on

STRATEGIC PRIORITY 1		Geographical focus on Africa	
Priority indicator 1		Share of total programme spending on initiatives in Africa	
Baseline	Year		
Target	Year		At least XX% of total core funding / minimum same level as year before

STRATEGIC PRIORITY 2		Furthering IDH's climate mitigation and adaptation focus in its African programmes	
Priority indicator 2		To be established	
Baseline	Year		
Target	Year		To be established

ANNEX 4

BUDGET

The total budget for MYP 2021-2025 is EUR 350 million, of which the three core donors (the Dutch, Danish and Swiss governments) are expected to fund EUR 170 million (49%). Other programme donors are expected to fund earmarked specific programmes and projects to a total of EUR 180 million.

Table: Preliminary total IDH budget for 2021-2025

€ million	Core Donors	Other Donors	Total Program
2021 - 2025			
Total income	170	180	350
Programs and Projects	131.4	150.9	282.3
Agri Commodities	40.5	34.1	74.6
Food Crops & Ingredients	24.9	26.5	51.4
Textiles & Manufacturing	42.5	9.7	52.1
Landscapes	23.5	80.6	104.1
Innovation & Insights	9.1	6.1	15.2
Support and outreach	5.7	0.6	6.3
Total program cost	146.2	157.6	303.7
Corporate Communication	1.1	1.1	2.1
Total communication	1.1	1.1	2.1
Personnel cost	18.5	17.1	35.6
Organizational cost	4.2	4.2	8.5
Total organizational cost	22.8	21.3	44.1
Total expenditures	170.0	180.0	350.0

Building on its core funding, IDH expects to leverage an additional EUR 330 million from private sector; in line with present core funding leverage factor of 1:2.

The annual plan and budget for 2021 will be prepared in September 2020, but an indicative budget will be included in the project document for the Danish support.

The preliminary budget for core donors' funding for 2021 is EUR 34 million of which the anticipated Danish core funding for 2021 is DKK 15 million. Core donor commitments are not yet resolved since they are individually entering into new or changed appropriation periods but based on projections for funding of present core donors, a financing gap of around EUR 10 million in 2021 could be expected.

The significant Dutch contribution (83% of core funding in 2018) may change into a ten-year appropriation, potentially subject to public tender. The question of the need for tender is under review. The Dutch MFA hopes to have a decision on the ten-year appropriation towards the fall of 2020. Should a tender be necessary they will devise a bridging funding to ensure continued funding. On top of the envisaged Danish funding of DKK 15 million for 2021, the Swiss government is anticipated to provide core funding of around EUR 2.4 million in 2021 under a new four-year commitment (2021-2024) with the same level of funding for the consecutive years.

The plan is to allocate about 54% of core funding to Africa (see table below). Due to the nature of activities, the relative allocation towards Africa is less for “landscapes” and “textile and manufacturing” programmes (15% and 40% respectively) than for “agricultural commodities” (80%) and “food crops & ingredients” (70%).

Business Unit	Core funding	Allocation Africa %	Nominal
Agri Commodities	40.5 M	80%	32.4 M
Food crops & Ingredients	24.5 M	70%	17.4 M
Textiles & Manufacturing	42. M	40%	17.0 M
Landscapes	24 M	15%	3.5 M
Total	131.4 M		70.3 M (54%)

ANNEX 5

RISK MANAGEMENT FRAMEWORK

IDH has a part of their 2030 Strategy development identified the key risks and necessary steps to minimize the likelihood and severity of their impact. The multi-year plan 2021-2025 identifies specifically the key risk factors per Business Unit and plans to mitigate their impact.

IDH continues to develop an elaborate and operations focused risk management framework to its Annual Plan cycle. IDH will also review their risk & mitigation assessment structure for the Annual Plan 2021 to incorporate learnings from the previous framework and reflect further its new Business Unit structure. This enables IDH to complement long-term strategy risks with accurate operational risks and find proper measures to ensure ability to execute on ambitions and targets.

The table below indicates external and internal risks to the 2030 strategy and MYP 2021-2025 delivery plan at the organizational level. During the preparation of this annex to the Concept Note, minor additions have been made. The draft matrix will be further elaborated during formulation, including that of applying fully the AMG template.

Risk	Impact	Mitigation Strategy
EXTERNAL RISKS		
IDH is not successful in attracting new core and/or program funding	<ul style="list-style-type: none"> • Probability: Low • Impact: Medium <p>IDH ability to convene, co-finance and innovate / prototype are restricted. As a result, IDH is required to scale down implementation of selected programs.</p>	Increase efforts with current donors to further diversify donor base. Strengthen capacity in fundraising and adapt fundraising strategies.
Standstill of countries and business around the globe due to the Covid-19 virus	<ul style="list-style-type: none"> • Probability: High • Impact: High <p>International trade and movement of people and products are limited. As a result, there are delays in program implementation and convening activities leading to IDH not reaching all targets.</p>	<p>Pro-active communication with partners and donors.</p> <p>Optimal use of ICT applications and platforms to continue our work.</p> <p>Restructure workplans and planning where and when needed.</p>
Weakening global economy including low interest rates and/or downturn in key sectors in Europe and/ or N America	<ul style="list-style-type: none"> • Probability: High • Impact: High <p>A global recession (for e.g. due to the Covid 19 pandemic) could have an impact on limited products traded to EU (notably exotic products)</p> <p>Companies, consumers and partners less focussed on sustainability due to more pressing issues, making it harder</p>	<p>Use evidence to demonstrate the business case for companies to invest in sustainable sourcing over the long run.</p> <p>Promote and enable local sourcing and access to new markets</p> <p>Revise IDH set interventions or reduce set targets to adjust to current situation.</p>

	<p>for IDH to develop new projects and particularly with regards to IDH's work on Living Wages.</p> <p>IDH's business partner unable or unwilling to participate resulting in the need to revise IDH's intervention or reduce the set targets.</p>	
Downturn in public interest in sustainability	<ul style="list-style-type: none"> • Probability: Low • Impact: Low <p>Since some efforts are driven by reputational risks, a shift in consumers interests in sustainability would reduce the pressure on brands and producers. The urgency for the private sector partners to act on sustainability is de-prioritised.</p>	<p>Use Communications to provide evidence for private and public sector partners to influence public opinion.</p> <p>Use evidence to demonstrate the business case for sustainable sourcing over the long run.</p>
Governments fail to provide adequate legal support for social, labour or environmental programs	<ul style="list-style-type: none"> • Probability: Medium • Impact: Medium <p>Less support from governmental partners, leading to delays in implementation or issues with implementation of projects and require IDH to revise approach affecting IDH's ability to deliver on the set targets.</p>	<p>Work closely with the national and subnational governments</p> <p>Invest in 'stand-alone' alone systems that can work without government budgets</p> <p>Create the real business case: companies as our agents to persuade governments to act</p>
Production downturn in key producer countries because of climate, political or economic disruption	<ul style="list-style-type: none"> • Probability: Medium • Impact: Low <p>This risk is variable per supply chain. Sustainability as priority is placed lower on the agenda and replaced by securing the supply. Price effect (increase) can amplify this impact.</p>	<p>IDH Sustainability Solutions can be mobilised where relevant and are helpful to support efficiency in production and reduce costs of production (e.g. Service Delivery Models, PPI, VSA) These can be mobilised accordingly.</p>
INTERNAL RISKS		
Loss of key personnel and/or excessive staff turnover	<ul style="list-style-type: none"> • Probability: Medium • Impact: Medium <p>Issues for continuity, loss of knowledge, network and experience could lead to IDH not being able to deliver sufficiently and in compliance with donors' expectations.</p>	<p>Breadth & depth of expertise across the organization</p> <p>Existing staff retention and career development systems being applied and expanded</p> <p>Institutionalise knowledge, network and experience on digital platforms (Salesforce), new learning management system.</p>

<p>Insufficient expertise to innovate continuously and respond to changing priorities and emerging technologies</p>	<ul style="list-style-type: none"> • Probability: Low • Impact: Medium <p>IDH no longer a frontrunner in innovation</p>	<p>Staff recruitment and retention strategies and partnership management to ensure we have the necessary expertise within IDH or our partners.</p>
<p>Exposure to fraud, corruption or illegal action of IDH or IDH partner organisations</p>	<ul style="list-style-type: none"> • Probability: Medium • Impact: Medium <p>IDH fined/penalty from governments. Delays in implementation when a program is stopped due to investigation. IDH's reputation is damaged, affecting program implementation and fundraising</p>	<p>Integrity (including anti-bribery and anticorruption) training is part of the IDH onboarding program. IDH has a strict anti-bribery and anticorruption policy. Staff and external parties are regularly informed about the Speak Up policy, through which they are encouraged to flag any misconduct or irregularities (this can also be done anonymously). IDH reports transparently on incidents that are flagged through the Speak Up policy.</p>
<p>Loss or damage through internet hacking/fraud</p>	<ul style="list-style-type: none"> • Probability: Low • Impact: Medium <p>Loss of sensitive data, money and possible stop of business due to hostage. Cyber security breach through criminals penetrating into IDH data, financial and management systems may lead to liability on (confidential) data protection and/or financial losses. Financial risk on all expenditures</p>	<p>IDH raised awareness of global staff on the risk of cyber security breaches, through the conducting of a cyber security training that was followed and tested on all staff. An external IT audit was conducted.</p>
<p>Catastrophic incident at head/local office</p>	<ul style="list-style-type: none"> • Probability: Low • Impact: Medium/High <p>Disruption in management and operations affecting the delivery of results</p>	<p>Business continuity plan Staff training & emergency response team Data storage offsite and offline</p>

ANNEX 6

PROCESS ACTION PLAN

Timeline	Activity	Documentation	Responsible
May –June	Preparation of Concept Note	Concept Note	GDI with support from GJL/ELK
15 June	Concept Note forwarded to ELK For public hearing	Concept Note	GDI
2 July	Programme Committee meeting	Concept Note	GDI
July-August	Formulation of Project Document with participation of GJL. Consultation of selected Danish stakeholders.	Project Document	GDI
7 September	Project Document forwarded to ELK/GJL for appraisal	Final draft	GDI
7-21 September	Appraisal	Appraisal note	ELK
13 October	Project Document and appropriation cover forwarded to ELK	Final Project Document and appropriation cover	GDI
29 October	Council for Development Policy	Minutes of meeting	ELK
Early November	Presentation of project proposal to the Minister for Development Cooperation	Approval	GDI
End November	Signing of Agreement with IDH	Legally binding agreement	GDI with support from FRU
January 2021	Disbursement of grant	Receipt	GDI