



# Annual Report 2017

Investing in scalable  
business models  
for SDGs





Ministry of Foreign Affairs



Schweizerische Eidgenossenschaft  
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**DANIDA**

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# Executive Summary/ Report of the Executive Board

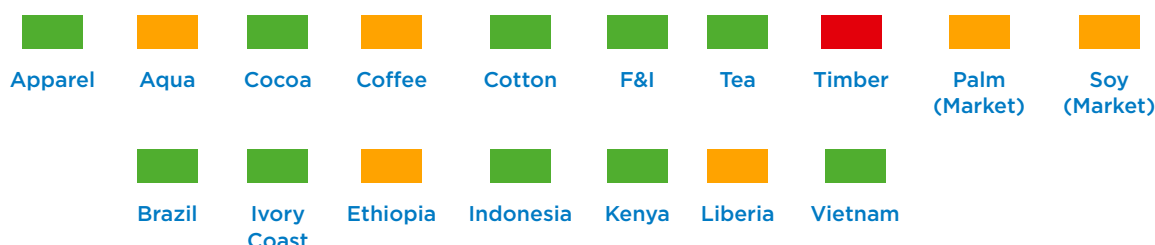
2017 was the second year of implementation of our 2016-2020 strategic plan, aiming at innovative scalable solutions for sustainable trade to contribute to the Sustainable Development Goals (SDGs).

In our value chain programs, we work with partners representing on average 35% of market share. In 2017 IDH promoted sustainable production of nearly 5 million MT of aqua, cocoa, cotton, palm oil and tea, facilitated training of 2,5 million farmers (35% women/65% men), and worked on sustainable land use of almost 6m ha. Our balanced score card methodology provides valuable insights in how our partners perceive our work, with overall satisfaction score of 7 (out of 10).

All in all, we feel confident that we will be successful on 2/3 of our impact claims, as we promised in our 2016-2020 strategy.

## 2017 Results Scoreboard

60% of IDH commodity and landscape programs are on track in most of their planned activities and there are not issues foreseen in achieving the 2020 impact claims.



Color assessment definition:

**Green:** Most or all the planned activities for 2017 on track and there are no issues foreseen in achieving the 2020 impact claims.

**Yellow:** Half of the planned activities for 2017 on track and minor issues foreseen in achieving the 2020 impact claims.

**Red:** Less than half of planned activities for 2017 on track and/or major issues foreseen in achieving the 2020 impact claims

### Changing sector governance

With a score of 7.0 out of 10, the main sector stakeholders are represented and committed to the multi-stakeholder processes associated with the program.  
(Source: Balanced Scorecard 2017 - 200 respondents)

With a score of 7 out of 10, the main sector stakeholders that are member of the multi-stakeholder processes associated with the program are satisfied about the effectiveness of these processes.  
(Source: BSC 2017 - 200 respondents)

23 changes in sector, economic, fiscal, social and environmental policies in commodity and landscapes program.

3 protection, production and inclusion plans, 4 green grow plans, 4 Sub landscape management plans and 1 integrated management plan.

### Increasing field-level sustainability

Nearly 2.5 million farmers and workers trained on key subjects for sustainable production, environmental and social sustainability. (Gender estimation: 65% male and 35% Female)

80,000 Producers and/or workers reached by service delivery.

5,6 million hectares where sustainable production practices are applied.

Nearly 200,000 hectares where protection and restoration interventions are implemented.

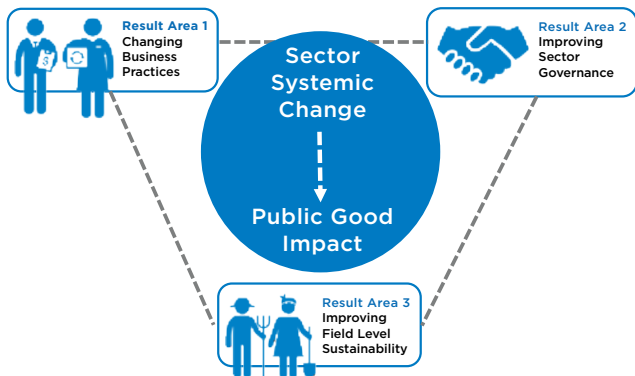
### Change in business practices

22 new business cases to be developed within the IDH programs to demonstrate the private sector the potential of sustainable practices.

Average ratio between the public investments by IDH and these private sector investments 1:2.(1:3 for commodity programs and 1:0.6 for landscape programs)

## Pathway to impact

Our strategy focuses on market transformation in 10 value chains and sustainable landscape management in 11 landscapes. Sustainability in many of these value chains and landscapes has advanced beyond first movers, is supported and/or endorsed by governments and is heading towards critical mass. To effectively support market transformation IDH is engaging sector agendas beyond certification and drives for data driven, scalable systemic change.



Systemic change requires **changing business practices** of retail, brands, traders as well as producers in terms of sourcing policies, investments and more impactful services to farmer. To secure effective and institutionalized change, public-private knowledge and power needs to be aligned through strengthened **sector and landscape governance**. Only then will **Improved field level sustainability** translate into scalable and lasting impact on sustainable development.

To assess the impact of our 2016-2020 strategic plan, IDH published in 2017 a third-party assessment: [How we are making a difference](#) that provides a 2016 baseline for measuring how IDH will make a difference in the 2016-2020 years. Evaluations will be done in 2019 and 2021.

We aim to create self-propelling business models that have deep impact on five core externalities:

1. **Inclusive business models and smallholder farmers' livelihood improvements**
2. **Mitigation of deforestation**
3. **Living wage and improved working conditions**
4. **Responsible agrochemical management**
5. **Gender equality and empowerment**



## Inclusive business models and smallholder farmers' livelihood improvements



In 2017 IDH we saw a paradigm shift emerging of front running companies from treating farmers as suppliers of raw materials towards approaching them as clients for services, in return for sustainably produced raw materials. The farmer centric, inclusive SDMs that IDH piloted in 2017 have contributed to that shift as they put farmers' profitability at the center of sustainable business strategies to improve smallholder productivity and livelihoods, while at the same time building viable smallholder business models and systems.

**Smallholder farmers are seldom mono-croppers, service to improve cultivation of multiple crops will have multiplier effects on their livelihood**

In 2017 IDH analyzed over 36 of international and local trading companies, brands local processors, and specialized service providers, and made recommendations for improvements. We actively shared the learnings and best practices through a learning publication: [Driving Innovations in Smallholder Engagement](#). Simultaneously IDH invested in 50 Value Chain Projects in cocoa, tea coffee, cotton, fruits & vegetables, cashew, flowers and palm oil reaching over 2 million farmers with services to improve sustainable productivity and quality whilst reducing their environmental footprint. In cotton we saw on national average a 14% higher yield in Pakistan for Better Cotton farmers, 19% less water use in China, 22% higher use of organic fertilizer in Mali, 14% less pesticide use for large farms in Brazil, and a 32% higher profitability for over 330,000 Better Cotton smallholder farmers in India. We created cost-efficient impact gains by delivering more fitting services in terms of quality, affordability and timing. On top of that we tested our insights in how Service Delivery Models can be vehicles for diversification and boost farmers resilience and livelihoods. Smallholder

farmers are seldom mono-croppers: service to improve cultivation of multiple crops will have multiplier effects on their livelihood.

**Innovative finance effects the nature of services to farmers. In Vietnam, rather than training coffee farmers on irrigation, new projects focus on proving the business case for farmers to invest in irrigation technology**

We worked with Ugacof in Uganda to design services that include market access for coffee as well as for beans. Results will be available next year and tally with a study on multi-cropping for increased smallholder resilience we conducted with AGRA. We are increasingly combining SDM investments with small and medium innovative finance arrangements to allow these models to scale, building our knowledge and expertise for creating pipeline with impact investors. These arrangements effect the nature of services to farmers. In Vietnam, rather than training more coffee farmers on the use and benefits of irrigation, new projects focus on proving the business case for farmers to invest in irrigation technology. In the Farm and Cocoa Investment Program we work on combining SDMs with financial arrangements to bring capital and knowledge to cooperatives on how to manage their organizations, creating improved livelihoods for 150,000 farmers in Ivory Coast.

We tested our key insights against senior executives from trade, retail, banking and development finance, in a one-day workshop in Amsterdam that was attended by the UN Secretary-General's Special Advocate for In-

clusive Finance for Development, H.M. Queen Máxima. Key learnings we took from the workshop are: the strong need for a platform/center to accelerate learning between companies and drive innovation; a further development of advisory services to companies; the vital role of a neutral convener; the appetite of impact investors to invest in SDMs, and the evident work that still needs to be done to make SDMs bankable.

In our focus to support our partners to make their services more efficient and effective, we took a closer look at training of farmers. We achieved in 2017 major improvements in adoption rates. In cocoa in Ivory Coast adaptation rates after training, coaching and farm visits to over 17,000 farmers increased from 27% to 44%.

**After training, coaching and farm visits, adaption rates of 17,000 farmers in Cote D'Ivoire increased from 27% to 44%.**

In Fresh and Ingredients programs the average adoption rate after trainings and coaching was 71% for over 47,000 farmers. In 2017 almost 2.5 million farmers were trained, with an average adoption rate of 60%. Scalability through working with sector platforms like the Consumer Goods Forum, Tropical Forer Alliance, World Economic Forum, World Cocoa Foundation, Global Coffee Platform, and local governments, including governments of Indonesia, Uganda, Mozambique (national curriculum for coffee and cotton) and Vietnam, in partnership with ADB and WB (agriculture transformation program) will be driven in the coming years. Market uptake of sustainable produce increased to 4.8 million MT. IDH contributed to increased market demand up to 35%.

### **ABN AMRO, IDH and Neumann Kaffee Gruppe to double coffee incomes of farmers in Uganda in 2 years**

The three parties share the risk on a portfolio of cash and fertilizer advances to reach an estimated 53,000 Ugandan smallholders. ABN AMRO provides USD 9 million-dollar funding, and IDH provides a first loss guarantee up to year 5, as part of a sustainable sourcing strategy from Neumann Kaffee Gruppe (NKG), the world's largest coffee trader.

The cash and fertilizer advances to farmers are expected to be repaid through coffee sales to Ibero Uganda Ltd, Neumann's export company in the country. This shall

enable farmers to increase their productivity and thus generate higher income, get access to a more transparent pricing structure, and develop a financial track record, which increases their bankability and ability to access local formal credit lines. Currently about 500 farmers have already received disbursements. The initiative ([NKG BLOOM Uganda](#)) includes education and training on good agricultural practices and financial literacy for smallholders and has the support of the Mastercard Foundation Fund for Rural Prosperity, IPC -Internationale Projekt Consult, Yara International, the Hans R. Neumann Stiftung and GIZ.



## Mitigation of deforestation



The Mitigation of Deforestation impact theme mostly focuses on the prototypes that are designed and implemented through the IDH Landscape program. In tropical deforestation hotspots in Indonesia, Brazil, Vietnam, Kenya, Liberia, Ivory Coast and Ghana, IDH made good progress with establishing multi-stakeholder governance and first pilots on the ground with promising results. By building on zero deforestation commitments of business-

Landscape per landscape IDH forged Green Growth Plans and convened public private coalition that have the power and mandate to create both economic and policy incentives to protect/restore forest

es sourcing and producing palm oil, soy, cocoa, tropical timber, pulp & paper and beef we formed landscape per landscape public private partnerships with the power and mandate to create economic and policy incentives to sustainably produce agro-commodities and forest-

ry products, protect and restore forest, and enhance communities' livelihoods – the Production, Protection, Inclusion (PPI) approach. While diverse per landscape, basic elements of our approach include: sustainable intensification of production on existing land by export farmers and local producers; supporting increased and diversified livelihoods for rural and forest communities; providing market incentives for sustainable production; developing alternative income/business models for protection and restoration; enabling policies and effective enforcement, sustainable forest management and modelling finance arrangements that trigger additional (private) investments.

IDH initiated a region-based verified sourcing project in the Sorriso area, with soy producer organization Aprosoja, covering 2 M ha

In our Kenya landscape we registered the Stawisha Mau Charitable Trust at the end of 2017, for a public launch in early 2018. This consolidates and strengthens the program governance structure, based on the three largest tea companies in Kenya, the national cooperative for smallholder tea farmers, local governments and other stakeholders for the protection and conservation of 60,000 hectares of the South West Mau Forest block. We jointly address intensified cattle ranching, prevent wildlife-human conflict, build forest protection awareness and alternative livelihoods for local communities. In two provinces in Indonesia, we have developed Green Growth Plans with local governments to secure political buy in for multi-stakeholder land use planning to protect and restore peatlands and forests, creating alternative sources of income for local populations, and piloted new models for palm oil smallholder certification and other commodities. In Brazil IDH connected the European feed industry to Mato Grosso soy producers, resulting in an IDH supported region-based sustainable production

**Addressing link between loss of forests and European consumption of soy, cocoa and palm oil at Amsterdam Declaration conference**

At the Multi Stakeholder Conference of the Amsterdam Declarations Group in June 2017 policy-makers, companies and civil society addressed the link between loss of natural forests and European consumption. The international conference focused on approaches for sustainable and deforestation-free supply chains. Several examples from IDH initiatives in palm oil, soy and cocoa were presented by IDH partners.

Ruud Tijssens from FEFAC highlighted the work to mainstream Brazilian responsible soy production and link to European market demand. [The IDH program](#), proactively supports the sustainable agricultural developments at soy farm level in Brazil and move closer to a mainstream market transition of physical responsible soy supply to Europe.

World Cocoa Foundation's Richard Scobey presented the [Cocoa and Forests Initiative](#). A partnership, co-convened by IDH, of the world's leading cocoa and chocolate companies and the governments of Ghana and Ivory Coast, to end deforestation

Eddy Esselink from MVO- The Netherlands Oils and Fats Industry gave an updates of our joint [European Sustainable Palm Oil \(ESPO\) project](#). A program, co-managed by IDH, to drive uptake of more sustainable palm oil in Europe with a 100% target for 2020.

project in the Sorriso area, with soy producer organization Aprosoja, covering 2 million hectares. Furthermore, we connected the Consumer Good Forum and TFA 2020 members to the Mato Grosso, creating a direct link between 'zero net deforestation commitments' from big brands and retailers, to efforts in the State of Mato Grosso to lower deforestation rates.

IDH gained in 2017 strong traction for its Production, Protection Inclusion (PPI) approach amongst companies, governments and CSO's. In January 2017 we were able to incorporate and launch the *andgreen.fund*. With a potential 400 million conditional de-risking capital, the *andgreen.fund* expects to trigger 1.6 billion USD of private sector investments to protect 5 million hectares of tropical forests and peatlands by 2022. In February our approach was validated and discussed at the IDH Forum "Driving Business Solutions for Sustainable Landscapes" in Amsterdam. With over 100 representatives from 11 landscapes in Africa, Asia and Latin America we shaped new landscape business solutions. The [Cocoa & Forests initiative](#) is another example of our traction. After launching this multi-stakeholder coalition in March 2017, together with the World Cocoa Foundation (WCF) and the International Sustainability Unit of the Prince of Wales (ISU), IDH managed to co-convene in only eight months a joint framework of action between the governments of Ghana and Ivory Coast 26 cocoa companies that was signed at COP22 in November 2017. The joint framework takes the IDH approach of Production, Protection and Inclusion to reduce deforestation in Ghana and Ivory Coast, inspired by our landscape approach in Ivory Coast's Cavally region.

In 2017 we piloted PPI approaches in Indonesia, Brazil, Vietnam, Kenya, Ethiopia, Liberia, Ivory Coast and Ghana to protect tropical forests and peatland. We developed four Green Growth Plans and other jurisdictional agreements for the protection of over 4.2 million ha of forests and peatland.

### Sustainable import of fruit and vegetables of program partners increases to 70%

Volumes of sustainably produced tropical fruit and vegetables, like bananas, pineapples, green beans and avocados, has risen significantly from 50 to 70% in one year. This is what has emerged from the 2017 annual monitoring of the IDH led Sustainability Initiative Fruit and Vegetables (SIFAV).

SIFAV, launched and developed by IDH, has grown from 13 Dutch partners initiative in 2012 to a pan-European initiative with over 40 partners, including leading retailers, brands, traders and civil society organizations. The SIFAV Basket of Standards includes both standards that have consumer facing logos and those that don't, and requires



## Living wage and improved working conditions



The extent to which local producers/manufacturers can pay living wages is directly related to the productivity and profitability of their business. Under the Malawi Tea 2020 program IDH continued to support the revitalization of the tea sector and discussed with buyers and producers the application of price-discovery models to help the Malawian tea industry move towards living wages. Tea buying companies like Unilever, Tata Global Beverages, Taylors of Harrogate and many more, are testing the model putting living wage in the core of their procurement discussions.

Tea buying companies Unilever, Tata Global Beverages and Taylors of Harrogate, are testing price-discovery models in Malawi putting living wage in the core of their procurement discussions

In bananas we see a clear business case for living wages. Once plantations *start* increasing wages a self-propelling mechanism evolves: workers satisfactory and production & quality go up and staff turnover goes down, reducing

that social standards are benchmarked against the [Global Social Compliance Program \(GSCP\)](#), of the Consumer Goods Forum.

The challenges market requirements, particularly with regards to social aspects. In 2012, the verification of working conditions at farm level in fruit and vegetable value chains was far from the norm. Requiring close relationships with producers, has led to a greater awareness of social conditions at production level and has enabled the development of plans to improve working conditions and living wages. At 70%, sustainable procurement under SIFAV accounts for more than 2 million tons of produce. Having impact on working conditions as well as inclusion of smallholder farmers and reducing the environmental impact through better agrochemical, water and soil management.



recruitment costs and creating higher margins that allow for paying higher wages. This probably works in countries with a functional labor market. IDH finalized studies on living wages in fruits & vegetables in Ghana and Ecuador, in flowers in Ethiopia and Kenya. The Floriculture Sustainability Initiative (FSI) started a working group on living wages to drive living wage in the sector. In the apparel sector IDH introduced Worker-Management Dialogues as a tool to improve working conditions and wages. In the Race to the Top Program (RTTT) in 11 factories in Vietnam. First outcomes show increased worker satisfaction, translating in lower absentee rates lower turn-over and increased productivity. IDH designed and initiated with seven brands and retailers the Life and Building Safety (LABS) initiative to pilot scalable solutions to eliminate preventable fire, electrical and buildings safety risks in key apparel and footwear producing countries, and avoid future disasters like Rana Plaza.



## Responsible (agro-)chemical management



**Worker Management Dialogues in apparel factories in Vietnam show increased worker satisfaction, translating in lower absentee rates lower turn-over and increased productivity**

As part of the program the brands and retailers have agreed to apply a harmonized, precompetitive LABS Standard in the assessment of their Apparel & footwear suppliers. LABS is working on policy, public inspection/enforcement, and education through state centric collaboration platforms to create and consolidate systemic change.

IDH Living Wages and Improved Working Conditions projects affected in 2017 a total of over 70,000 workers on plantations, greenhouses and factories.

Responsible (agro-)chemical Management covers a wide range of integrated activities. From responsible storage of chemical at farms, mills and factories, to implementing precautionary safety measures, wearing protective clothes during spraying and excluding pregnant women and young mothers from using (agro-)chemical at farms and factories. It also entails moving away from hazardous and banned chemicals by mills, farmers and factories, and Integrated Pest and Disease Management at farms and ponds. And finally, also avoiding over-spraying, over-use of antibiotics and soil degradation, and better water management in factories, mills and fish ponds.

**In Brazil IDH and BCI achieved in 2017 14% less pesticide use by cotton farmers covering 556,000 ha**

In 2017 IDH increased its activities and impact in all these areas. In palm oil, soy, tea, coffee and cotton (10% of all global pesticides use is related to cotton) by ramping up-take of certified (Rainforest Alliance, trustea, Utz, RTRS, RSPO, Fair Trade, Better Cotton, etc.) produce that ban the use of certain agrochemicals and antibiotics. In Brazil IDH achieved in 2017 14% less pesticide use by cotton farmers covering 556,000 hectares. By increasing sustainable sourcing on the basis of a basket of standards in fresh & ingredients (flowers, fruits, vegetables, pepper, nuts, vanilla) leading to over 2 million MT of sustainable produce. In coffee and apparel reducing use of pesticides and/or replacing them by better quality products, helps to bring input costs down whilst achieving the same yields. After training and creating a routine in Farmer Field Book keeping, farmers see that direct reduction in high input costs. They often spray too much because they fear they'll lose their crop. IDH supported field-level projects in Vietnam on developing business cases for sustainable and efficient utilization of input resources.

Weekly Farmer Field Book data were collected to develop business cases on how to sustainably manage inputs, and hence optimize profit. In apparel in 2017 8 mills have gone through the Race to the Top mill improvement program. After the program mills were presented with potential improvements in energy, water use, wastewater treatment and chemicals use, to reduce their environ-

**Integrated Pest Management has a clear business case. After training and creating a routine in Farmer Field Book keeping, farmers see reduces of input costs. They sprayed out of fear of losing their crop**

mental footprint, and save costs. In the Pakistan Buyer's Forum, IDH is supporting the Pakistan apparel industry to reduce its environmental footprint. SME project we did with the Sustainable Apparel Coalition provides insights to national platforms like the German Partnership for Sustainable Textiles and Dutch Agreement on Sustainable Garments & Textile on how SMEs can establish more sustainable practices (e.g.) reduce chemical use. Interventions on the reduction of chemical use reached over farmers, covering an area of 1.5 million ha under sustainable land use.



## Gender equality and empowerment



In many value chains women play a vital role through production, sales of cash crops, employment as workers and as traders and processors. At the same time, experience shows us that often women suffer from fewer (economic) opportunities and are more vulnerable to exploitation. Women make up around 43% of the agricultural labor force in developing countries, and even more women are employed in agriculture globally (70% in South Asia, 60% in Sub-Saharan Africa). But fewer than 20% of the world's landholders are women.

At IDH we aim to be gender sensitive throughout our organization, for which a range of activities (large and small) has been kickstarted in 2017. As gender is the youngest of the 5 impact themes at IDH, it is too early to draw conclusions of what works and what doesn't work, however observations from our work till date inform us that:

- Village Savings and Loan activities in the Malawian tea sector and Ivorian cocoa sector empower women to gain access to finance, and provide an opportunity for (group) investments.
- Opening up participation in trainings strengthens inclusivity of both men and women, as opposed to the approach of having the landowner attending, which is often the male head of the household.
- To further carve out specific roles between women and men on farm can have a positive effect on profit margins, and also tackle an issue such as post-harvest losses.
- More equal participation of men and women in field level projects often require active encouragement to involve women, as gender neutral approaches in the past have led to participation being overly male dominated.
- Different approaches are required for integrating gender in agricultural production (plantations / large farms / smallholder farms) then in manufacturing.

**In tea in Kenya the establishment of a safe space, a support system for survivors of GBV incidents, is new for IDH. This comes with challenges, like finding the right partners and forging local county government buy in**

Interventions show that more gender equality in decision-making and participation in farm activities are a key driver for more successful farming. In the Better Cotton Production Principles, gender is embedded as equal wages for work of equal value. This means that in 2017, close to 2 million BCI farmers received training and were verified having shown awareness and adherence to these principles. In Ethiopia, IDH's work with flower farms has produced positive results: Gender Committees have been established, comprising 237 women and 60 men that have received training. 11,783 women and 2,327 men have received gender-based training through an outreach peer-to-peer education program resulting in improved gender balance and more empowered workers. In tea the Gender Empowerment Platform started 2 field level projects on tea plantations to address gender based violence and increase worker safety. The establishment of a safe space, a support system for survivors

of gender based violence incidents, is new ground for IDH. This comes with challenges, e.g. finding the right partners and forging local county government buy in. In India, IDH supported a UNICEF partnership focused on making women less vulnerable and improving the livelihoods of community workers, have engaged with 33,000 girls in adolescent girls' groups to promote (women) safety. Although companies acknowledge that gender is an issue that needs to be addressed, there is also a responsibility for the government in this, and it has proven to be difficult to leverage large scale private sector investments on gender, if compared to for example environmental issues.

Further integrating gender is a journey. There is no one size fits all approach for the sectors IDH works in. Hence we prototype different approaches to see what works, where and what the levers of change are. Through internal awareness raising, support and scrutiny, IDH last year made a significant step towards effective integration of gender in its work.

**IDH convened IDH programs and gender experts to design this starting point to creating change in gender equality and empowerment.**

A gender focus is required when working in global supply chains that often rely on women's labor while structurally disadvantaging them. In the Ivorian cocoa sector, 68% of the labor force consists of women. They however rarely benefit from the training and extension services their male peers participate in (read more on this case study from the toolkit [here](#)). Not only do exclusionary practices in our value chains negatively affect the living conditions of the women in question, they also lower adoption rates of training and cost efficiency and have negative impact on productivity and supply across commodity sectors

Creating resources such as the [Gender Toolkit](#) is crucial in operationalizing solutions to achieve gender equality & empowerment. As an initial point of departure to address and integrate gender, the toolkit illuminates the problem of gender inequality through case studies in different commodities. For each case, the toolkit outlines how improving gender equality had a positive impact on business outcomes. In the same case in Ivory Coast, specific attention to the gendered division of roles in the supply chain and adapting training procedures to become more useful and accessible to women increased women's access to training and subsequently worked to secure cocoa supply.

## Program delivery

IDH Delivery Dashboard	(number are rounded off, detailed figures in annex)	2016	2017	2018	2019	2020	End-target
<b>Impact Claims</b>	% of IDH impact claims on track	55%	60%				>66%
<b>Improved Field level sustainability</b>	# population trained (Including farmers, workers and community members)	1,827,000 (25% over target)	2,468,000 (30% over target)				56% of end-target achieved
	Hectares sustainable production (cumulative)	3,464,000 (38% over target)	5,638,000 (9% over target)				85% of end-target achieved
	Hectares protection, restoration and/or sustainable rehabilitation	416,000	194,000				No end-target in landscape program
	MT sustainable production (cumulative)	3,268,000 (19% over target)	4,824,000 (56% over target)				72% of end-target achieved
<b>Changing Sector Governance</b>	# Stakeholders satisfied about IDH multi-stakeholder programs	8.4	6.8				Should increase (on basis of single definition)
	# Policy changes	8 (60% over target)	31 (55% over target)				End-target not desirable
	# Green growth and other landscape management and investment plans	4 (40% under target)	12 (50% over target)				End-target not desirable
<b>Changing Business Practices</b>	# New business cases	10 (40% over target)	22 (10% over target)				End-target not desirable
	Overall IDH contribution : private ratio	1:2	1:2				1:2
	Commodity program : private ratio	1:2.4	1:3				1:1
	IDH landscape program : private ratio	1:0.5	1:0.6				1:0.5
<b>Financials</b>	IDH contribution (euro)	26 million	21 million				End-target not desirable
	Private sector contribution (euro)	52 million	44 million				Target defined by ratio
	organizational cost/total expenditures	14%	15%				No end-target defined
	Diversification from institutional funding	10%	20%				No end-target defined

2017 was the first full year of delivery on our 2016-2020 strategy after the previous phase had been extended until mid-2016. We met most of our targets and are on track towards meeting 2/3 of our 2020 impact claims as promised in our strategy; as IDH focuses on innovation succeeding in all our proofs of concept would imply failing to innovate. Where we overshot targets, this means we can either raise the bar further or need to learn to set our targets more realistically.

We invested in the rigor of our program design and implementation, through our proof of concept methodology that ties outputs, outcomes and impacts together in a logical and measurable way. We needed to re-strategize our coffee and aquaculture programs, and further sharpened our intervention logics of our landscape programs, in consultation with our donor partners. We developed a new stakeholder survey that provides us with critical insights on the effectiveness of the multi-stakeholder

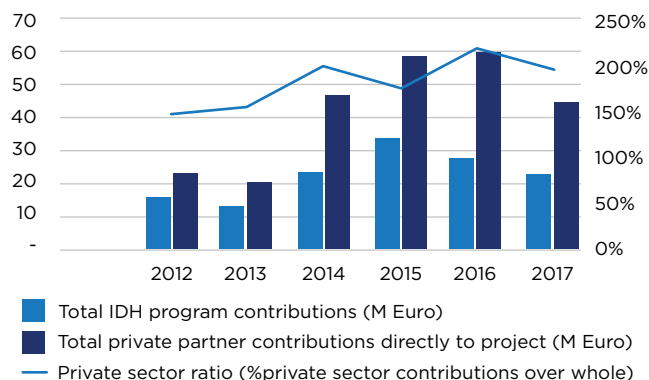
processes we support through our programs. We installed an internal Investment Committee chaired by our Learning and Innovations Director to scrutinize every co-funded project before contracting. Important criteria for passing are: is the project coherent with our theories of change, is it innovative, does it provide maximal additionality, create substantive private sector leverage, will it generate good (social, environmental, economic) return on investment, is it designed for replication, and does it deliver public good impact at scale? This process increases the quality of our interventions – albeit initially at the expense of quantity of contracting and spend. We expect to catch up next year.

## Financials

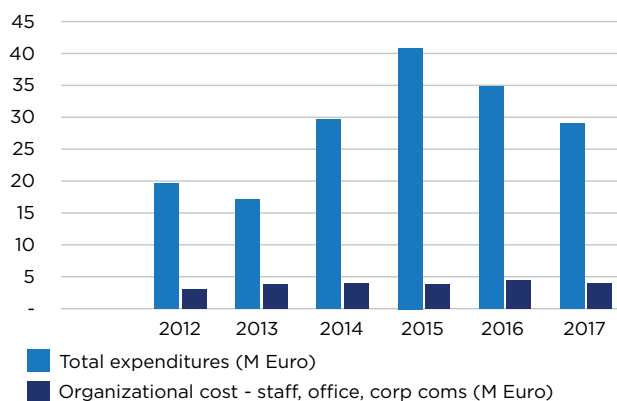
2017 was the first full year of implementation of the new strategy. We needed to redesign and sharpen our intervention logics in two major programs. As a result, the program spend was lower than last year when we finalized the prior strategy cycle. We underestimated the convening required for our new programs to move to implementation, especially in the landscapes where stakeholder management and government engagement is challenging.

We issued an adjusted spending forecast in fall. Still the IDH contribution in 2017 was relatively higher than in the same phase of the previous strategy as the graph below illustrates. Spending peaked in 2015-2016 as many projects of the first phase came to closure. For the current phase we can expect a slightly more balanced spending curve in the years to come, as the organization has further matured. For 2018 we have set ourselves to contract at least 70% of the 2016-2020 allocations.

In 2017 we continued to leverage our publicly financed budgets with twice as much private sector funding through our projects. These private sector investments into our projects are audited. Public-private funding ratio's vary per project, depending on the degree of convergence between the public good and the private interest. Through blended finance, we manage to leverage private sector investments up to 10 times the guarantee provided by IDH, triggering market finance for impact at scale.



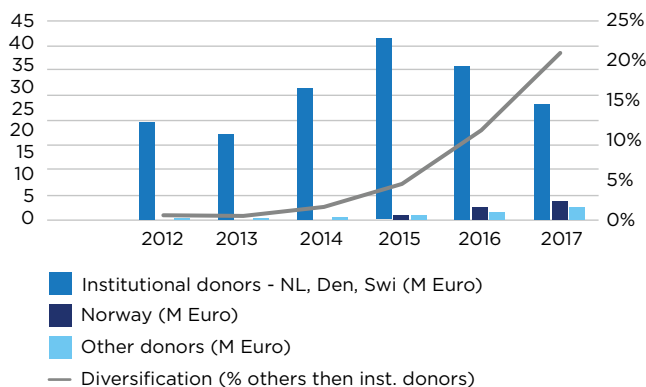
Organizational costs were lower than last year. We have safeguarded that the core donors do not subsidize costs related to programs we implement with other funders, through full cost-recovery models.



The Dutch Ministry of Foreign Affairs as major institutional donor has provided a formal guarantee that it will safeguard future liabilities that might result from IDH not being allowed to form equity. Consequently solvency is not a relevant financial KPI for IDH. Based on contracts with institutional donors, cash flow is secured and aligned with expenditures. At year-end 2017, the current ratio (current assets: short-term liabilities excluding appropriated funds) was 3.9 (2016: 1.8). IDH's result in 2017 was nil (2016: nil), due to the fact that income is matched with expenditures during the year. Once again, the auditor has expressed an unqualified audit opinion on the 2017 financial statements. (summary in annex).

## Expanding international partnerships

In 2017 we further strengthened and diversified the IDH partnership base in line with the 2016-2020 strategy. We are proud to have extended the partnership with Denmark as institutional donor until 2020. Also, we are equally pleased to have contracted a second phase in the landscape program with Norway, after a successful inception year. On a regional level we have entered into funding relations with Dutch embassies in Mozambique and Rwanda, on respectively smallholder farmer resilience and inclusion into cotton and horticulture supply chains. The UK government provided funding through its Partnership for Forests program for our convening work for the Cocoa and Forest Initiative. We work with the US government on Vanilla in Madagascar (in a partnership with ILO), and on Apparel in our Race to the Top Program in Vietnam. Finally, we entered into a partnership with the Rockefeller Foundation in the context of our Grow Africa program, aiming at improving food security, strengthening smallholder integration in industrial cassava supply chains. Next to these new funding relations, we deepened our partnership with AGRA on the African continent and expanded our pioneering SDM work with the Bill and Melinda Gates Foundation. In cooperation with the World Economic Forum's New Vision on Agriculture, IDH helps drive actionable public-private partnership platforms in Vietnam, Indonesia, India and Colombia.



## Strengthen the organization to deliver and manage key risks

In 2017 we further strengthening IDH's internal management and enhanced efficiency, streamlining and further professionalizing IDH's operations, while maintaining the required level of flexibility for IDH's innovative way of working, ensuring a sound and stable organization that is compliant with all legal and financial requirements. We updated our risk management framework, that we consider key for finding the right balance between compliance, agility and efficiency. This helps us mature to next levels of internal control required for more complex global fund management roles. Key operational risks identified at the start of the year have been monitored and mitigated, as the table on the next page illustrates.

In close consultation with our Audit Committee we designed a country operations policy, that includes a framework for building legal presence where this is required in a form that fits both our global strategy and local requirements. On this basis we further regulated our support to activities in Indonesia, professionalized our presence in Vietnam, registered IDH in Liberia for our Norway-funded landscapes work, and established a legal entity in India in support of our multi-sector program team on the ground.

End of 2017 the IDH global team consisted of 55 international staff members on full time basis in Utrecht (similar number compared to end of 2016) and 59 committed professionals connected to IDH in 16 countries. The group grew with 15 people last year, mainly to cater for the landscape convening work that expanded with the Norwegian contract, and the implementation of the Life and Building Safety program in India and Vietnam (fully funded by companies).

We have dedicated 3% of total gross salary to staff training, investing into both professionalization and retaining our highly talented team. We strengthened our learning team to improve cross-sector learning, monitoring and evaluation, and further drive innovation.

At headquarters, the year started with a successful move to a new office building and a simultaneous migration to a new IT-environment, fitting the needs of an international team and catering for the dominant working patterns. The annually conducted employee survey showed significant improvement in the level of satisfaction of the physical working conditions.

Additionally, at the beginning of 2017, a new management structure was implemented with a more executive focus on impact and operational excellence, and a broader leadership base to safeguard accountability for sound program implementation and robust people management.

# Overall IDH risk table

Annual Plan 2017				Annual Report 2017	
Probability	Impact	Risk	Mitigating action	Occurrence in 2017?	Mitigating actions undertaken
High	High	Finance team over-stretched	Set realistic priorities. Hire temporary extra staff to secure core team dedication on Finance enhancement. Build stronger staff base.	Yes	During 2017, there was a strong focus on continuity and adequate capacity within the Finance team. A Head of Finance, Financial Controller (replacement), Program Controller and Financial Administrator were hired. This boosted professionalism in the team. Pairs of controllers/accountants per program were formed to safeguard quality and continuity. Procedures have been further simplified and standardized. Priority setting (for example, postponing the implementation of the management information system) and interim support has further reduced the risk of overstretch.
Medium	High	System failure	Secure new management information system is developed with all key resources in project team.	Not yet	Key systems were updated, implemented, rationalized and secured, with focus on the financial administration. Broader digital management systems have not been introduced, due to capacity constraints. We did, however, undergo a selection process for the systems and service provider, and prepared the organization for implementation in 2018.
Medium	High	Non-compliance with procedures	Rationalize procedures on basis of risk management, communication and control.	No	
Low	High	Accountability failure	Ensure accounting and reporting systems are based on contractual agreements.	No	
Low	Medium	Unsustainable staffing levels	Make extra staffing conditional on extra funding, and reconsider current staff base when assessing future funding potential (mid-2017).	No	

**Table: 2017 Risk Management (operational risks only, programmatic risks in annex)**

## Outlook 2018

For 2018 IDH has set Key Performance Indicators for delivery on program implementation, learning and innovations, new (funding) partnerships, and organizational development.

On program implementation we will further drive delivery in our sector and landscapes programs, to secure 2/3 of our impact claims is on track, and at least 70% of our 2016-2020 budget allocation is contracted.

We will drive innovative business cases in all sectors, focusing on implementing service delivery models that help drive smallholder farmer income and resilience, that is vital for poverty reduction in Africa. Through blended finance we will attract additional market finance to bring these business cases to scale, impacting on the lives of thousands of farmers.

We will facilitate production-protection-inclusion compacts in most landscapes, connect them to international market demand and drive investment into sustainable agricultural and forestry production.

We will help improve working conditions for thousands of workers in the apparel sector and facilitate decisive next steps in living wage in tea, flowers and banana's, as part of our Fresh & Ingredients program.

We will upscale the use of responsible agricultural management tools in Asia, through our landscapes, cotton, coffee, spices and aquaculture work.

We will implement our gender strategies in programs targeted at workers on tea and flowers, and integrate a sound gender lense in our work on smallholder income and resilience, through the Smallholder Innovation Platform we establish in Nairobi.

IDH will further broaden its funding base, and structure its organization to better work with service providers and blended finance mechanisms that facilitate the next phase of market transformation. We will also further structure our international presence, where this is required for safe and sound operations, in according with our mission.

At our 10<sup>th</sup> anniversary IDH will support a fresh commitment from its global private and public sector partners to further scale sustainable trade.

We wholeheartedly thank our international partners and dedicated global team for jointly driving market transformation for impact on SDGs.

Joost Oorthuizen  
Steven Collet

Executive Board  
31 May 2018



# Report of the Supervisory Board

**Purpose-driven yet impartial, IDH drives public private partnerships for sustainable trade. Impact, innovation and integrity are its core values. Also in 2017 IDH supported business to effectively contribute to the Sustainable Development Goals.**

IDH's ability to convene frontrunners in private sector, government and civil society in partnerships resulted in sound outputs and outcomes in a majority of the value chains addressed by IDH and in promising innovations as a result. In Davos we launched the 400m USD *andgreen.fund* in partnership with the Norwegian Government, Unilever and the Global Environment Facility. IDH incorporated this fund to de-risk palm and soy producers that commit to reduce deforestation and increase smallholder inclusion in their supply chains. This was declared a key delivery in this global leadership gathering, as it introduces market-based, investable solutions with firm rooting in local realities. Related, IDH was invited to help shape the Cocoa and Forest Initiative, resulting in a joint road map by industry and the governments of Ghana and Ivory Coast to implement deforestation free cocoa production. Furthermore, IDH partnered in an investment by Neumann Kaffee Gruppe and ABN AMRO to provide financial services to Ugandan coffee farmers, building resilience of 30,000 farmers and their families while improving quality and security of supply. Global brands, partners in our cotton and apparel programs, requested us to convene an industry-financed Life and Building Safety Program to fast track factory safety improvement in the global apparel value chain.

These examples show how IDH increasingly manages to consolidate its activities in 10 supply chains and 11 landscapes into one powerful value proposition for sustainable trade: IDH catalyzes market transformation that benefits people, planet and profit by convening, co-investing and learning & innovation.

In 2017, the Supervisory Board was actively involved in shaping the IDH 2030 Strategy providing IDH with a road map for the next decade. We formulated the value of IDH for companies, governments and civil society. We steered towards bold goals on jobs and income, working conditions and sustainable land use, all critical elements for reaching the SDGs and global climate commitments by 2030.

The Supervisory Board as a whole met three times, while the Audit Committee and the Impact Committee convened three times, and the Remunerations and Nomination Committee met twice. The Supervisory Board

approved the 2016 Annual Report, including the Annual Accounts and the 2018 Annual Plan. Apart from helping shape the 2030 corporate strategy, it discussed progress in program implementation and impact measurement, as well as the IDH management structure and employee development program. Guided by the Audit Committee the Board approved the IDH Country Operations Framework and IDH Risk Management Framework and incorporated a foundation for the Life and Building Safety Program under IDH Governance. Permanent education of the Board will feature on the agenda in 2018.

The Audit Committee furthermore advised the Supervisory Board on the 2016 Financial Accounts and the Auditor's Board Report and Management Letter. It supported the process of onboarding a new partner for IDH with our corporate auditor. After establishing that IDH stands out compared to its peers in its coverage of expenditures audited externally, the Audit Committee formulated a pathway for similar performance on internal control – securing continued trust by partners as IDH is diversifying its funding base and decentralizing its operations.

The Impact Committee advised IDH on its impact measurement approach, including the follow-up to the first assessment for the 2016-2020 evaluation, that was contracted to a consortium of Wageningen University and Research Centre and KPMG. It held three deep-dives into programs in Soy and Tea sectors, focusing on living wage and reducing deforestation. The Committee was further strengthened by two Supervisory Board members, while one of its independent members Bill Vorley stepped down after many years of invaluable advice, as he retired from work. We wholeheartedly thank Bill for his contribution to the impact measurement approach implemented by IDH.

The Remunerations and Nomination Committee supported the Supervisory Board by assessing the performance of the Executive Board and setting performance targets for 2018, resulting in discharge by the Supervisory Board of the EB's 2017 responsibilities and a decision on the remuneration of the EB. It facilitated a SB self-evaluation. Members of the Supervisory Board met with the IDH Donor Committee and the IDH Employee Council.

We have implemented changes in the composition of the Supervisory Board in 2017. AGRA's President Agnes Kalibata left the Board and Sean de Cleene (formerly AGRA, now WEF) joined, adding key insights to the global shaping role of IDH. Also COOP Denmark's CEO Lasse Bolander was appointed, bringing a wealth of executive experience and passion for sustainable trade to the table

as well as retail insight from a Scandinavian perspective.

We want to thank the governments of the Netherlands, Denmark, Switzerland, Norway and the UK for their close partnership with IDH that provides a solid ground for further internationalization and increased development impact.

We look forward to continuing to provide guidance, support, supervision and encouragement in working with the Executive Board and staff. It is a privilege to work

with a highly motivated and dedicated management team – driven by a clear purpose to further align business development with the Sustainable Development Goals.

Let us jointly take the opportunity of IDH's 10 year celebration event on 15 November 2018 to use our achievements as a stepping stone for SDG impact at scale.

On behalf of the Supervisory Board,

André Veneman

Chairman  
31 May 2018

# Sector Programs



# Tea

Joining forces for a fair and sustainable market

## Impact focus



3.5 million tons of black tea is produced annually by millions of tea workers on tea estates and hundreds of thousands of smallholder farmers make up a significant portion. The market share of sustainable tea production of IDH's program partners is approximately 30%. The countries covered by IDH's tea program are Malawi, Tanzania, Kenya, India, Rwanda, and Vietnam. Across these geographical areas, issues and solutions vary widely. Sustainability issues that we focus on are living wage, smallholder profitability, health and safety, and gender.



### Private partners

Tata Global Beverages, Taylors of Harrogate, Unilever, Tesco, Jacobs Douwe Egberts (JDE), Typhoo, The Oostfriesische Tee Gesellschaft (OTG), The Kenya Tea Development Agency (KTDA), the Ethical Tea Partnership (ETP), Van Rees, Tea and Merchants Association Malawi, Marks & Spencer, Mother Parkers, Finlays, Tea Association of Malawi (TAML) and members, Twinings and Ringtons. Wood Foundation

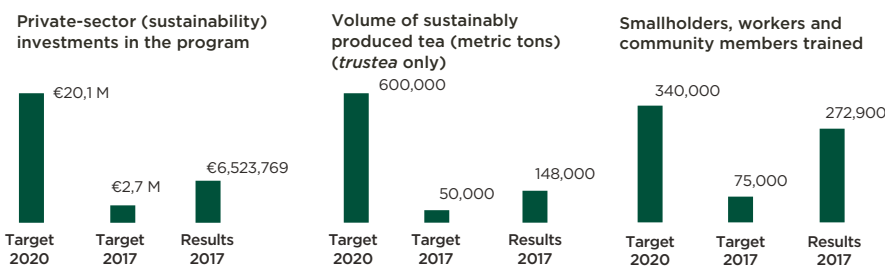
### Public partners

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

### Other partners

Gatsby Charitable Foundation, Oxfam GB, Solidaridad, Rainforest Alliance, UNICEF, Fair Trade International, UTZ Certified, GIZ and Ethical Trading Initiative, VITAS (Vietnamese Tea Association), Business for Social Responsibility (BSR), UN Women, Gender Violence Recovery Centre (GVRC) and Global Alliance for Improved Nutrition (GAIN).

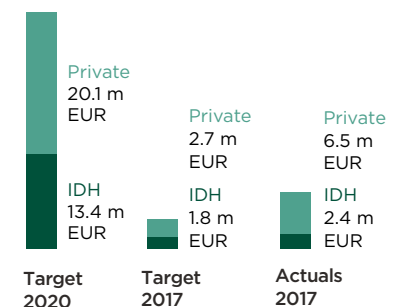
## Progress towards 2020



## Market transformation

IDH has been active in the tea sector since 2008. Over the years, pre-competitive collaboration has grown remarkably. IDH offers several platforms for multi-stakeholder partnerships that are relatively new to the tea industry and that address complex issues. In Malawi, IDH has brought together over 36 organizations in the Malawi Tea 2020 program, to work towards a living wage in the tea sector. The *trustea* program in India, which was co-developed by IDH, is the largest tea verification scheme in the world, and has reached a critical mass with 41% of the total Indian production being *trustea* verified. In Kenya, IDH convenes the Gender Empowerment Platform, to work on sensitive gender issues, with 80% of Kenya tea producers

## Financial Progress 2017



participating. IDH believes that these partnerships are essential to create real systematic change in the tea industry and will soon be the new norm. All stakeholders are still learning how to work together within these partnerships. For next level market transformation more investments in these partnerships are required, as well as more involvement of origin governments.

### Relevant Sustainable Development Goals



### Changes in business practices

**Private-sector (sustainability) investments in the program:**  
Target: €2,700,000 Result: €6,523,769

**Market share by program partners:**  
Target: 25% Result: 30% (of global production volume)

The development of a unique and transparent price-discovery model has been one of the key innovative activities during the last year. In collaboration with Accenture Development Partnerships, IDH and Oxfam developed the model. The aim is to help the Malawi tea industry move towards a living wage. This model makes visible the impact of buyers and producers on living wage in Malawi. Already some tea-buying companies, including Unilever, Tata Global Beverages and Taylors of Harrogate, are testing the model, which puts living wage at the core of their procurement team discussions. IDH started negotiations to get the model fully implemented in 2018 in the buyers and producers' procurement practices, and as such help the Malawi tea industry move towards a living wage. The current living wage gap is 43% (calculated by the Malawi Tea 2020 Wages Committee; Richard & Martha Anker), as it was last year. Despite high inflation and the difficult macro environment for tea estates, the living wage gap has not further deteriorated.

Another milestone is the success of the domestic sustainability initiative *trustea* in India, which has reached the critical mass of 41% of the total Indian tea production being *trustea* verified, accounting for more than 50% of the domestic market bought by Tata Global Beverages, Hindustan Unilever, and Wagh Bakri. IDH also brought about

change in Tanzania, where a quality bonus payment system is implemented by Unilever, which has enabled farmers to improve their tea quality and reach a 30% income increase compared to previous years. We now focus our attention on what else we can do to lift farmers out of poverty. In Rwanda, we are seeing improved productivity at both farm and factory level due to improved agricultural (through FFS) and business practices, and the factories are now more professionally run businesses. In Vietnam, together with the government (MARD) and the Vietnam Tea Association and its key members, we supported an innovative approach for management of agrochemicals in tea production. Farmers are now supported in sustainable use of agrochemicals, and the spraying responsibility is institutionalized at the tea processing level.

“In 2017, as part of our work in the Malawi 2020 Coalition, we worked collaboratively with IDH, ADP and Will Battle to develop the ‘Price Discovery Tool’ - an innovative model which enables buyers to see whether the price they pay for their tea would cover a contribution towards the cost of a living wage. In 2018 we look forward to the model being taken up for use by buyers and producers so that workers can at last see a much needed uplift in their take-home pay in Malawi’s Tea Industry.”

Rachel Wilshaw,  
Ethical Trade Manager at Oxfam

### Changes in sector governance

In 2017, IDH convened the Gender Empowerment Platform in the Kenyan tea industry, where we work on sensitive gender issues with 80% of Kenya tea producers and civil society partners. We have started conversations to move the needle on gender and gender-based violence issues in the Kenyan tea sector. Next to that we started two field-level projects on tea plantations to prevent and respond to gender-based violence, and to increase women in leadership and financial literacy. Two more projects are in development. The Gender Empowerment Platform was launched at TEAM UP 2017, which took place for the first time in Africa (Kenya). 100 representatives from tea producers, packers and development organizations were present at this annual sustainability tea event organized by IDH and ETP.

In Malawi, we discussed progress on closing the living wage gap and the impact of the price-discovery model

with all stakeholders. And through our support, the Tea Association of Malawi (TAML) launched an industry-wide gender policy for the tea sector in Malawi.

In Vietnam, IDH focused on creating a discussion about sustainability issues and the use of agrochemicals. For this purpose we convened the Tea Discussion Group, a body of public and private actors in the tea industry. We also worked closely with the Vietnamese Ministry of Agriculture and Rural Development to develop the National Sustainability Curriculum (NSC), to give guidance on the responsible, effective and legal use of agrochemicals. The NSC is being adopted by government extension workers in their training approach. Together with the Plant Protection Department, we also developed a mobile application to guide farmers on the legal and proper use of registered agrochemicals in Vietnam. This app will be piloted in 2018.

During the reporting year, we also conducted a broader study in Tanzania to determine challenges and opportunities for tea smallholders; in India, the next version (9.0) of the Plant & Protection Code (PPC) was made available by the Indian Tea Board.

## Field-level impact

### Farmers and workers trained:

Target: 75,000 Result: 272,900

### Smallholders organized:

Target: 25,000 Result: 36,740

### Sustainable production:

Target: 50,000 metric tons Result: 148,000 metric tons (*trustea* India only)

### Hectares under sustainable land use:

Target: 25,000 Result: 125,786 (*trustea* India only)

272,900 people (producers, workers, community members) have been trained on key subjects for sustainable production, environmental and social sustainability issues. Most of these are women (140,919), while 93,880 were men. For farmers, training was offered on small-

272,900 people (producers, workers, community members) have been trained on key subjects for sustainable production, environmental and social sustainability issues

holder livelihoods and agrochemicals. For workers and community members, we rolled out training programs on working conditions, nutrition, gender-based

violence and human rights awareness, and on tree planting and woodlot planning.

In Assam, India, we partnered with UNICEF and the Ethical Tea Partnership to support the positive development of 104 tea estates by ensuring adolescent girls have the knowledge, skills and confidence to protect themselves, increase the options open to them, and enable them to make informed decisions about their future. By forming a protective community-based safety net through Child Protection Committees, community members are equipped with skills to protect children from violence, exploitation and abuse. To date, we reached 33,167 adolescent girls through Adolescent Girls' Groups. They attended weekly sessions, workshops and exposure visits to help them fulfil their potential and better protect themselves in future. Approximately 30,000 community members are equipped to protect children from violence, abuse and exploitation through meetings and raising awareness in the community.

We are getting close to sustainability initiative *trustea*'s target, and the focus moving forward will be on ensuring *trustea* is fit for the future. We are making progress: since the start of the *trustea* we've reached 500,000 workers and 36,000 small tea growers to foster a culture of sustainable tea.

In Malawi, the estate sector invested millions in replanting, factory refurbishment etc... 50 farmer field schools are now up and running, and 1,500 farmer groups and 173 village savings and loans groups were established. Collectively, these activities led to increased yields and improved quality, greater resilience overall, and the ability to invest in the future, with 73% of the farmers creating new sources of income.

## Gender

IDH has been working with partners in the tea industry to address gender and gender-based violence. This led to the establishment of the Gender Empowerment Platform (see text above). IDH also encouraged and helped the Tea Association of Malawi (TAML) to launch an industry-wide Gender Equality, Sexual Harassment and Discrimination Policy approved by all estates in November 2017 and launched in December. 350 management members were trained on the implementation of this policy. In India, IDH supported UNICEF in making (young) women less vulnerable to violence, abuse and exploitation, by equipping them with knowledge and skills, and making them aware of the support they can call on. The program reached over 33,000 girls and more than 30,000 community members in 100 tea estates.

## Lessons learned

### Innovation

The finalization and sign-off on the Malawi Tea 2020 living wage price-discovery model has taken longer than expected. It requires a lot of management time to convince the sector buyers and producers to apply the model in the tea industry.

### Government support

In *trustea*, it remains challenging to work with the Indian government, especially now the program has reached a critical mass. This had delayed the registration of *trustea* as an independent entity. However, formalizing the support of the Indian government continues to be important to the long-term success of the program.



# Cotton

Towards the tipping point

## Impact focus



Smallholder livelihoods



Living wage and improved working conditions



Responsible agro-chemical management

99% of the world's cotton farmers across 70 countries are smallholders. They produce 75% of the 25 million metric tons globally. Cotton covers 3% of the world's cultivated land, yet it accounts for 24% of the global insecticide use. It takes 9,000 liters of water to produce 1 kg of cotton. Other sustainability issues are the impact on soil quality and biodiversity as well as profitability, working conditions, gender, health & safety and child labor.



### Private

ASOS, Adidas, Basil Commodities, Bharat aCotton, Bestseller, Chainpoint, C&A, Changzhou, CottonConnect, Ergon Associates, H&M, IKEA, Keteng Trading, K.K. Fibers, Levi Strauss & Co, Marks & Spencer, Nike, OLAM, Pratibha Syntex, Plexus, SAN-JFS, Sanam, Spectrum International, STAC, Tommy Hilfiger, Udyansh, VF Corporation, and ZhongWang.

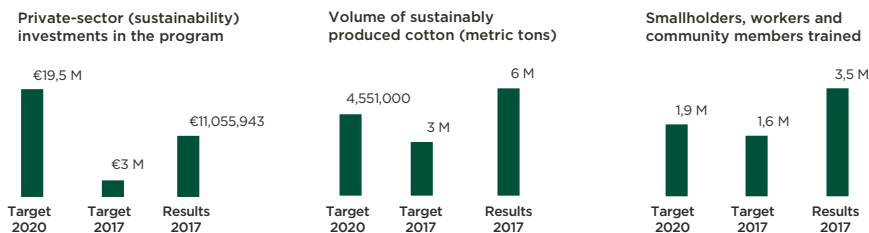
### Public

Songzi Agriculture Extension Center, Shandong and Xinjiang Yuli County (Xinjiang) (China), XPCC, Government of Maharashtra (India), IIAM (Mozambique), Sodefitex, BMZ, and DFAT, Embassy of the Kingdom of the Netherlands in Mozambique

### Other

2030 WRG, ACF, AFPRO, Better Cotton Initiative, CABI, CAIM, C&A Foundation, Deshpande Foundation, Dilasa, Lupin Foundation, IPUD, Lok Sanjh, Nongxi Cooperatives, MYKAPS, SWRDO, Pan UK, PRDIS, REED Society, SAROB, WWF India, and WWF Pakistan.

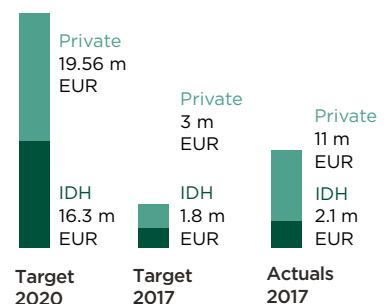
## Progress towards 2020\*



## Market transformation

Since 2010, IDH has been working with the Better Cotton Initiative (BCI) to mainstream sustainable cotton based on agronomic, environmental and social criteria. The scale that delivers the impact is largely driven by the commitment of frontrunner brands and retailers and the procurement of Better Cotton (BC) to meet their sustainable sourcing goals. IDH is strategic partner to the BCI Growth & Innovation Fund, which is the engine behind this scale – channeling volume-based contributions of private partners, match-funded by public-sector donors and investors into farm-level projects, marrying the objectives of market transformation in key produc-

## Financial Progress 2017



\*(Information from the BCI program)



ing countries to key sourcing areas of the 70 BCI brand members. This enables a self-perpetuating mechanism, translating procurement into supply-building, as well as better impact on cotton producers: less inputs (water and pesticides) and increased profitability (higher yields, lower costs). From 2016 onward, IDH is looking to make a stronger case across the cotton sector on platforms in India (provincial level) and Mozambique (national level) to create a roadmap of interventions to address the vulnerability and resilience of smallholders in light of agro-climatic vagaries and access to water, poor yields and ineffective public extension mechanisms. The objective is to identify and prove the business case for service providers (inputs, finance, extension, technology, etc.) so that smallholders will be partners or “viable customers”, rather than beneficiaries.

### Relevant Sustainable Development Goals



### Changes in business practices

#### Co-funding by companies:

Target: €3,000,000 Result: €11,055,943

#### Uptake of better cotton:

Target: 400,000 metric tons Result: 736,000 metric tons

2017 saw a 22% increase in BCI membership to a total of 1,197 members. Uptake of BC by companies reached a record level of 736,000 metric tons (60% increase compared to 2016). As uptake increases year on year, private-sector contribution to volume-based fees grows proportionally—securing higher private-sector investments.

Through strong outreach, guiding BCI in its strategic direction and by creating a platform for learning through convening FIIC and BCI, IDH increased companies' appetite to source BC Cotton. As uptake is increasing, IDH's aim is to transform the cotton market, making BCI the norm.

“For IKEA, cooperation is essential to reach scale in sustainable cotton. The GI Fund of BCI and IDH is the vehicle to work pre-competitively with other brands, funders and governments to make sustainable cotton affordable.”

Steve Howard,  
Chief Sustainability Officer at Ikea Group

### Changes in sector governance

In Maharashtra and Mozambique, IDH is piloting models beyond the standard livelihood approach, including climate resilience and multi-cropping in the curriculum. To do so, we designed and convened national and state-level platforms, and run the secretariat in both Mozambique (under the climate resilience program) and Maharashtra (under WRG2030) to facilitate collaboration with governments to jointly develop approaches to address smallholder resilience and livelihoods. IDH continues to facilitate embedding BC in other country-level institutional practices like in China, where our engagement with XPCC, a public partner in Xingjian, aims to embed the Better Cotton principles into their own production principles (Xingjian accounts for 15% of China's cotton production in 2017). In Pakistan, the Agriculture Extension Department (AED) has initiated a pilot for providing BC training under the guidance and supervision of WWF Pakistan. In addition, IDH engaged with the ministry of agriculture in Greece and the association of spinners and ginners for benchmarking BCI with country standard AGRO2 in a financially self-sustained way.

### Field-level impact

#### Cotton farmers trained

Target: 1.6 million, Result: 1.9 million

#### Adoption rate of training

Target: 75%, Result: 86%

#### BC production:

Target: 3 million metric tons, Result: 4.5 million metric tons cotton lint

#### Hectares under sustainable land use

Target: 3.6 million, Result: 5.5 million

Comparing Better Cotton and control farmers in 2017, we saw on average a 14% higher yield in Pakistan for Better Cotton farmers, 19% less water use in China, 22% higher use of organic fertilizer in Mali, 14% less pesticide use for large farms in Brazil, and a 32% higher profitability for Better Cotton farmers in India (source: BCI Harvest Re-

port 2012). Within a short period of seven years, Better Cotton has contributed to ramping up the share of all sustainably produced cotton (including Organic, Fair-trade and Cotton Made in Africa) to nearly 20% of global production.

**We have all the data, we deliver on real impact and scale. I don't understand why it isn't an easy decision for donors to invest in cotton. We haven't been able to crack the code on this yet.**

Pramit Chanda,  
Program Director Cotton

## Gender

In 2017, almost 2 million farmers received training in BC principles and were verified as having shown awareness and adherence to gender principles (“do-no-harm”): no pregnant or nursing women were allowed to apply pesticides; access to potable water on the field and equal wages for work of equal value (women are usually engaged in different activities than men – picking, weeding). From 2018 onward, we will use the Gender Toolkit in new programs. The baseline will result in pilots in 2019,

so we can compare and contrast the impact on the community and sustainable production, and develop a business case to provide evidence-based feedback to standards, companies and governments to invest. It proves difficult to pin-point which factor influences gender empowerment in agriculture most (e.g.: land titles, access to training and technical support, management and financial skills, formal vs informal education for women). Given the differences of gender issues and involvement of women in production in different geographies, it is hard to formulate one overarching gender policy.

## Lessons learned

### Innovation

The time that it is taking from ideation, through framework development, approval and then implementation is longer than expected, making innovation pilots a multi-year exercise. Given the challenges in coordination, we need to find a way to streamline the process to shorten timelines before we test the innovation on the ground, and minimize overlap with business as usual.

### Smallholder livelihoods

Discussions with cotton farmers take us beyond just a cotton commodity approach to a broader engagement, which looks at second crops, livestock, access to water as an economic enabler, etc. The key learning is that for future cotton program design, we need to build in a holistic approach to farmer livelihoods.



# Cocoa

Sustainable livelihoods and sustainable forests

## Impact focus



Smallholder livelihoods



Mitigation of deforestation

For 2016/2017, the global production of cocoa is estimated at 4.7 million metric tons. The world cocoa price has continued to be the lowest since 2013. In the main cocoa-producing countries, Côte d'Ivoire and Ghana, that account for over 70% of global production, deforestation remains an important threat that needs to be addressed. Additional threats to cocoa sustainability include smallholder production and resilience, the effects of climate change, and weak environmental protection in the areas surrounding cocoa production.



### Private

Agri-Logic, Barry Callebaut, Blommer, BT Cocoa, Cargill, Cemoi, Ecom, Equipoise B.V., FMO, Hershey's, IFC, Kennermer Foods, KIT, Lindt, International Cocoa Organization (ICCO), Mars, Mondelez, Machu Picchu Foods, Nestlé, OCP, OLAM, Yara, ICL, IPNI, K&S Kali, Advans, Unacoopec Ci, Planet Guarantee, Toms Gruppen, Rabobank Foundation, Touton, Cocoonect, Vélior Développement, and Scopelnsight.

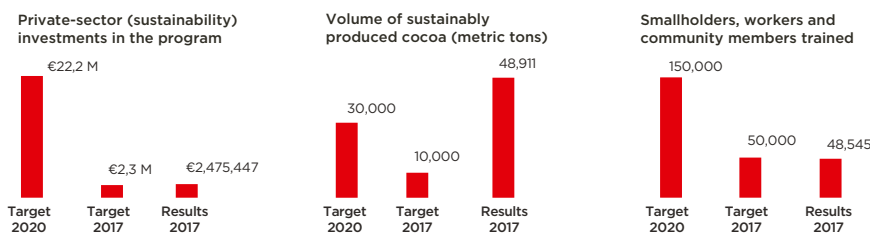
### Public

Cocoa Sustainability Platform (CSP) Indonesia, World Cocoa Foundation (WCF), MARD Vietnam, NEN/CEN, UTZ Certified, Swisscontact, GAIN, VECO Indonesia, CNRA, CRIG, CRIN, ICRAF, IITA, IRAD, and WUR, Le Conseil du Café-Cacao Côte d'Ivoire, and Cocobod Ghana.

### Other

Côte d'Ivoire, Ghana, Indonesia, Nigeria, Switzerland and the Netherlands.

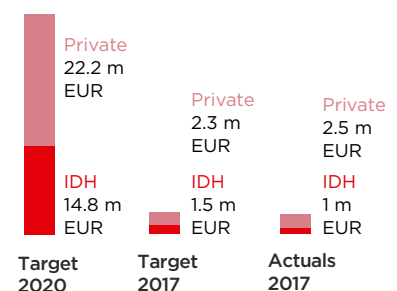
## Progress towards 2020



## Market transformation

The Cocoa Learning and Innovation Program (CLIP) is aiming to make cocoa farming a more sustainable livelihood option for farmers. It drives innovation in farmer empowerment (productivity and farm and cooperative financing), community development, nutrition, multi-cropping to improve resilience to price volatility (market prices of cocoa dropped with 30% early 2017) and sustainable land use/zero-net deforestation. By establishing proofs of concept – *co-developed with the industry* – both the sector and global and national platforms can replicate, and scale up successful proto-

## Financial Progress 2017



types in their operations beyond 2020. The CLIP focuses on three areas:

**Farm productivity and financing:** Through the Farmer Coop Investment Program (FCIP), IDH puts emphasis on improving farmer entrepreneurship and farmer organization's professionalism, by facilitating access to inputs and finance to invest in their farms and services. Joint financial contributions from the Conseil Café Cacao in Côte d'Ivoire (€2 million) and IDH (€3 million) kicked off the program in 2017.

**Community development in nutrition:** CLIP supports a scientific, fact-based prototyping approach for the issue of malnutrition. Industry and civil society have taken initial steps to improve the nutritional value of diets in the cocoa-producing communities. The aim is to further stimulate these approaches over the coming years, to be able to provide clarity on the most cost-effective interventions ready for scaling.

**Sustainable land-use/zero-net deforestation:** The Cocoa & Forests Initiative was set up as a partnership between IDH, WCF and ISU, to end deforestation and restore forest areas in the cocoa supply chain of Côte d'Ivoire and Ghana. On 16 November 2017 at the UNCCC, the governments of Côte d'Ivoire and Ghana signed commitments into frameworks of action, with members of the cocoa and chocolate industries. Financial support for this process was received by the P4F. These joint frameworks of action are structured around three interlinked pillars: forest protection and restoration, sustainable production and farmer livelihood, and community engagement and social inclusion.

## Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector (sustainability) investments in the program

Result 2017: €2,475,447

Target 2017: €2,300,000

IDH has supported ECOM to better understand and monitor the potential impact of good agricultural practices combined with coaching. Farmers are first visited by Farmer Trainers (FTs) to recommend solutions to common problems that prevent the farmers from increasing production. 17,280 farmers had their farms visited between April and December 2017, which led to two main changes. The number of farmers who have not adopted/implemented any recommendations decreased from 20.2% to 0.8%, and the number of farmers who have successfully implement all good agricultural practices recommendations rose from 26.6% to 44.3%.

According to governmental data in Ghana, 40% of Ghana's cocoa tree stock is either moribund or diseased and hence unproductive. IDH established a service with ECOM, to help farmers cut and replant their old cocoa trees. This scheme helps farmers with all financial (repayable loans) and technical needs during three years, after which the young farm is handed over to the farmer. The loan and technical advice systems have been designed in such a way that they ensure farmers are able to repay their debt from intercropped plantain and maize before cocoa starts yielding.

With its partners, IDH also established digital finance channels, so that financial institutions can reach and meet cocoa farmers' needs, despite the remoteness of farming communities. This is a key step to foster further access to finance of farmers in cocoa and other commodities.

## Changes in sector governance

IDH closed the Cocoa Fertilizer Initiative and handed it over to the industry and government, in the Cocoa Soils program. The initiative's achievements included the advancement of fundamental knowledge on crop nutrition, the development of strong distribution channels, and the affordability of fertilizer to government and industry.

Together with Conseil Café Cacao, the Cocoa Challenge Fund opened and now is operational, with the first projects approved. Conseil Café Cacao has gone through management changes and has maintained the Cocoa Challenge Fund as one of its key investments, confirming the importance of cooperative professionalization and access to finance. IDH is closely working with Conseil's cooperative unit to further develop the enabling environment required.

Government and industry signed the Joint Frameworks for Action, committing to eliminate deforestation in Ghana and Côte d'Ivoire. The signing of the framework provides a solid basis for collaboration between industry and government, and across the cocoa and forestry sectors. As key conveners of this initiative, IDH has played a crucial role in merging and negotiating stakeholders' interests with unprecedented speed.

IDH actively drove the Cocoa Sustainability Partnership (CSP)'s Task Force in Indonesia, which resulted in a rec-

**“The trees that I prune and where I apply fertilizer are in much better shape. You can see the difference clearly. They keep the sun out so the land does not degrade”**

Gnanbo Konan Lazare  
Cocoa Farmer in Cote D'Ivoire

ommendation for the cocoa fertilizer nutrient ratio for nutrient replenishment. This recommendation will be used by CSP members to develop a cocoa fertilizer formula, together with a fertilizer company, which will be scaled nationwide. CSP also launched the national curriculum and training modules for sustainable cocoa cultivation and post-harvest. This is a government-endorsed curriculum that will be used nationwide throughout agricultural vocational schools.

## Field-level impact

### Producers/workers/community enterprises reached by service delivery

Result 2017: 48, 545 farmers (Women 32% / Men 68%)  
Target 2017: 50,000 farmers

### Area where trained practices are applied

Result 2017: 32,727 hectares  
Target 2017: 10,000 hectares

Under FCIP, IDH not only improved the skills of farmers, but also linked them to financial institutions, enabling them to invest in their farms. The focus is beyond cocoa, on all the farm activities. In Africa, farmers are multi-croppers; the program helps them to invest in their whole farm. The program also helps them to organize the non-cocoa markets for inputs and other crops, i.e. fruit trees and rubber.

## Gender

IDH, Advans and CARE supported the establishment of Villages Savings and Loans Associations (VSLA), which bring female cocoa communities together weekly to trade advice on developing capital, saving in bank accounts, and asking for loans. The loan association committee fee is €1 per member. At each meeting, they discuss whether there is a business to invest in. Originally it was only for input loans, but now they are investing in social loans, trucks, mobile banking and insurance.

Within the scope of the Farm and Coop Investment Program and the collaboration with Conseil, initial explorations were made into how to engage the National Federation of Women Cooperatives on access to finance. A baseline study will provide insights into the potential for investments and female empowerment.

Building on the IDH gender toolkit, a gender sensitivity guide is in development to provide direction to the program's investments, to ensure gender equality in terms of ownership, access, decision making, leadership positions and division of labor. This will be taken up by IDH's implementing partners.

## Lessons learned

### Diversification

It is difficult to promote productivity in producing countries in the current context of cocoa low prices. The sector therefore needs to work harder on the cocoa farmers' resilience by assisting them with diversification of income sources.

### New generation

It is urgent to promote the emergence of a new generation of cocoa entrepreneurs who can integrate all the new paradigms facing the sector, such as climate change/deforestation/investment in cocoa production to improve the sector.

### Digital tools

Bankability and digitalization are musts in the cocoa sector, to secure farmers' incomes and improve their security. During cocoa season, the digitalization of financial transactions will increase security by reducing the handling of cash. IDH will therefore introduce digital tools in rural economies.



# Coffee

Sustainability through farmer resilience and collective action

Total global coffee production in the 2017/2018 crop cycle was 158,930,000 bags of coffee<sup>1</sup>. That is 50 million bags more than in 2013. In the last years' production has stabilized although in Asian countries, coffee demand is growing fast. The main coffee-producing countries by market share are: Brazil (32%), Vietnam (18%), Colombia (9%) and Indonesia (7%)<sup>2</sup>. The main threats to coffee sustainability are related to smallholder production and resilience, as 80% of the world's coffee is produced by 25 million smallholders<sup>3</sup>. Other concerns include the effects of climate change and weak environmental protection in the surrounding areas. The demand for sustainable coffee is driven mostly by coffee consumers. The largest coffee-consuming regions are Europe, the US and Russia<sup>4</sup>. Sustainable coffee production is currently 49%<sup>5</sup> of the total world coffee production.

## Impact focus



### Private

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

### Public

Governments of Brazil, Colombia, Indonesia, Uganda, Tanzania, Vietnam and ICO.

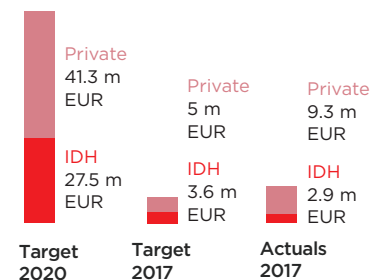
### Other

Coffee Quality Institute (CQI), Partnership for Gender Equity, Conservation International / Sustainable Coffee Challenge (SCC), Global Coffee Platform (GCP), Hanns R Neumann Stiftung (HRNS), Hivos, Specialty Coffee Association (SCA), The European Coffee Federation (ECF), and The Royal Dutch Coffee and Tea Association (KN-VKT). Solidaridad, Techno Serve, C-GAP initiative, and UTZ-Rainforest Alliance.

## Progress towards 2020



## Financial Progress 2017



## Market transformation

IDH has been active in the coffee sector since 2011. The initial approach, branded under the Sustainable Coffee Platform (SCP), was to pre-competitively work on sustainability issues with four of the world's largest roasters,

1 1 coffee bag is 60kg, a common measure in the coffee industry. ICO, 2018  
 2 ICO, 2018  
 3 We consider a smallholder farmer to have less than 5ha land to farm on. Rabobank Coffee Infographic, 2016  
 4 Rabobank Coffee Infographic, 2016  
 5 Based on ICO data for 2015 production and sustainable volumes produced and received from the 4C association as in the most recent annual report (2015)

collectively representing 22% of global market share. In 2016, to upscale achievements and learning gained from 5 years of SCP, IDH co-founded the Global Coffee Platform (GCP) with the 4C Association<sup>7</sup>. The GCP is a pre-competitive multi-stakeholder platform that aims to enable the coffee sector to accelerate its sustainability journey on a global and national scale<sup>8</sup>. Current membership of the GCP includes 46 traders, representing 40% of the total coffee traded globally, and 15 roasters representing 25% of the global coffee consumed. Next to supporting the GCP globally, IDH addresses the most urgent sustainability issues in seven countries through national public-private partnership platforms. Most platforms have rolled out national sustainability curricula (NSC). Building on the NSC, IDH prototypes concepts that can be scaled through the GCP. Prototypes are developed in Vietnam, Indonesia and Uganda, together with industry partners, government institutions, knowledge and financial institutions.

### Relevant Sustainable Development Goals



### Changes in business practices

**Private-sector (sustainability) investments in the program**  
Target: €5,000,000, Result: €9,400,701

Companies face challenges when it comes to improving the practices of the farmers they engage with. For example: increasing the adoption rates of good agricultural practices, increasing yield, and increasing farmer loyalty to not side-sell. Improving relationships through optimal service supply can help mitigate some of these challenges, while also addressing issues critical for improving farmer livelihoods. Therefore, with coffee exporters in East Africa, IDH has prototyped using farmer support structures to channel additional services that support farmers with food crops. The idea is that supporting food crop services provides food security and strengthens the relationship between the farmer and the company. It can also make more efficient use of extension service staff outside of coffee season. Several coffee companies are now actively developing models to provide food crop

6 The 4C Association was an inclusive membership driven organization of coffee farmers, trade & industry and civil society. Members worked jointly towards improving economic, social & environmental conditions for all who make a living in the coffee sector.

7 GCP website, 2018

8 The Sustainable Coffee Challenge is a collaborative partnership, founded by Conservation International and Starbucks, that helps coffee stakeholders transition the coffee sector to be fully sustainable.

service to farmers. IDH has also made significant progress in getting coffee-exporting companies to seek partnerships with food crop service providers.

**“I did pruning instinctively, before the guidance. Now I can even show my friends how to do it. You can see the difference. The quality and quantity is better.”**

Muhammed Suwwignyo,  
Coffee farmer, East Java, Indonesia

Additionally, by engaging coffee exporting companies to build economically viable service delivery models, it is clear which companies are serious about investing in sustainable business practices, and which are mainly interested in securing public funding. Only with the former are we able to successfully work on integrating farmer support models into their business operations and thus improving farmer livelihoods.

A direct result of IDH's engagement with companies is that those who were previously only engaged in trading coffee, are now developing models that can better serve their farmers as clients. IDH has also managed to divert frustrations from limited results of farmer training, towards motivation to innovate. From the data collected so far, IDH shows that providing food crop services to farmers has the potential to positively impact farmers' food security, cash flow management and overall income.

### Changes in sector governance

**Private sector (sustainability) investments in the program**  
Target 5,000,000 euro, Result 9,400,701 euro

In 2017, IDH supported the Global Coffee Platform (GCP) in seeking partnerships with other coffee platforms in order to work towards a common vision for the sector and avoid duplication. This required building relationships with other platforms and initiatives. The result was that the GCP signed an MoU with the Sustainable Coffee Challenge<sup>9</sup> in which they agreed on topics to cooperate on and how. IDH also supported the GCP to further strengthen their partnership with the Africa Fine Coffees Association (AFCA), to work together on sustainability issues in African coffee-producing countries.

IDH supported the GCP to organize cross-IP learning workshops in several districts in Vietnam and Indonesia.

9 The Sustainable Coffee Challenge is a collaborative partnership, founded by Conservation International and Starbucks, that helps coffee stakeholders transition the coffee sector to be fully sustainable.

During these workshops, lessons learned were shared and new insights were presented. In Indonesia, the theme was “Learnings from the Field: Government and Private-Sector Collaborations in the Coffee Landscape”. Government representatives, private companies and IDH shared learnings on their policies and programs. In Vietnam, four cross-IP learning workshops were organized, in which farmers from different provinces came together to learn from each other. Field-level project experiences were also shared between farmers.

## Field-level impact

### Farmers and workers trained:

(Men: 37,573 / Women: 17,877)

### Producers/workers/community enterprises reached by service delivery:

Target: 15,000 smallholders, Result: 29,778 (Men: 20,058 / Women: 9,720)

### Trainers, auditors and/or government staff trained by the program:

Target: 350 (15% Women), Result: 1,065 (Men: 1033 / Women: 32)

### Adoption rate by producers/workers/community members of improved practices:

Target: 65%, Result: 61%

In 2017, IDH took a more strategic approach to working with companies on field-level projects. Previously, the program had held open calls for proposals, but it sometimes proved difficult to engage with the partners and steer them dynamically. In particular, it was difficult to redirect projects based on results. A strategic relationship with project partners allowed for more meaningful interaction with companies.

**“As Ugacof, we are excited to work on a multi crop project with IDH aimed at improving food security and income resilience of 2,000 small holder farming households. This project will create a year round farmer engagement, build stronger farmer relationships and strengthen farmer organizations.”**

Ugacof,  
commercial development officer.

Additionally, IDH started looking at farmer resilience from the farmer’s perspective. Smallholder farmers were doing more than just coffee farming, as most farmers

could not make a living from coffee alone. Once it was clear that farmers needed additional income, traders were approached to develop service models that enabled farmers to grow food crops. Food crop services can enable farmers to grow enough food for the family and for regional export. This approach also helped from the coffee companies’ point of view, as they want access to better quality and can guarantee this better by investing in their suppliers (the farmers).

## Gender

IDH funded a gender engagement guide for producing countries, distributed by the GCP to National Platforms and brand members, that circulated it their providers. All farmer trainings included special focus on household dynamics, household decision making, and gender requirements for access to finance. Our projects in Indonesia, Tanzania and Uganda showed that more equality between husband and wife in decision making and participation in farm activities is a key driver for more successful farming. In Indonesia, this led to 131% increased production, while in Uganda the quality of the coffee improved, which led to sales at a higher price and therefore a higher household income<sup>1</sup>. Gender diversity in GCP membership companies has also been addressed at a GCP membership meeting funded by IDH.

**“With the training supported by IDH we focus on households and woman participation”**

Happy Komba,  
Manager of DAE, Coffee Cooperative in Tanzania

## Lessons learned

### GCP

Finding a value proposition that is appealing to all members but also sufficiently addresses the individual needs of each member is a huge challenge. More focus is needed on gaining trust from the membership about GCP’s ability to deliver, to make sure GCP remains the place to be when it comes to sustainability in coffee.

### Service delivery models

Many companies have invested significantly in human resources and organizational procedures to manage donor relationships, funding flows and reporting. Such companies would rather receive traditional donor money focused towards training farmers, which does not require the company to change their core business offerings. To



turn this around, the engagement around SDM analytics and development needs to take place at sufficiently senior/strategic level that can forge internal links between the relevant business units and the sustainability team.

**Focus**

Previously, the IDH coffee program was aiming to create field-level impact in Africa and Indonesia, and systemic

impact (through the GCP) at a more global level. In 2017, we decided to focus on a more holistic approach in three core countries (Indonesia, Uganda and Vietnam). In all three countries, we will now work on a comprehensive program that combines field-level activities with stakeholder convening and shared learnings between the partners. This way we expect to generate stronger and longer lasting impact.



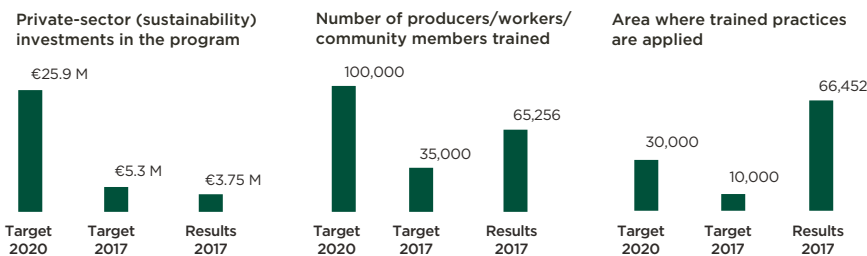
# Fresh and Ingredients

From low to high hanging fruits

The fresh & ingredients program leads to social and environmental change in the following commodities: fruit and vegetables, juice, nuts, vanilla, spices, and flowers. IDH developed covenants for each sector and, through these, works with over 140 companies, some of which are the largest global players in their market. An important trend is the presence of a growing middle class in Africa and India, which increasingly demands intra-African and Indian trade of high-quality, safe, and sustainably produced fresh produce. The companies that we work with recognize this and are increasingly interested in supplying these local and regional markets in addition to export. In 2017, IDH supported 45 projects in Central America; West, Central and East Africa; Vietnam; and India. Among the issues that we address are poverty, inequality, economic growth, agrochemical use and smallholder inclusion.



## Progress towards 2020



## Market transformation

In the fresh & ingredients (F&I) sector IDH is convening frontrunners under sector initiatives. Participants commit through covenants to targeted percentages of sustainably sourced produce within a predefined period. Involving influential sector players contributes to increasing interest among the rest of the private partners (often their suppliers). Through these covenants, IDH drives the increase in volumes of sustainably sourced produce by member companies. Members can apply for project co-fund-

## Impact focus



### Private partners

Ahold Delhaize, Agrofair, AIPH, Akay, Amalgamated, Anthura B.V., APPL, ANCEF, Asocolflores, Authentic Products, Bakker Barendrecht, Barry Callebaut, BGI, Burke Agro, Camposol, Cassia Co-op, Chiquita, Chrystal International, Coop, Costco, De Kwakel, DeMonchy Natural Products, Del Monte, Doehler Group, Dole, Don Limon, Dudutech, Dümme Orange, Dutch Flower Group, E. Den Dekker, EHPEA, Eosta, Euroflorist, Euroma, Eurovanille, Exsa Europe, Expoflores, Fair Flowers Fair Plants (FFP), Fair-Fruit, Firmenich, FleuraMetz, FloraHolland, Floralive, Florensis, Flower Trade Consult (FTC), Fludor Benin, Friesland Campina, Frontier Coop, Fairtrasa, Floricultura, FONA, Fruitco AG, and FV SeleQt.

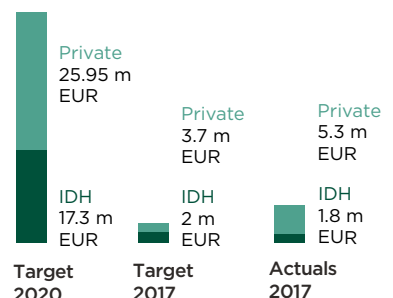
### Public partners

Gesellschaft für Internationale Zusammenarbeit (GIZ), Ministry of Commerce Madagascar, Ministry of Agriculture Vietnam, ILO- Madagascar, USA Department of Labor US, Grow Africa, Ecuador Ministry of Livestock, Aquaculture, and Fisheries (MAGAP), Ecuador Ministry of Labor, Embassy of the Kingdom of the Netherlands (EKN), Rwanda, National Agriculture Export Board (NAEB) Rwanda, UN Food and Agriculture Organization (FAO), and International Trade Centre (ITC).

### Other partners

Com Cashew (former African Cashew Initiative: ACI), African Cashew Alliance (ACA), Bill & Melinda Gates Foundation, CGF, TSC, Chainpoint, FairMatch Support, GSCP, GLWC (ISEAL), GLOBALG.A.P., International Trade Centre, Hivos, WWF Kenya, BSR, Partner Africa, ICCO, Solidaridad, Frugi Venta, ETI/SMETA, SIZA South Africa, BSCI, Fairtrade FLO-CERT, FlowerWatch, SA8000, Rainforest Alliance, SAN, Fair For Life, Sedex, Leaf Marque, EU Organic, US Organic, PNV Madagascar, Sustainable Food Lab (SFL), BothEnds, KIT, SNV, WSO, Sustainably Grown/SCS, Forum for the Future, BRO (Blomsterbranchens Riksorganisation), PRDIS, AFPRO, ACF, Niligiri, Azad Agro, STAC, World Banana Forum (WBF), Sustainable Agriculture Initiative (SAI), European Spice Association (ESA), American Spice Trade Association (ASTA), Plant Protection Department (PPD) Ministry of Agriculture and Rural Development Vietnam, and Vietnam Pepper Association (VPA).

## Financial Progress 2017



ing to pilot solutions for supply chain challenges, and learnings from these projects are shared with member companies of the initiatives.

F&I works in many different sectoral supply chains and we see that the company members are all moving in the same direction. Sustainability is embedded in their business practices, and now they are trying to improve and innovate even further. In all sector initiatives, IDH started conversations about a vision beyond co-funding with topics such as gender and (living) wage implementation; there is a continuous development of verification; and we're working on combining approaches with multiple stakeholders.

By providing accurate figures on the cost of living, companies can build a clearer picture and test new approaches to paying a living wage. To distill the business case and best practices in working with smallholders, all smallholder inclusion projects in F&I are now analyzed using our service delivery model analysis methodology. In 2017, this analysis has created more insights into the investments made by member companies, and this helps these companies to design interventions that are profitable. The lessons learned are used to improve the design of projects and to build knowledge across the F&I sector initiatives.

### Relevant Sustainable Development Goals



### Changes in business practices

**Private-sector sustainability investments in the program:**  
Target: €5,300,000, Result: €3,751,826

**Increased uptake of sustainable production in at least four out of six industries:**

Target: at least 5%, Result: at least 5%

In 2017, IDH drove the development of multiple covenants in the F&I program. By participating in these covenants, companies can focus their energies on reaching the committed targets, and drive internal management

change. In 2017, IDH set up the Sustainable Juice Covenant. Member companies have committed to 100% sustainable production and trade by 2030. Already in its first year, the Sustainable Juice Covenant succeeded in building a critical mass by attracting the (8) world's largest juice companies. Under SIFAV, a milestone of 70% sustainably sourced produce was reached. 2017 was also the first reporting year for the Floriculture Sustainability Initiative (FSI) member organizations: 41% was sustainably sourced, a promising step towards the goal of 90% by 2020.

**"The SIFAV platform has assisted us to change our business practices and we've made a lot of changes in our sourcing and work closely with our producers on environmental and social aspects"**

Pascalie van Berghenhenegouwen,  
Jaguar The Fresh Company

Through the F&I program, companies are changing their business practices to reach their targets. New companies need to map their supply chains and monitoring needs to be conducted through the agreed measurement methodologies. To reach the targets, the companies must establish specific internal policies and dedicate resources for monitoring, and supporting their suppliers with auditing and certification. In each initiative, monitoring protocols have been developed, and we create business cases to show the potential of sustainable practices. Last year, we developed two service delivery model (SDM) analyses of a cashew processor in Burkina Faso, and another in Côte d'Ivoire. Both proved that efficiency in service delivery to smallholders can be improved greatly by enabling cooperatives to gradually take over the service delivery. We supported both companies in setting up the SDMs, and ensuring that service delivery and procurement are based on accurate farm data. This enabled the companies to target the best-performing farmers, resulting in improvements in sourcing efficiencies by up to 25%. In Madagascar, we supported Prova and Barry Callebaut in improving the farming system of vanilla farmers and adding cocoa as a second source of income in the off-season. The analysis revealed that vanilla incomes, due to peak prices, are extremely high, but that moving into cocoa can increase farmer resilience when vanilla prices drop again. Together with Nature's Pride and ICA, we have analyzed their SDM applied in Guatemala that revealed that their existing SDM approach is highly impactful, but also very resource intensive, representing a business case most suited for the niche market.

We also supported projects to calculate the cost of living in the banana (Ghana, Ecuador and Costa Rica) and flowers (Ethiopia and Kenya) sectors so companies can build a clearer picture and test new approaches towards paying a living wage.

## Changes in sector governance

Outreach of the F&I initiatives resulted in 18 new private members committing to the sourcing targets. The commitments by spices and juice companies to sustainable sourcing goals through the signing of the juice and spices covenants is an important step towards making transparency and responsible sourcing practices default.

In 2017, our retail partners identified IDH as a potential partner with which to initiate cross-sectoral approaches to living wage. Together with the Global Living Wage Coalition (GLWC), a coalition of sustainability standards that use the Anker Methodology for the calculation of living wages, we have agreed to engage with a broader group of industry standards, retail and trade, to support and promote the payment of living wages.

In India, we successfully created and registered the Sustainable Spices Initiative India (SSI-I) as a legal entity in 2017. SSI-I convenes key national and international spice companies in India, assisting companies in the shift towards sustainable business practices. Integration of local companies was challenging, as sustainable demand of local consumers is still low. The Sustainable Grapes Initiative in India (SGI-I) struggled to gain momentum due to the differing local and export market requirements and as a result, IDH has decided to exit the SGI-I program through a planned exit strategy, handing the existing farmer base over to potential partners.

In the vanilla sector in Madagascar, the surging local market prices for vanilla combined with poor sector governance dramatically decreased the leverage of IDH and global market players to drive sustainability initiatives. However, in Uganda we have supported the initiation of a traceability system for conventional vanilla, and the development of better regulations for the production, curing and trading of vanilla. Production in Uganda will hopefully help to stabilize global vanilla prices.

Under FSI, SIFAV, Juice and SSI, IDH continued to align and benchmark standards to reduce audit duplication, and audit costs for producers and farmers, as well as to align existing in social and environmental auditing, and provide support for international reference for best practices. 83 private companies agree with this so-called “basket of standards”. Both FSI and SIFAV have documented their approaches, and members can use this material when discussing sustainability with their clients and buyers. The FSI basket of standards also gained considerable visibility in 2017 thanks to a manifesto signed by a group of Dutch flower trader members of FSI. Addi-

tionally, IDH pushed for and supported the reform of the Global Social Compliance Program (under the Consumer Goods Forum) benchmarking facility, towards a simpler and more transparent process.

In 2017, the Vietnam Pepper Taskforce was initiated by IDH, and a national action plan to reduce the use of agrochemicals was launched. The action plan includes the development of a national curriculum of GAP for the national extension service to reduce the use of agrochemicals, and developing and implementing field-level

**“In the PPI Pepper Task Force IDH brought in the knowledge of pepper producers and of other crops. From both Vietnam and other countries. It created insights in how to formulate and implement the curriculum.”**

Dr Duong, Vice President of the Vietnam Plant Protection Department

projects. Some key national and international companies have committed resources to ensuring that these activities are effectively implemented.

Furthermore, IDH initiated the development of a “beyond 2020 vision” for members of the SIFAV and FSI. The aim is to continue to build trust between the partners and to drive further innovation on sustainable sourcing beyond 2020.

## Field-level impact

### Producers/workers/community members trained:

Target: 35,000, Result: 65,256

### Adoption rate of training:

Target: 60%, Result: 71%

### Area where trained practices are applied:

Target: 10,000 hectares, Result: 66,452 hectares

The F&I program brings together more than 100 suppliers, and is reaching more and more farmers and workers. Partner companies benefit from synergies in sustainability strategies, investments, and learning from the different categories. The area where sustainable practices were applied in 2017 surpassed expectations by covering 66,452 hectares.

Together with the F&I member companies, we initiate field-level projects to test and prove interventions and approaches that address supply chain challenges. For example, in the vanilla sector we launched a project for addressing child labor with the ILO. And in the Indian

spice sector, through a Backward Integration Program we've provided training on sustainable agricultural practices to approximately 30,000 farmers.

Under SIFAV, IDH supports the Banana Occupational Health and Safety Initiative (BOHESI), in partnership with Solidaridad, the World Banana Forum and Banana Link. BOHESI seeks to convene the global banana sector around more socially responsible banana production, and improve the standards of living for workers, farmers and surrounding communities. In 2017, the BOHESI training manual was developed, and strong support was garnered from the Ecuadorian Ministry of Agriculture, CSOs, and big producers. In 2018, the manual will be rolled out through a train-the-trainer model to reach 55,000 workers.

Through the SDM analysis in the cashew sector in Africa, processors were able to target the best-performing farmers and cooperatives, resulting in improvements in sourcing efficiencies by up to 25%. Also in 2017, the design of an SDM in macadamias in Kenya by Intersnack was informed by the lessons drawn from a cashew SDM analysis in Burkina Faso with Anatrans.

In the flower sector, IDH has supported integrated pest management pilot projects in Ethiopia. Through the Working Group on Agrochemicals, FSI is convening influential players to drive transparency through mainstreaming agrochemical record keeping, and the development of an environmental impact indicator. The goal is to reduce the holistic environmental impact of agrochemical use.

As part of F&I projects, some 41,447 farmers and 19,548 workers received training in good agricultural practices, GLOBALG.A.P. certification, farm management systems (budgeting, accounting, recording of production costs), capacity building, quality management systems, leadership training, maintenance of farm infrastructure, irrigation, and agrochemical management. Workers also received training on gender-sensitive management and workers' rights; personal, food and water hygiene; and family planning.

## Gender

Moving from a women committee to a gender committee with recognition from the company has had a tremendously positive effect. In the flower sector in Ethiopia, IDH's gender projects with EHPEA and BSR gender Committees have been established, and 11,783

women and 2,327 men have received gender-based training through an outreach peer-to-peer education program. IDH will communicate this business case for implementing gender-sensitive policies and programs broadly.

The FSI Working Group on Gender (WGG), comprising BSR HER project, HIVOS and Partner Africa, is encouraging and supporting FSI members to include gender-equality policies in their business strategies, and is formulating a gender-sensitive improvement proposal to review the gender criteria currently adopted by the International Trade Centre (ITC) Standards Map. The next step will be the development of a filter on the FSI page of the ITC website for users to scan and analyze standards that relate specifically to gender, driving the adoption of gender-sensitive criteria by sustainability compliance standards.

An infographic on the benefits of workplace gender equality was developed in cooperation with ICCO and Fair and Sustainable.

## Lessons learned

### Local demand

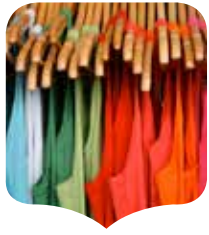
Local and regional demand for high-quality produce allows local markets to grow, both in the field of service provision to smallholders, and in setting up supply chains for local processing and retailing.

### Private-sector initiatives

From a self-sufficiency perspective, it is beneficial that sustainability initiatives are driven and managed by the private sector. However, we have seen that platforms without a dedicated, experienced convener and change agent are more likely to lose momentum and depth.

### Local versus export market requirements

In India, the difference between the local and export market requirements (for example, relating to maximum residue levels) is too large, making it difficult to coordinate sustainability programs across producers that supply both the local and export markets. IDH has not been able to prove that the scaling model applied by the Better Cotton Initiative (BCI) can also be applied in the Indian spices sector, while delivering against export market requirements.



# Apparel

Weaving together a more sustainable future

## Impact focus



Living wage and improved working conditions

The apparel industry is one of the world's largest industries, generating around €1.5 trillion in annual revenues and employing over 50 million people. Though often a catalyst for economic growth in largely agrarian economies transitioning into industrial production, the apparel sector is also responsible for high environmental impacts and social challenges such as cheap labor, and exploitative, unsafe and polluting factories. IDH operates in China, Vietnam, Pakistan and India to address these challenges.



### Private

Multinationals from the Race to the Top, LABS, and the Pakistan Buyers' Forum, such as: Gap Inc., H&M, Ikea, Levi Strauss & Co., Li & Fung, Marks & Spencer, Nike, PUMA, SAITEX, Walmart, Bestseller, VF Corporation, PVH, and Target; as well as 27 SMEs, including NOA NOA, Kaffe, Kabbuki/LEGO-wear, Jackpot, Mud Jeans, Mammut, Espresso, Vlisco, Schijvens, and Miss Green.

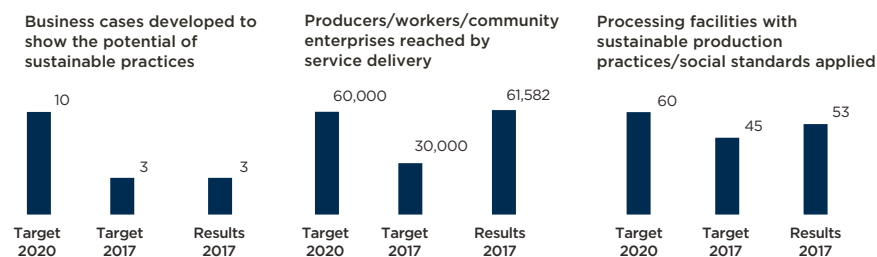
### Public

Denmark, Pakistan, the Netherlands, United States (USAID), and Vietnam.

### Other

Asialnspection, ARUP, Better Work, Control Union, Danish Fashion Institute, Enerteam, Fair Factory Clearinghouse (FFC), Fashion for Good, Global Green Growth Forum (3GF/P4G), IFC, ILO, Impactt Ltd., Just Solutions Network, LEFASO, Natural Resource Defense Council (NRDC), Reset Carbon, Social Responsible Operations, Sustainable Apparel Coalition (SAC), UNIDO, TUV SUD, VCCI, VCOSA, Vinatex and VITAS.

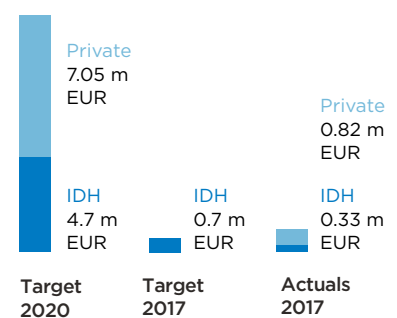
## Progress towards 2020



## Market transformation

The apparel sector is often characterized by a "race to the bottom", and IDH aims to revert this to achieve industry-wide transformation in terms of harmonization, sustainability and working conditions. In 2017, IDH developed the Life and Building Safety Initiative (LABS) to improve working conditions in terms of occupational health and safety (OHS). From the start, seven brands and retailers have joined. In the pilot and expansion stages in 2018 and 2019, they will apply and monitor harmonized life and building safety standards to avoid disasters like Rana Plaza and improve working conditions.

## Financial Progress 2017



In Vietnam, IDH focuses on empowering workers and improving the dialogue between workers and management in the Race to the Top (RTTT) program. This results in both improved working conditions and higher productivity. In 2018 this program will be expanded. Moreover, IDH has played an important role in levelling the playing field for sustainable businesses, by showcasing business cases that reduce energy and water consumption, for example as a part of the Enterprise Improvement project of the Pakistan Buyers Forum, and in the Vietnamese mill improvement program. Another way that IDH enables an environment for change is through making it possible to scale up the services developed. This is realized through scaling mechanisms that support the flow of additional investment capital into the sector, especially through the Apparel Impact Institute and Fashion for Good.

IDH also helped found the Apparel Impact Institute, a collaboration for brands and manufacturers to select, fund and scale projects that dramatically improve the sustainability of the apparel and footwear industry. Four private sector actors have already committed to provide funding. The purpose of the institute is to accelerate implementation, and avoid fragmentation and duplication of similar initiatives.

**“Fashion for Good wants to inspire all stakeholders in the fashion industry to work toward a future in which everyone – farmers, workers, customers, and communities – can flourish”**

Leslie Johnston of C&A Foundation

## Relevant Sustainable Development Goals



## Changes in business practices

### Co-funding by companies:

Target: €500,000, Result: €826,608

### Business cases to show potential of sustainable practices:

Target: 3, Result: 3

Last year, seven front-running brands and retailers participated in the development of the LABS program, to eliminate preventable fire, electrical and structural building safety risks in key apparel and footwear-producing countries. As part of this program, we established a single, coherent and consistent life-safety standard and methodology. The LABS members have agreed to apply this standard for the assessment of their apparel and footwear suppliers in Vietnam and India, and to collaboratively monitor and work towards remediation.

IDH also co-developed the Sustainable Apparel Coalition Small & Medium Enterprise (SAC SME) project, which showcased how enterprises can be encouraged to establish more sustainable business practices. The SMEs that participated focused on improving key challenges and offering suppliers an advanced toolkit to measure their own sustainability. As part of the project, IDH launched a pilot project to engage European SME brands by using the Higg Index. This index creates a common language and helps factories formulate a program for continuous improvement.

In Pakistan, IDH is supporting the apparel industry to reduce its footprint through energy assessments and recommendations as well as sharing this information. The learnings from one factory assessment are feeding into a new energy approach being developed under the IFC-IDH cooperation agreement, to reduce energy consumption levels. The purpose of the document is to address issues of energy development including energy production, distribution, and consumption for the sector at large, to create the enabling environment for sectoral change.

## Changes in sector governance

IDH is working with the Vietnamese government to lead the industry away from using and discharging hazardous chemicals. In the RTTT program, we bring together brands, public representatives, sector associations and CSOs to learn about and address sustainability issues in the sector, and to identify solutions and recommendations to develop a more sustainable Vietnamese apparel sector. IDH took the lead in coordination with local authorities including the Ministry of Natural Resources and the Environment (MONRE), Ministry of Industry and Trade (MOIT) and Ministry of Labour, Invalids, and Social Affairs (MOLISA). The platform has helped identify opportunities for scaling best practices as well as informing policy around cleaner production. Also, together with the Leather and Footwear Association (LEFASO), we provided support for sustainability monitoring and using key metrics from the Higg Index and Zero Discharge of Hazardous Chemicals tools in the Vietnamese footwear industry. These activities are part of a newly created framework, which will be extended to the full membership of LEFASO (approximately 200 factories).

IDH is also convening consultations with the Pakistan government, in support of the Pakistan Buyers' Forum (with more than 20 brands, accounting for 50% of apparel exports). Issues discussed include environmental footprint, freedom of association and collective bargaining.

## Field-level impact

### Producers/workers/community enterprises reached by service delivery:

Target: 30,000, Result: 61,582

### Trainers, auditors and/or government staff trained by the program:

Target: 20, Result: 28

### Adoption rate of best practices by facilities after training:

Target: 100%, Result: 100%

### Facilities with sustainable production practices and social standards applied:

Target: 45, Result: 53

The mill improvement program, one of the components of the Race to the Top program, includes projects around energy efficiency, air emissions and wastewater effluent treatment for textile mills and laundries. The participating mills reported huge savings in water, electricity, coal, wood and natural gas used. On average, these sustainability investments have a return on investment of 1.5 years.

As part of all IDH apparel programs, some 46,312 women and 15,270 men have been trained on key environmental and occupational health and safety subjects. The type of environmental training they received was on worker engagement, lean productivity, and cleaner production.

We've seen that 100% of the production facilities adopted best practices after going through training. Implementing a well-functioning improvement circle and optimizing worker engagement and processes have enabled these facilities to reduce their rework rates.

## Gender

In the apparel industry, where women make up more than two-thirds of the workforce, we encourage the participation of both women and men in training activities and representative roles through practical action. We measure male and female attendance during trainings, we ask gender-related questions in baseline assessments, and inform factory management about the importance of gender issues.

**"On average sustainability investments have a return on investment of 1.5 years."**

Sibbe Krol,  
Program Manager Apparel

## Lessons learned

### Expanding safety work:

The Bangladesh apparel industry is not alone in its various hazardous working environments. In terms of OHS issues in the industry, the need for building safety work outside of Bangladesh is significant. Issues vary widely: structural issues are far less common, though fire and electrical safety issues are found across the entire industry, presenting a danger to the safety of workers. Luckily, the sector itself is becoming more and more aware of the issues.

### Government approaches:

The increasingly strong role adopted by governments and international organizations in pressing for supply chain sustainability for apparel is both a risk and an opportunity. Though a catalyst for action, the differences in approaches (German, Dutch, Danish, UK, EU, and OECD platforms and legislation) make the industry cautious to engage.





# Aquaculture

## Data-driven zonal management

### Impact focus



### Responsible agro-chemical management

Aquaculture overtook wild capture fisheries as a source of efficient, high-protein food in 2014 and the gap has become wider since. Considering the strained resources of fisheries, aquaculture offers an increasingly valuable option to producing animal proteins for a growing global population. In 2014, the global volume of aquaculture fish production amounted to 73.8 million metric tons, which equals an estimated first-sale value of US \$160.2 billion (FAO, SOFIA 2016). 25 countries produce 96.3% of the global farmed fish production (FAO, SOFIA 2016). Asia accounts for just under 90% of world production. China produces 62% of global production and is the largest consumer of seafood. Only 5% of aquaculture production is currently being certified (SSI, 2016) and it is widely recognized that certification is not sufficient to address the pressing sustainability challenges in the sector, including diseases, early mortality and unsustainable feed.



#### Private

Ahold Delhaize, Aller-Aqua Egypt, American Seafoods Group, Anova Seafood, Aqua-Spark, Aqua-Star, Beaver Street Fisheries, Carrefour Egypt, Choice Group, Clarmondial, El Reyad (Kafr El Sheikh) fish retailers, Fishin', Fish Vet Group, Geekay farms, Grobest, Grupo Granjas Marinas, Highliner Foods, Impact Capitalyst Inc., Joann IT, KVP farms, Metro AG, Mohammed Bader, New Foresight, Pro-Gift, Rabobank, Rubicon Resources, Seafood Legacy, Seafresh Group, Shakshouk (fayoum) fish retailers, Skretting Egypt, Sodexo, Thai Union, The Fishin' Co., Tony Co, for fish supply, Xiang'Tai, Yu2Le.

#### Public

Department of Fisheries (Thailand), Directorate of Fisheries Vietnam, Vietnam Institute for Fisheries Economics and Planning (VIFEP), Vietnam (DARD), Vietnam (MARD), FAO member countries, and GIZ.

#### Other

Aquaculture Stewardship Council, China Blue, Egyptian Fish Producers and Exporters Association, Global Sustainable Seafood Initiative, Hainan Tilapia Sustainability Alliance, Kudipalem Village Cluster, Liverpool University, Maoming Tilapia Association, Moore Foundation, Monterey Bay Aquarium, Norwegian Veterinary Institute, Seafood Task Force, SeaWeb Europe, Stirling University, Sociedad Nacional de Galapagos (SONGA), Sustainable Fisheries Partnership, Tha Thong Farmers' Cooperative, Thünen Institute, University of Prince Edward's Island, Vietnam Association of Seafood Exporters and Producers (VASEP), Wageningen University and Research Centre, World Fish Abbassa, WWF Central America and WWF US, University of Zaragoza, Vietnam Fisheries Society

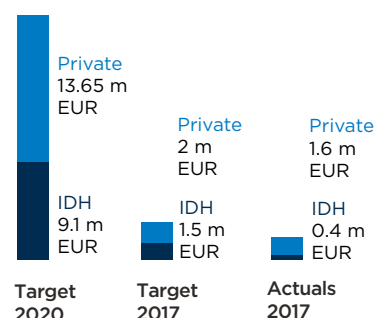
### Progress towards 2020



### Market transformation

IDH's aquaculture program aims to establish "aquascapes" to manage disease control, sustainable water management etc... on a zonal scale rather than on an individual farm level to increase sustainable impact. We address bottlenecks in the sector at a regional level by increasing collaboration between buyers to develop joint strategies for (for example) disease control, and strengthening the use of data to increase feed and antibiotic efficiency. These two interventions will reduce antibiotic use and improve feed efficiency, which both translate to input cost reductions. Moreover, disease control will bring down mortality rates, and access to data will reduce risks

### Financial Progress 2017



for new investors in the sector. By 2020, we aim to have established four aquascapes – in China, Thailand, Vietnam and Ecuador – and to have extrapolated this approach in at least one country in Africa. At global level, IDH aims to align the sector on environmental and social issues and priorities in specific geographies. We support the Global Sustainable Seafood Initiative (GSSI) to develop tools to assess geographies against internationally recognized indicators.

## Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector investments:

Target: €2 million, Result: €1,648,062

IDH partnered with China Blue (a Chinese NGO), Fish'in (the largest tilapia buyer in the world) and an IT company to address health and feed issues in China. This partnership is transforming companies from an individualistic and certification-based approach to a more collaborative and data-driven one.

In Thailand, we developed a similar partnership with the Sustainable Fisheries Partnership, the largest international shrimp buyers (Aqua Star, Beaver Street Fisheries, Seafresh group and Rubicon Resources), their suppliers, shrimp health service providers and others. They are now devoting efforts and resources towards our aquascapes approach, to promote a collaborative and data-driven regional focus to shrimp farming. Similar discussions are ongoing in the Mekong Delta in Vietnam.

## Changes in sector governance

### Number of projects initiated to adopt an aquascapes approach (Changes in policy):

Target: 3, Result: 5 projects in pipeline

As board member of the GSSI, we convinced the GSSI to move beyond benchmarking and to create global alignment on sector's top priorities. A study commissioned and co-financed by IDH and GSSI to explore how to strengthen global governance of the sector, concluded that the GSSI can play a key role in strengthening global alignment in seafood production by embracing an agenda beyond benchmarking certification schemes. A plan

on how to address this, and the role of GSSI in this agenda, is currently under development.

**“We have managed to create a lot of energy and momentum for a data driven zonal management approach amongst key companies”**

Flavio Corsin, Program Director Aquaculture

We engaged with partners in Thailand and China to develop public-private projects that focus on adopting a collaborative and data-driven approach to fish farming. We continued participating and engaging in the PPP Fish Taskforce in Vietnam, which brings together public sector, industry organizations and CSOs to address social and environmental issues, in Vietnam.

In China, the national and provincial government agencies on diseases consolidated with the Tilapia industry, China Blue, IDH and others, and initiated a dialogue on how to collaborate on addressing tilapia diseases. This interaction was a direct consequence of IDH engaging with those partners and stimulating a more collaborative and data-driven approach – an interaction that had not happened before.

In Thailand, IDH interest in developing a zone-management project to target shrimp diseases led to linking the private sector with government officials and academic expertise in disease control. The project in which the partners planned to work together was almost ready to start by the end of 2017.

The Seafood Taskforce decided to expand from Thailand into Vietnam with support from IDH, and the initial agreement by Vietnam's PPP Fish taskforce (of which IDH is a founding member) was drawn up. Through this initiative, governance of the aquaculture sector in South-east Asia was strengthened to align on issues like diseases and feed to increase sustainability in the biggest producing countries of aquaculture.

## Field-level impact

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

Target: 1,000, Result: 2,377

### Number of hectares where trained practices are applied:

Target 4,000, Result: 16,972

In Honduras and Ecuador, a series of training sessions related to occupational safety, good aquaculture practices,

first AID, ASC standard, labor laws, chemicals management, and quality control were held every month in 2017.

In India, training topics included production practices, health and safety in the workplace, chemical applications, crop planning, water and waste management and ASC certification requirements.

In Egypt, training topics covered production practices from pond construction to harvest, post-harvest social responsibility, and marketing.

## Gender

We identified that female farmers in Hai Nan, China, have a social network dedicated to sharing experiences, and we decided to leverage that network for the purposes of the project. We deliberately took gender into account when replacing a member of the IDH Aquaculture Steering Committee. In other boards or advisory bodies, we address gender when new board members are being selected.

Overall, farms are dominated by men, as they require activities like feeding or water exchange at night, which is less suitable for women in the cultural contexts in which we operate. In other business areas, women can and do play a role. In China, we found that women play a role in overseeing the finances of the business. We are now exploring whether and how this can be addressed in projects when it comes to finance.

## Lessons learned

### Data sharing

It took more effort than expected to gain the necessary commitment from the sector for a more collaborative and a data-driven approach. We decided to organize a call for proposals for a company to overcome at least some of the confidentiality challenges around data sharing.

### Alignment

Reaching agreement on the sector's priorities (like in the F&I programs) is far more challenging in a fragmented sector like aquaculture than agreeing on a method of assessing the performance of geographies on different sustainability issues. Therefore, IDH is now leading the GSSI board's efforts to develop tools to measure progress towards sustainability and to align the industry around improvement programs.

### Risk

There is growing appetite to invest in aquaculture as an efficient source of quality animal proteins, which would address growing food security challenges. Nevertheless, there is still limited understanding on the part of investors about the risks associated with the sector and on the available risk mitigation measures. We therefore focused our efforts on involving investors more closely in our aquascapes, and on creating investment guidelines for sustainable aquaculture, starting in Indonesia.



# Tropical timber

Strong alignment on increasing market share

## Impact focus



Mitigation of deforestation

Tropical forests continue to disappear and degrade at an alarming rate. Tropical timber production is one of the causes. In 2016 1870 M cubic meter of tropical wood was produced, according to the ITTO, which was an increase compared to 2015, when construction activities were low due to the recession. Tropical timber production endangers tropical forests and is often the pioneer cash earner before forests are converted into arable land.

The timber program works via a two-tiered approach to address this trend: reducing deforestation by increasing sustainable and legal supply of tropical timber, and increasing demand for verified sustainable tropical timber in Europe. IDH supports innovations in certification of forestry concessions, and promotes sustainable forest management (SFM) as part of our landscape approach. In the past year and a half, the timber program has supported the IDH landscapes to improve the business case for SFM and restoration.



### Private partners

Danzer, Wijma, Rougier, numerous other concession holders and approximately 25 companies in Europe (including Kingfisher, IKEA and Tetrapak), and European Timber Trade Federation.

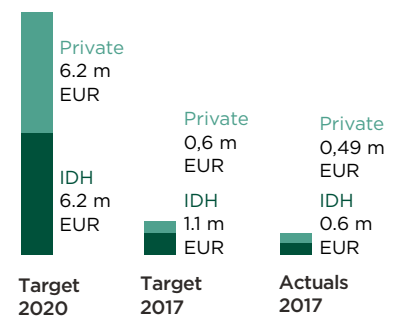
### Public partners

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

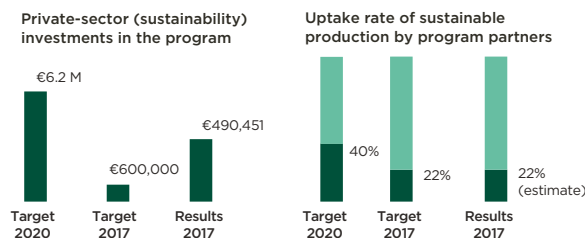
### Other partners

WWF, PEFC, Local Governments for Sustainability (ICLEI), Copade, GLZ, Association Technique Internationale des Bois Tropicaux (ATIBT), European Forest Institute, Stichting Probos, FSC International and national offices.

## Financial Progress 2017



## Progress towards 2020



## Market transformation

To drive EU sustainable tropical timber import to 50% by 2020, IDH convened the European Sustainable Tropical Timber Coalition (STTC), and is developing a monitoring tool to make EU sustainable timber import transparent. This will help to identify the market segments and/or countries where demand is lacking, and which coalitions can be forged to stimulate uptake. In the landscapes that are part of its landscape program, IDH will continue to support certification of (existing) concessions as proof of concept. Furthermore, we will start piloting scalable models that provide op-

opportunities for communities living in forest landscapes to grow trees sustainably or be (co)responsible for SFM. With these innovations at the market and production end, IDH contributes to inclusive (timber) production and sustainable forest management as integral components of sustainable landscapes.

## Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector (sustainability) investments:

Target: €600,000, Result: €490,000

### Uptake rate of sustainable production by program partners:

Target: 22%, Result: 22% (estimate)

There is renewed energy with partners, now that the construction sector and by extension the tropical timber market is growing again. In 2017, policy plans and action plans of four Timber Trade Federations and 15 other STTC partners were implemented. And Spain, France, Denmark and Germany now have policies in place for promoting market uptake of sustainable tropical timber.

New action plans (presented at the annual STTC event in Aarhus) included development of marketing materials, a new French coalition of architects and construction companies to encourage their use of sustainable tropical timber, and a network of timber trading companies in Denmark researching and promoting lesser known timber species (LKTS). Innovative and unusual partnerships were forged on promoting sustainable tropical timber.

The scientifically backed and endorsed statements on FSC timber, as collected by ISEAL's Value Impact Assessment Initiative (VIA), will make it easier for businesses to make claims about sustainable tropical timber.

In our landscapes, the concept of Production-Protection-Inclusion (PPI) Compact development, supported by the tropical timber team, has increased the relevance (and business case) of SFM in the landscapes of Indonesia, Côte d'Ivoire and Brazil.

In other landscapes, most legal and illegal logging mainly supplies local or regional markets, and there is no business case for bringing them under an FSC or PEFC certification. In 2017, we therefore developed a new part-

nership with the WWF New Generation plantation platform and the Land Degradation Neutrality Fund, to work with certified timber-producing companies to become active in meeting local and regional demand for timber.

## Changes in sector governance

### Development of and compliance with voluntary and legal standards:

Target: 2, Result: 1

The STTC consists of 80 members, mainly private-sector companies and municipal governments. In 2017, the European Timber Trade Federation (ETTF) discontinued as implementing partner of the European STTC, and IDH took over. Governance will be developed in 2018, including strong roles for ETTF, ATIBT, FSC and PEFC.

The fifth European STTC meeting saw strong alignment on increasing the market share of verified sustainable tropical timber:

- Increased sharing of information, tools and technical research between STTC partners and more collaboration to promote the use of verified sustainable tropical timber;
- Improved data on EU uptake;
- Alignment on FLEGT in relation to promoting verified sustainable tropical timber;
- Shared lobby and advocacy for better policies, including on public procurement.

IDH signed the Sustainable Forest Management covenant in March 2017, which is building on our active involvement in the "Green Deal" Sustainable Forest Management.

IDH supported the development of the Pan-African Forest Certification (PAFC) in Gabon. This included accreditation with the French agency COFRAC; producing an interpretation guide of the standard; outreach to increase the interest of companies in order to become accredited, and vice versa. The development of PAFC Gabon was accelerated due to the intact forest landscape discussion within FSC, in which many African concession owners feared for their business case.

## Field-level impact

### (See also our landscape chapters)

Certification initiatives were contracted to meet our target: the first ever African PAFC certification was achieved by three forestry companies in Gabon. The RDS Juma is a conservation unit for sustainable development administrated by the Secretary of Environment (SEMA) of the Amazonas State in Brazil. This

would have been the first conservation unit to be FSC Certified. However, due to political issues and a lack of resources within SEMA, progress was limited. IDH therefore decided to discontinue the project in early 2018.

## Gender

In 2018, gender is a criterion in the timber program's request for proposals. Applicants need to describe whether they are aware of gender risks and opportunities, and how they will address and leverage these as part of their project strategies.

## Lessons learned

### Business case:

The business case for SFM continues to be under stress, stemming from lagging demand and high operational costs. In addition to SFM, there is a need for innovative forestry business models that contribute to forest cover in the landscape, as well as increased participation of smallholders, SMEs and communities in commercial tree-planting schemes, and that supply regional and local markets.

### Flexibility:

Working with private sector and governments means working in a constantly changing landscape of stakeholders. In 2017, priorities of companies and other stakeholders changed due to changes in market demand, NGO campaigns, legal action against illegal imports, the discussions around FSC's intact forest landscapes motion, changes in government policies, and government (in)action on implementing policies.



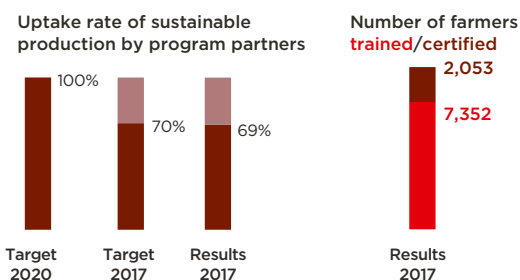
# Palm Oil

Heading for a globally sustainable industry

Indonesia and Malaysia jointly produce 84% of the world's palm oil, at 32.4 and 17.1 million metric tons respectively. 19% of the production is certified by the Roundtable on Sustainable Palm Oil (RSPO), most of which is sold to Europe, the second largest buyer of palm oil (17%). In 2015, the European Sustainable Palm Oil project was initiated, leading to a private-sector palm oil pledge to achieve 100% sustainable palm oil across Europe by 2020. The production-side objectives include transparent land titles, forest and peat protection, and smallholder inclusion. The private-sector initiative is supported by various European countries through the signing of the Amsterdam Declaration. Currently, 69% of the 2016 European palm oil imports for food were certified as sustainable.



## Progress towards 2020



## Market transformation

Denmark, France, Germany, the Netherlands, Norway, the United Kingdom, and (since 2017) Italy have already committed to support the uptake of sustainable palm oil in Europe. To achieve the goal of 100% sustainable palm oil in Europe by 2020 (palm oil that is traceable to plantation level, with mill level as an intermediate step), IDH is focusing on the largest European offtake markets that have not yet made this commitment, such as

## Impact focus



Mitigation of deforestation



Smallholder livelihoods

### Private partners

Ahold Delhaize, Alliance Francaise Pour une Huile de Palme Durable, Belgische Alliantie voor Duurzame Palmolie, Caobisco, Carrefour, Cofco, COOP, Danone, Fediol, Ferrero, Food and Drink Federation, Fodevarer, Fundación Española del Aceite de Palma Sostenible, Imace, Indofood, Italian Union for Sustainable Palm Oil, J&J, Livsmedelforetagen, Marks & Spencer, Mars, Neste Oil, Nestle, Norwegian Initiative for Sustainable Palm Oil, Pepsico, Proctor & Gamble, Swedish Initiative for Sustainable Palm Oil, Unilever, , traders and growers listed in the Indonesia landscape chapters.

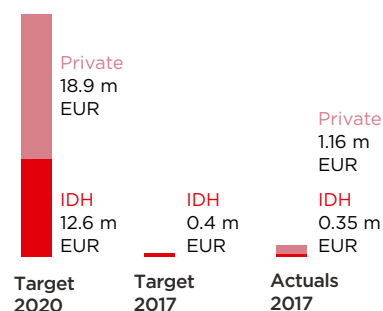
### Public partners

Governments of Belgium, Denmark, France, Germany, Italy, Norway, the Netherlands, Spain Switzerland, UK, and the EU

### Other partners

Consumer Goods Forum, EPOA, ESPO, MVO, RSPO, ISPO, TFA 2020, WRI, Amsterdam Declaration secretariat. NGOs that support at the production end of the supply chain are mentioned in the Indonesia landscape chapters. At the market end we align with NGOs such as WWF, Solidaridad, Oxfam

## Financial Progress 2017



Spain and Poland. Furthermore, we aim to link market demand to regions where farmers and governments are balancing production, protection and inclusion. We do this by linking the market demand to Verified Sourcing Areas (VSAs), and by strengthening our engagement with other major buyers of palm oil, such as India, China and the Indonesian domestic market. To benefit both the forest and the farmers, we will also continue our work with palm oil producers in Indonesia to get more smallholders RSPO and ISPO (Indonesian Sustainable Palm Oil) certified. In order to help farmers apply new agricultural practices and put a stop to deforestation, investments will be needed. Finally, through our landscape work we will create the enabling environment for sustainable palm oil production. Land-use planning, policies and enforcement thereof are crucial to enable transition in the sector.

### Relevant Sustainable Development Goals



### Changes in business practices

During 2017, IDH developed and refined the Verified Sourcing Area (VSA) concept. A VSA is a defined area or jurisdiction where production meets relevant sustainability criteria. By verifying at landscape level rather than individual farmers, this system will be cheaper to implement and lift the entire region, not only the frontrunners. This means that sustainability targets related to good agricultural practices, forest and peat protection, and governance itself can be much more ambitious in scale and wider in scope. No supply chain companies have applied VSAs yet, but the IDH-led Sustainable Landscapes Working Group (previously the Traceability Working Group) in the palm oil sector recognizes the need for landscape-level verification, for example, and set targets and milestones for action in 2018. We've also set up a think-tank on VSAs with large brands and retailers, initially focusing on soy and palm oil. This led to the development of a concept note and clear next steps for 2018, including the setup of a global VSA working group.

To drive the uptake of more sustainable palm oil in Europe, IDH and MVO (the Netherlands Oils and Fats Industry) initiated the European Sustainable Palm Oil (ESPO) project in 2015. To achieve the goal of 100% sustainable palm oil in Europe by 2020, ESPO implements a monitoring system to gain insight on the share of certified

sustainable palm oil products and derivatives used in Europe. The first ESPO monitoring report was presented at the European Palm Oil Conference in November 2017, presenting figures and progress on certified sustainable palm oil per country in 2016. This was the first time that data on sustainable commodity imports was available in this way. Providing aggregated, Europe-wide figures is an important achievement in itself, and is critical for strategy development and monitoring. The report shows, for example, that Europe imports 69% certified sustainable palm oil (2.5 metric tons) for food.

**“With the support of ESPO initiated by IDH we will continue to facilitate and support actions to improve sustainable production and achieve 100% sustainable palm oil imports in 2020.”**

Frans Claassen, Managing Director MVO  
(Dutch Oils and Fats Industry Association)

IDH also co-funded a number of field-level projects in Indonesia, aimed at improving sustainability (including certification) and productivity of smallholders and mills.

### Changes in sector governance

The ESPO project's sector governance-related activities include supporting national initiatives to develop and implement specific, time-bound and cost-effective action plans to achieve 100% sustainable palm oil per country by 2020. For example, the Spanish National Initiative was created in 2017 and is taking its first steps. The French Alliance for Sustainable Palm Oil has been entrusted to oversee the Economic Activities Working Group, which is part of French national plan against imported deforestation (developed by the French National Group on Tropical Forests).

The European Parliament adopted the report on “Palm oil and deforestation of rainforests”. Together with its European partners, ESPO has managed to include statements that support sustainable palm oil in the resolution. EU member states are called upon to ratify the Amsterdam Declaration and to introduce obligatory requirements favoring sustainable palm oil in national public procurement procedures. IDH also concentrated on gaining endorsement for the Amsterdam Palm Oil Declaration from European countries, and facilitating the dialogue on sustainable palm oil in Europe between the various stakeholders, including upstream and downstream partners and relevant NGOs. In 2017, Italy signed the Amsterdam Declaration, which is an important step



considering the political sensitivity around palm oil, and the country is starting to move towards sourcing more sustainable palm oil.

IDH also contributed to drafting the national action plan on Palm Oil in Indonesia – the aim is for formal adoption in 2018. We have also been asked to support ISPO strengthening through partnership with national government.

## Field-level impact

IDH aims to link market demand to regions where farmers and governments are balancing production, protection and inclusion. We do this with Verified Sourcing Areas, linking production through a physical trade flow to the (European) market. In 2017, we developed and refined the VSA concept. Retailers, consumer goods companies and governments have embraced the concept and are very positive about its future. And while no companies have committed to sourcing from a VSA so far, Unilever and M&S did launch a general statement of support for jurisdictional sourcing.

As a result of the field-level projects, and in collaboration with the private-sector companies, we contributed to the production of 35,000 metric tons of certified/verified sustainable palm oil, the training of 7,352 farmers on good agricultural practices, 2,053 certified (or in the process of certification) farmers, and an area of 2,798 hectares where certified palm oil is produced.

At the beginning of 2017, only around 1,500 independent smallholders were certified worldwide (within and outside of our program). By implementing sustainability projects, we managed to increase certified numbers worldwide by 137%. We realized this by innovating at supply-chain level, for example by using local traders (aggregators) to support training and sustainability outreach. We have brought our cost per farmer down by almost ten times between the first and most recent projects.

In addition, one of the projects revealed that using a belt press in the production process can reduce greenhouse gas (GHG) emissions from palm oil mills by 25.5%. Part of this project was also the development of the first prototype to enable mill operators to calculate the impacts on GHG savings.

## Gender

In our field-level projects in palm oil, at least 728 female farmers have been involved in training. We have no data on explicit gender analysis prior to starting the palm oil field-level projects. From now on, we will require implementing partners to conduct this analysis at the start of new projects, most feasibly under the umbrella of the landscape program in Indonesia.

## Lessons learned

### Trust

Trust-building is critical. Co-funding can play an important role in building that trust since this demonstrates commitment to execute actions.

### VSA

Development of a VSA proved to be more complex than anticipated. It is necessary to develop the logistics and operational model of the VSA before the roles for downstream and upstream actors can be defined.

### Smallholder inclusion

RSPO certification remains a challenge for smallholders. In particular, the ongoing costs of audits (which are typically US \$7,000-15,000 each year) are a significant burden while premiums remain low. To make new models of smallholder inclusion, such as the VSAs, a success, they will need strong links with the market end alongside cost-effective verification methods.



# Soy (market end)

## Impact focus



Mitigation of deforestation

Soy production has been (indirectly) associated with large-scale deforestation in producing regions, alongside other serious social and environmental issues, like forced labor and pesticide use. The soy moratorium in the Brazilian Amazon and several standards for responsible soy production (such as the Roundtable on Responsible Soy, Proterra, Sojaplus and ISCC) were the initial reaction. A more recent initiative is the Cerrado Manifesto, a call for action from Brazilian civil society which currently has the support of 61 retailers and brands. While the moratorium has effectively reduced the link between soy and deforestation in the Brazilian Amazon, the uptake and sourcing of sustainability schemes has never reached mainstream levels. Currently RTRS accounts for 0,6% of all global soy production.



## Progress towards 2020



## Market transformation

IDH aims for 50% of EU imported soy to be legally compliant, according to FEFAC guidelines and/or equivalent. This requires a mainstream solution. European and Brazilian parties, representing about 90% of the EU soy imports and a substantial share of Brazilian soy production, have signed an MoU on sustainable production and trade. This allows us to support mainstream solutions and market uptake. By working closely with CGF and TFA2020, we make sure that brands and retailers support this transition and provide market incentives, for instance. To deliver these incentives in areas near forest and with farmers, we developed Verified Sourcing Areas (VSAs). The first VSA for soy is under development together with Aprosoja.

### Private partners

Aapresid, AB-Agri, ABIOVE, ADM, Agrifirm, Agrex, Ahold-Delhaize, AIBA, AIC, Aldi-Sud, Amaggi, APDC, Aprosoja, Arla, Asda, Bel Company, Bemefa, Bunge, C1000, Cargill, Carrefour, CAT Sorriso, Cefetra, Centrico, Cofco, Coop, Dakofo, De Heus, DVT, Fapcen, FEDIOL, FEFAC, FHL, Fiagril, ForFarmers, Friesland Campina, Jumbo, Kiñewen, Kumagro, Lántmannen, Lidl, Louis Dreyfus, MVO, Marks & Spencer, Nevedi, Nidera, Nutreco, NZO, Payco, Rabobank, Sainsbury's, SNIA, SuperUnie, Syngenta, Tesco, Unilever, Viluco, and Vion.

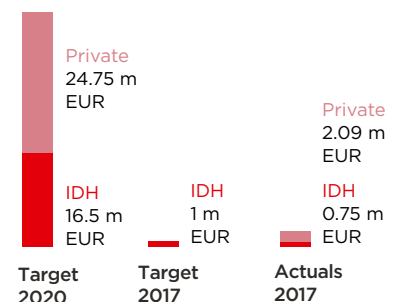
### Public partners

Federal, state, and municipality governments in Brazil, Dutch and Norwegian Embassies in Brazil.

### Other partners

Consumer Goods Forum, RTRS, Proterra, TFA 2020, Amsterdam Declaration Secretariat, Aliança da Terra, Both Ends, FMB, IPAM, ISA, IUCN NL, Natuur & Milieu, ProTerra Foundation, Solidaridad, TNC, Tropical Forest Alliance TFA, WWF, and St. Ketentransitie Verantwoorde Soja.

## Financial Progress 2017



## Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector (sustainability) investments:

Target: NA, Result: €2,090,890

### Uptake rate of sustainable production by program partners:

Target: 52.5%, Result: FEFAC started monitoring the total amount of responsible soy sourced in Europe; report forthcoming in Q2 or Q3 2018

IDH convened front-running European retailers to conduct a footprint analysis of their soy sourcing and identify next steps. Both Tesco and Marks & Spencer used the footprint analysis to adapt their sourcing policies. In addition, it has served as an inspiration for the soy sector in the UK, which has set up a roundtable. EU soy buyers are known for their sustainable engagement, but also for failing to actually source it. To further drive responsible sourcing, we convened a think-tank with brands and retailers that identified that buyers can either source RTRS or equivalent (1), FEFAC compliant (2), and/or work towards regional sourcing (3). This includes a continuous improvement approach and sourcing from mainstream farmers which initially met with resistance, but now it is recognized that most Brazilian farmers are far from RTRS levels, and that becoming legally compliant is the largest and most important first step. To drive legality and then continuous improvement towards RTRS levels, a more direct link to production is needed than the book-and-claim system. The new VSA approach is an important step in that direction.

IDH provided co-funding to support the benchmarking of several soy standards against the FEFAC sourcing guidelines. 17 soy schemes (producers and traders schemes and certification standards) were benchmarked, and four others are in the pipeline. All schemes, except Aapresid's Agricultura Certificada and RTRS, had to make significant changes. With Louis Dreyfus also becoming benchmarked, all major traders are covered. Still in the pipeline, Aprosoja's Soja Plus scheme is considered the largest farmer scheme in Brazil. The benchmarking has led to strengthened environmental awareness and acceptance of the Forest Code.

IDH set up an internal VSA working group, initially focusing on soy and palm oil. This resulted in the development

of a concept note and clear next steps, including a plan to engage traders in Brazil (scheduled for April 2018).

## Changes in sector governance

### Application of voluntary standards on sustainable commodity:

Target 15, Result: 17

IDH was able to convene a unique coalition of FEFAC (the EU feed industry), FEDIOL (the EU crushers), Aprosoja and ABIOVE to sign an MoU to align efforts on transforming the Brazilian-EU soy market. It is the first time that a direct, formal working relation has been established between Brazilian soy producers and key European soy purchasers. As a result, a supply chain model facilitating a more direct link between buyers and producers is under discussion, and discussions will continue based on the progress of the Sorriso VSA pilot with Aprosoja.

With IDH support, FEFAC was able to work with all its member countries on scaling up sourcing of responsible soy. With soy now being a priority commodity of the Amsterdam Declaration Group, several national associations, but most notably that of France, have been empowered to push this agenda. France's association, Duralim, made a zero-deforestation commitment – which is unique for a feed association.

## Field-level impact

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

Target: 800, Result: 1341 farmers

### Number of hectares where trained practices are applied:

Target: 1.5 million, Result: 461,603 under good agricultural practices; 18,127 protected; 142 degraded forest and riparian areas

As part of its Soy Fast Track Fund III program, IDH co-funded seven projects that piloted sustainable landscape approaches in the Brazilian states of Mato Grosso and Bahia and in the eastern region of Paraguay. Several landscape plans were developed, mapping a total of 43,000 hectares of assets and 277,000 hectares of legal reserve liabilities in Lucas do Rio Verde and Querência municipalities, and elaborating on regularization scenarios for those liabilities. We developed a study for geospatial planning aimed at the connectivity of the landscape in Carlinda, Paranaíta, and Alta Floresta municipalities. We elaborated the strategic plan for forest restoration in the Alto Teles Pires and Alto Juruena regions, and a plan for organization of productive chains in Querência settlements. We shared the lessons of these first field-level landscape pilots in a report<sup>1</sup>.

1. First field level landscape pilots report available in <https://www.idhsustainabletrade.com/resource/learning-report-first-landscape-projects-soy-english/>

In 2016, the Soy Fast Track Fund I&I project was closed. In June 2017, we published a report<sup>2</sup> for the European stakeholders on the benefits of certification and IDH's next steps.

## Lessons learned

### Lack of demand

2020, with its deforestation commitments and claims, is coming closer and closer. Yet the producers in South America see a lack of demand for their responsibly produced soy. Although Europe is at the forefront of (verbally) demanding it, actual sourcing of responsible soy is

lagging. Change is needed soon, before the industry gets tired of empty demands.

### China

Europe is not the biggest buyer of soy: China imports three times as much. To mainstream responsible production, China must be involved.

### Trust

Trust is key: the Brazilian stakeholders' (Aprosoja and Abiove) trust in IDH allows us to move forward, but it is also something we need to carefully maintain.

2. Soy Fast Track Fund Learning report for EU partners available in: <https://www.idhsustainabletrade.com/resource/soy-fast-track-fund-learning-report-eu-partners/>

# Case studies: Vietnam and Indonesia

# Vietnam

## Driving public-private partnerships for sustainability in global export sectors

From 1986 on Vietnam initiated a series of economic and political reforms which led to Vietnam's economic growth rates, that have been since 2000 among the highest in the world. Vietnam is a major exporter of agricultural products. It is the world's largest producer of cashew (30% of global supply); the largest producer of black pepper, and world's 2nd largest exporter of coffee after Brazil. The Vietnamese Mekong Delta also generates 95% of globally farmed pangasius. Other primary export crops include tea and rubber. Manufacturing, information technology and high-tech industries have especially boomed in the last decade.

IDH runs commodity programs in coffee, tea, pepper and cashew in Vietnam and a landscape program in the Central Highlands. We work on working conditions and environmental management in the apparel sector.

IDH is a key driver of Vietnam's Partnership for Sustainable Agriculture (PSAV), formed in 2010 with the World Economic Forum and co-Chaired by MARD. PSAV, is comprised of over 60 companies, provincial governments, the national research institute, international organizations and NGOs. It focuses on six crops and two cross-cutting themes of agri-finance and agrochemicals and is formulating a national sustainability curriculum. According to Mr Hieu "IDH is the most active member and plays an important role in building the NSC to align trainings on responsible farming practices and agrochemical use. They bring in practical experience and knowledge".

The NSC for tea and coffee are officially approved by the Vietnam government and are used by extension workers. Guidance on the responsible and effective use of agro-chemicals was included as an important component of this NSC.

The Vietnam government has put great efforts in training farmers in Good Agricultural Practices (GAP) to improve productivity. Still two large sustainability issues are associated with agriculture in Vietnam: water use and responsible agrochemical management.

IDH in Vietnam works closely together with the Ministry of Agriculture and Rural Development (MARD) to align public and private efforts to bring down Minimum Residue Levels (MRLs) that hamper export. IDH co-chairs a

public-private task force that focus on 7 key commodities. We organize public private consultation to review legislation on pesticides. And with the Plant Protection Department of MARD we are developing an App that informs farmers on which agrochemicals are to be used (and which not) for access to international markets, and how to apply them. Dr Duong, vice director of Vietnam Plant Protection Department (MARD): "IDH brings in the experiences of responsible agrochemical policies from other countries. IDH also runs pilot programs with companies in pepper and tea to try new cost-efficient ways of training farmers. They also organize regular dialogue to identify problems and ways of solving them".

"One of the biggest problems with pesticides in Vietnam", according to Ms Nguyen Thi Anh Hong, vice chair of the Vietnam Tea Association, "is that the agrochemical packages in Vietnam are unreliable.



We analyzed the content of 10 containers of agrochemicals and compared them with the label. With only two the label matched with the ingredients! So supported by IDH, we have developed Agriteams to help with the application of white listed fertilizers and agrochemicals. We also tested new agrochemicals on pilot plants, and together with IDH, Unilever and MARD we started a PPP Taskforce on Tea and are defining a National Curriculum on Tea."



The IDH agri-team approach proves very successful and is applied on 10% of Vietnamese tea production. Results include 20% productivity increase and no restricted MRLs found. The Plant Protection Department and VITAS are calling for upscaling the approach to other tea areas in Vietnam.

From agrochemicals to the second key sustainability issue in Vietnam. As we speak pepper is harvested and yields are dramatically low because of unexpected draughts. The main problem with water in Vietnam is that coffee, pepper, tea and other crops don't suffer from a lot of water, but will die if they don't get enough. So farmers are inclined to over-irrigate. This can cause severe water shortages. One way of dealing with this is to introduce water saving drip irrigation through so called drip nets. IDH works together with ECOM to roll out drip nets on irrigation plots and on 60 farms in Lam Dong, one of the provinces where IDH runs a landscape program. Through drip nets we can organize water and liquid fertilizer and agrochemicals application, electronically. In this way we can avoid over irrigation and organize responsible agrochemical use at the same time. 'Laurent Bossolasco, Sustainability Manager at ECOM: "We would have never taken the financial risk without IDH its co-funding. IDH also provides cooperation between companies, so they can learn from us, and we learn from them. IDH also organized the expertise needed to design and roll out the drip nets. They had a very smart way of going about with this."

Another way of saving water is to price it. But what should be the price of water for farmers and how to create a fair pricing system? IDH organized public private consultation and brought in international experts to help MARD define a fair water pricing policy. The conclusion was that prices can only be fair if they are calculated according to water use and if the money collected will be used to provide water services like pumps and irrigation systems. This will require huge investments. And IDH helps with designing de-risking arrangements to trigger impact investors to co-finance these systems. Le Thi Kim Cuc Director of the Directorate of Water Resources at MARD: "IDH supported us with designing the water pricing policy, by sharing expertise and best practices on water pricing from around the world. They also helped us pilot water pricing projects in the Central Highlands. I know the local leaders in Lam Dong and Daklak have high appreciation for the work of IDH".

An overarching issue in Vietnam is data. "Not only the accessibility of data", says Dr Tuan, former Director of Vinafis, the Vietnam Fisheries Society, "but also how to analyze them and give feedback to farmers. We get environmental data from multiple sources. The question is what kind of parameters do they use? And how can we align research, so it offers meaningful results that can be shared with fish farmers to improve their environmental

performance? Especially on disease control. IDH is coordinating all partners to solidify research, and they connect us to international shrimps and pangasius buyers."



Data also play an important role in the apparel industry to increase sustainability. With the Race to the Top Program IDH proved with data that smart investments in water and energy savings, and investments in Worker Management Dialogues (WMD) can be earned back fast. The mill improvement program of Race to the Top, included projects around energy efficiency, air emissions and wastewater effluent treatment for textile mills and laundries. The participating mills reported huge savings in water, electricity, coal, wood and natural gas used. In factories where WMD was implemented the staff turnover reduced and the quality of the products improved. On average, sustainability investments have a return on investment of 1.5 years. IDH has started to support apparel factories in improving life and building safety. In 2017, the inspection for life and building in factories has mostly completed, and improvement plans are ready for implementation in 2018. Next to that IDH is working with the Vietnamese government to lead the industry away from using and discharging hazardous chemicals. In the RTTT program, we bring together brands, the Ministry of Natural Resources and the Environment, Ministry of Industry and Trade and Ministry of Labour, Invalids, and Social Affairs together with sector associations and CSOs to identify solutions and recommendations for a more sustainable Vietnamese apparel sector. Together with the Leather and Footwear Association (LEFASO), we provided support for sustainability monitoring and using key metrics from the Higg Index and Zero Discharge of Hazardous Chemicals tools in the Vietnamese footwear industry.

Data driven solutions that can prove that agriculture and manufacturing in Vietnam become more and more sustainable. That may be the future for Vietnam and for its partnership with IDH.

# Indonesia

## Sustainability is no longer an extra demand from European buyers

Indonesia is the world's largest island country with almost 2 million km<sup>2</sup>. And with over 261 million people, it is the world's 4th most populous country. Palm oil, pulp and paper, forestry and other commodity production is important to the economy as Indonesia is the world's biggest producer and consumer, providing about half of the world's supply. Much of Indonesia's deforestation and peat land degradation is caused by destructive natural resources exploitation which is degrading ecosystems and causing social problems. Expansion of such destructive natural exploitation and the consequential deforestation also threatens the survival of indigenous and endemic species, including the Sumatran orangutan. But change is coming...

In 2017 IDH ran six commodity programs in Indonesia: Aquaculture, Cocoa, Coffee, Fresh & Ingredients, Palm oil, Pulp & Paper, and three landscape programs in Aceh, South-Sumatra and West-Kalimantan. In these programs IDH Indonesia is trusted partner for government at different levels, development partners, local and international companies, and civil society organizations. They drive public private partnerships to work towards sustainable production of these commodities, connecting sustainable produced commodities to international markets. In our three landscapes we work through signing Green Growth Plans (GGPs) with district level governments, building Production, Protection and Inclusion (PPI) compacts in these jurisdictions, and preparing for Verified Sourcing Areas (VSAs), towards sustainable landscape management to protect and restore forests and peatlands, create/secure wildlife corridors and build alternative livelihoods for forest dependent communities.

Clearly the Innovative Finance agenda has unlocked new energy amongst public and private stakeholders

Fitrian Ardiansyah, Chairman of Executive Board of IDH Indonesia : "In 2017 we saw the government of Indonesia increasing its sustainability efforts. IDH was able to sign Green Growth Plans with the governors of South Sumatra, West Kalimantan and Jambi which creates the most vital, high level political support for our landscape approach. The Indonesian government is re-thinking its concession policy (following the moratorium policy and

boosting productivity ), and is actively reaching out to farmer communities to give them land titles or as part of social forestry program. Furthermore the government starts to free up budgets for extension services to commodity farmers, to help them increase their yields and farm more sustainably. The public private cooperation that IDH has convened in recent years, and the early successes we achieved, are aligned perfectly with the governments' increasing sustainability efforts."

Indonesia is the 4<sup>th</sup> largest coffee producer in the world. To increase sustainability in coffee production IDH convened national and regional governments, and companies to roll out the National Sustainability Curriculum (NSC) on sustainable Arabica coffee farming (which represents 25% of Indonesia coffee production). In the context of that we organized the training of 184 master trainers that will train lead farmers to train hundredthousands of smallholder coffee farmers in Good Agricultural Practices (GAP). IDH is now working with blockchain to build a baseline to establish our future impact in 2018, 2019 and beyond. After last years' roll out of the NSC for Robusta coffee (representing 75% of Indonesians coffee production), IDH managed through public and private extension services to support the training of 240.000 Robusta coffee farmers. "IDH has been very supportive to the roll out", says SCOPI Executive Director Veronica Herlina "IDH is the connector between companies and the government. They provide learnings from innovative pilots they run with companies on the ground. And through their connection to the GCP they help to exchange experiences between different national platforms".



In cocoa IDH actively drove the Cocoa Sustainability Partnership (CSP) Task Force, which resulted in a recommendation for the use of cocoa fertilizer. This recommendation will be used by CSP company members to develop a cocoa fertilizer formula, which will be scaled nationwide. CSP also launched the NSC and training modules for sustainable cocoa cultivation and post-harvest processing. This is a government-endorsed curriculum that will be used nationwide throughout agricultural vocational schools.



Next to the other commodity work of IDH in Indonesia, our efforts in palm oil and on landscapes require the most capacity of the team in Jakarta. Clearly the Innovative Finance agenda has unlocked new energy amongst public and private stakeholders, to increase efforts to halt deforestation.

**Sustainability in Indonesia is no longer seen as an extra demand from European buyers.**

IDH has been instrumental in building that agenda through launching the andgreen.fund in Davos. “What also helps is that other NGOs are keen to work with companies to find solutions”, says Fitriani Ardiansyah, “but also hold governments accountable for deforestation and other environmental issues. And people themselves are beginning to see the effects of climate change. The haze for one and the washing up of plastics on the shores of Bali each year. Sustainability is no longer an extra demand from European buyers. Indonesians have clearly voiced out the need for a better environment. To leverage this new energy it is essential to have the trust of the government, local private sector and communities. That is why it is so important that we are here.”

IDH works in West Kalimantan with the Indonesian government and convened 10 palm oil and forestry companies to provide input on green growth in the district-level Essential Ecosystem Zone (Kawasan Ekosistem Esensial, KEE) action plans. Companies in adjacent concessions are actively working together on forest and peatland protection and restoration. They will reduce their production areas and develop alternative business models with communities. They do this within and beyond the scope of their concessions, and will set land aside for protection, endorsed by the local government. Restoration company PT EKL and forestry company PT KLIA changed their operation plans to restore their mangrove swamps, in favor of a proboscis monkey corridor. Forestry company PT BSN changed its operational plan, to set aside a part of its production area to protect peatland. We work together with local IP Sampan, to build alternative livelihoods for forest dependent people, in support of the Forest Village Program of the government of Indonesia. Denni Nurdwiansyah, Director of Sampan: “Basically IDH helped us to design a program that can be economically sustainable for the next 35 years. They made us think like a company: how can we manage a very large concession sustainably? And they connected

us to companies and international markets for the forest village products.”



On a national level IDH reorganized the Traceability Working Group on Palm Oil into a Landscape Working Group to align companies and share knowledge on how to make a landscape approach a viable business case. GAR is one of the companies in the LWG. Daniel Prakarsa, Commercial Sustainability Lead of GAR: “It is quite unusual to sit around the table with your competitors like Wilmar and Musim Mas, people you normally avoid. So I didn’t think it would work. But actually the Working Group was very helpful. It would have taken us much longer to establish traceability to our mills and to understand how we it could work for us. I doubt if any other organization than IDH could have pulled that off. I feel very educated. And there is much more dialogue between companies. I think the next step is that environmental services need to be priced.”.

Fitriani Ardiansyah: “In 2018 IDH expects to launch the first Verified Sourcing Area (VSA) here in Aceh. It will be great achievement for IDH and for the Indonesian government to be able to launch the very first VSA in the world, together with Indonesian officials at our November congress. I am looking very much forward to that.”.



# Landscape Programs



# West Kalimantan, Indonesia

A model to be replicated in many areas in Indonesia

## Impact focus



Mitigation of deforestation

The province of West Kalimantan in Indonesia spans a surface area of 14.7 million hectares. Although deforestation in the past decades has been significant, there are still large areas of forest (almost 5 million hectares) and peatland (1.7 million hectares). The forests and peatlands of West Kalimantan are important carbon stocks. Moreover, its forests are home to endemic and endangered species such as the Bornean orangutan and the Proboscis monkey. The program focuses on the districts Kayong Utara, Ketapang, and Kubu Raya.



### Private

APHI, APP, Bumitama, Eagle High Plantations, GAPKI, GAR, PT Bina Silva Nusa, PT Kandelia Alam, PT EKL, PT Mayawana Persada, PT MTI, PT PAS, PT WSL, PT KNJ, and PT KAL.

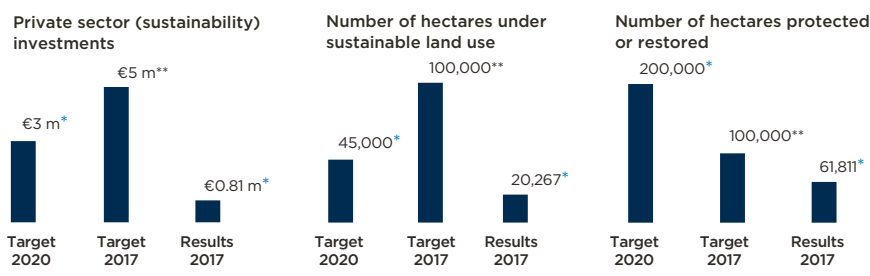
### Public

District governments of Ketapang, Kubu Raya and Kayong Utara, Ministry of Agriculture, Ministry of Environment and Forestry, Peatland Restoration Agency (BRG), and provincial government of West Kalimantan.

### Other

Aidenvironment, Belantara Foundation, Gaia dB, Hatfield, International Animal Rescue, Kemitraan Partnership, Sampan Kalimantan, Bentang Kalimantan, IJ REDD+, Tropenbos Indonesia, and WWF Indonesia.

## Progress towards 2020



\* West-Kalimantan \*\* All Indonesia

## Market transformation

Through convening a Green Growth Plan with the district government, creating PPI Compacts in the area and linking them via Verified Sourcing Areas to the market we aim to: intensify land use, create alternative livelihoods for forest dependent people and conserve 190,000 hectares of HCV/HCS forest and peatland, restore 10,000 hectares of forest and peatland, improve sustainable agricultural production on 45,000 hectares, and improve livelihoods of 10,000 smallholders and community members<sup>13</sup>

13 PPI in West Kalimantan video <https://www.youtube.com/watch?v=drTJB6DaSYQ>

## Relevant Sustainable Development Goals



## Changes in business practices

### Number of business cases developed:

Target: 3 (For all Indonesia), Result: > 4

### Number of co-investments by private companies:

Target (all Indonesia): €5,000,000, Result: € 811,671 (West Kalimantan)

Companies in adjacent concessions are actively working together on forest and peatland protection and restoration. They will reduce their production areas and develop alternative business models with communities. They do this within and beyond the scope of their concessions, and will set land aside for protection, endorsed by the local government (not “using” your concession is illegal in Indonesia).

Restoration company PT EKL and forestry company PT KLIKA changed their operation plans to restore their mangrove swamps, in favor of a proboscis monkey corridor in the WWF project. Forestry company PT BSN changed its operational plan, to set aside a part of its production area to protect peatland.

IDH convened 10 palm oil and forestry companies to provide input on green growth, in the district-level Essential Ecosystem Zone (Kawasan Ekosistem Esensial, KEE) action plans.

We researched and tested peat forestry conservation and restoration best management practices, and how to generate income from ecosystem restoration. The project supports changes in commercial land-use allocations, identifying areas for production, protection and restoration.

Palm oil grower Bumitama featured its biodiversity corridor/landscape project with IDH in its 2016 Annual Sustainability Report.

## Changes in landscape governance

### Number of landscape plans developed and operationalized:

Target: 2 (green growth plan and PPI Compact), Result: One green growth plan in development and Four KEE plans and land-use plans in progress

IDH supported the province of West Kalimantan with developing a green growth plan (GGP), setting targets on reducing deforestation and peatland degradation and

emissions, and sustainable economic development with public- and private-sector input. The plan was finalized at the end of 2017 and will result in revisions of land-use plans. It will be used as a platform for aligning activities and investments by government, companies and donors in the province.

**The President of Indonesia praises the 10 forest villages in West Kalimantan (and implicitly the work of IDH) as a future model to be replicated in many HCV areas in Indonesia.**

In the context of the GGP, IDH supported provincial and district governments to establish KEE areas that allow for multi-stakeholder management of HCV/HCS areas outside national parks and wildlife sanctuaries, and create legal support for palm concessions to conserve forest. This will result in a legal status of about 500,000 hectares of protected forest and peatland.

IDH supported 10 forest villages to sustainably manage a 76,000-hectare village forest permit granted for 35 years by the Minister of Environment and Forestry. The President of Indonesia praised the alternative incomes of the 10 forest villages (and implicitly the work of IDH) as a future model to be replicated in many KEE areas in Indonesia.

## Field-level impact

### Number of hectares under sustainable land use:

Target (all Indonesia): 100,000, Result: West Kalimantan: 20,267

### Number of hectares protected or restored:

Target (all Indonesia): 100,000, Result: 111,635 (direct) and 45,212 (indirect) protected, 4,964 restored

IDH co-funded five field-level projects with forestry and palm oil companies and local communities, piloting PPI innovations, covering more than 110,000 hectares of mangrove and (peat) forest.

We drive a multi-stakeholder platform in the Kubu Raya district to help protect and restore a critical biodiversity corridor, and enhance communities' livelihoods in cooperation with timber, mangrove and acacia companies and NTFP production.

In the Ketapang district, we co-fund a project implemented by Bumitama Gunajaya Agro and Aidenvironment to rehabilitate and manage a wildlife corridor for orangutans and other species between the two forest areas with the neighboring concessions, improving small-holder productivity and providing alternative livelihoods.

In Kayong Utara district, we work with palm oil plantation company PT PAS, aiming to conserve 12,000 hectares of HCVAs within three concessions with a total area of 42,899 hectares. PT PAS works on social conflict management with villages adjacent to the HCVAs, securing a legal status for the area (for example, as KEE), and the development of business models to reduce the conservation costs (selling carbon and biogas installations).

**“Basically, IDH helped us to design a program that can be economically sustainable for the next 35 years. And they connected us to companies and international markets for the forest village products.”**

Denni Nurdwiansyah, Director of Sampan

In Kubu Raya, IDH works with five forestry concessions in a 320,000-hectare area, supported by the NGO Kemitraan, to cooperate on fire prevention and biodiversity conservation.

In Kubu Raya district, Padang Tikar, IDH works with NGO Sampan to develop village forests as a model to protect 76,000 hectares of peat and mangrove forest, and create sustainable livelihood opportunities. We developed fishery, coconut charcoal, and honey as alternative sources of livelihood. IDH and Sampan are in the process covering another 40,000 hectares of village forest in the same district

## Gender

In the Village Forest Project, most of the financial training sessions were attended by women. As a result, all family members in the villages are now part of the business activities developed.

## Lessons learned

The PPI Compact approach proved to be challenging in some sub-landscapes in West Kalimantan where critical parts of the ecosystem are covered by oil palm or timber concessions that are dormant, for sale, or subject to legal investigation. This requires a pragmatic approach allowing us to start field-level implementation with a subset of front-running stakeholders.

The first business models and best practices for sustainable plantation on peat, alternative livelihoods for rural and forest communities, forest protection, and peatland restoration are emerging. However, more analysis and longer-term monitoring is required to evaluate whether the models are financially sustainable, as well as replicable to other areas in Indonesia.

**Until 2016 we did palm oil field-level projects with the private sector only. Now we also work with the Indonesian government towards systemic change.**

IDH is well positioned to convene government stakeholders at both local and national level. This is important, because initiatives taken in West Kalimantan can serve as test cases for national policies on land reform, HCV protection on private land, and sustainable peatland management.

Until 2016, we carried out mostly field-level projects, co-funded by companies. Now we see the bigger picture and work together with the Indonesian government, so that we can work towards systemic change.



# Aceh, Indonesia

Towards a Verified Sourcing Area

## Impact focus



Smallholder livelihoods



Mitigation of deforestation

Aceh's Leuser ecosystem is one of the most biodiverse locations on Earth, home to Sumatran orangutans, elephants, tigers, rhinos, sun bears and many other species. It contains large areas of peatland, up to 8 meters deep. And the province has a forest cover of more than 3 million hectares that acts as a significant carbon sink.

Aceh is increasingly becoming an important producer of oil palm, rubber, coffee, cocoa and other agricultural commodities. This is critical in reviving economic development. Yet increased agricultural production goes hand-in-hand with deforestation and degradation of the Leuser ecosystem.



### Private

GAR, Musim Mas, Wilmar, Apical, PT DKS, PTPN I, Semadam, Mopoli Raya, PT Pati Sari, and other small-medium scale oil palm plantations, and GAPKI Aceh.

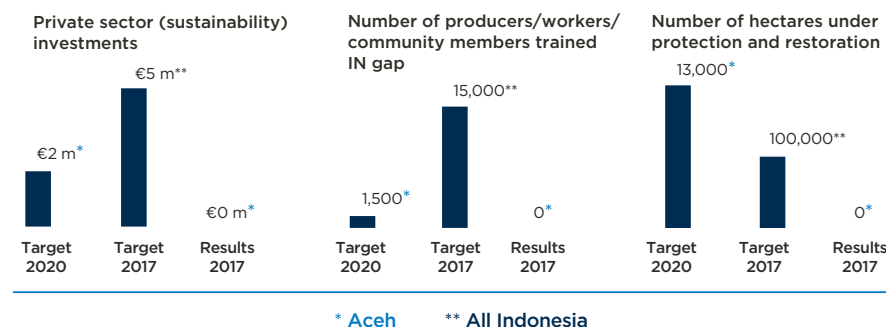
### Public

District governments of Aceh Tamiang and Aceh Timur, Ministry of Agriculture, Ministry of Environment and Forestry, and provincial governments of Aceh.

### Other

Aceh Climate Change Initiative, Coalition for Farmers and Fishermen of Aceh (KTNA), RAN, Semai Petani Mandiri Aceh, WCS, Forum Kawasan Leuser (FKL), and The Forest Trust (TFT).

## Progress towards 2020



## Market transformation

A green growth plan for Aceh Timur district was delivered, and plans for (integrating) green growth strategies in the policy frameworks of the province and Aceh Tamiang district are made. Land legality issues in Leuser ecosystem were analyzed and concrete (policy) solutions proposed. These strategies and plans help to address land-use planning and sustainable de-

velopment at government level. Three compact areas have been scoped and the first concepts for interventions have been discussed with stakeholders. In Aceh, we aim to conserve 34,000 hectares of HCV/HCS forest (with a further 200,000 hectares indirectly protected) and improve sustainable agricultural production on 40,000 hectares. We also aim to improve the livelihoods of 1,000 smallholder farmers and 500 community members that are directly reached by training and service delivery

## Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector (sustainability) investments in the program:

Target (all Indonesia): €5 million, Result: €0\*

### Business cases developed:

Target: start two-three pilots, Result: three pilots in development

IDH has convened major palm oil buyers in Aceh with sustainability commitments (GAR, Musim Mas, Wilmar, Apical) to discuss environmental sustainability of the Leuser Ecosystem. Where relevant, we coordinate with TFT and the Rainforest Action Network. IDH connected the buyers to the provincial and district governments and local plantation companies. IDH managed to generate interest among local oil palm plantation companies (Musim Mas and Pati Sari) to become part of PPI compacts in Tenggulun (Aceh Tamiang) and Peunaron (Aceh Timur). IDH's role is unique: no other organization has been able to make concrete agreements with local plantation companies.

**IDH's role is unique in making concrete plans with local plantation companies and local government on sustainability.**

Following a workshop we held with the Aceh Timur government to gather input on our approach, we are now working towards concrete buyer-plantation partnerships

in field-level projects, with the aim to create a Verified Sourcing Area (VSA) in Aceh Timur.

Mars, Unilever, PepsiCo and other companies have expressed interest in supporting our VSA concept in Aceh. The size of these companies means that there will be sufficient offtake of the palm generated from the program – a key incentive to the producers and government.

IDH helped build the Coalition for Sustainable Livelihoods – a group of traders, manufacturers and others, aimed at transforming supply chains in North Sumatra and Aceh that supply to Belawan (Medan) palm oil refineries. This coalition allows us to scale up and replicate our model, and should provide an exit strategy in the long term.

## Changes in landscape governance

### Landscape plans developed and operationalized:

Target: 1 PPI partnership and start of green growth plan, Result: 0 PPI partnerships, green growth plan delivered by technical experts

### Number of effective Verified Sourcing Areas developed:

Target: 0, Result: in development

In 2017, IDH supported provincial and district governments with developing a provincial green growth plan as the mandatory component of the new medium-term development plan for Aceh Timur, combining forest protection in the Leuser ecosystem with opportunities for sustainable commodity development for smallholders and rural and forest communities. This is the first time that forest protection and commodity-based economic development are addressed in one plan in Aceh.

IDH organized technical expertise from the Universitas Indonesia to collect and analyze data, held multi-stakeholder discussions, and presented a plan and an implementation roadmap. The final plan will be integrated into government planning and is already taking effect. For example, based on the plan's recommendations, the government has developed a strategy for revitalizing cocoa production in the district.

We introduced the concept of Verified Sourcing Areas to the district government of Aceh Timur, identified three PPI compact zones, and began detailed mapping of relevant issues and opportunities resulting in a plan of action.

IDH commissioned a study to explore the extent of illegal plantations in the Leuser ecosystem, and the policy and non-policy opportunities to address these.

\*Contribution and ratio calculated for Implementation Projects only. No field-level implementation projects were implemented.

## Field-level impact

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

Target (all Indonesia): 15,000, Result Aceh: 0

### Number of hectares under protection and restoration:

Target (all Indonesia): 100,000, Result Aceh: 0

Three PPI compacts have been scoped near the Lokop Mega-Fauna Sanctuary (part of Leuser ecosystem) in Aceh Tamiang and Aceh Timur districts.

In Aceh Tamiang, we plan to provide a service delivery model to smallholders, so farmers can increase their productivity and meet the sourcing needs of the mill, without expanding into the forest. In Aceh Tamiang Semadam, we will convene local government and communities to improve plantation and smallholder productivity of rubber and palm oil, in return for on- and off-concession forest protection and stopping further forest encroachment. Compacts in both areas would form a protective ring around the border to the Leuser ecosystem in areas where forest encroachment is imminent.

**We haven't cracked the business case for SME plantations to protect and restore forests yet. Sustainable offtake is important but not the final solution.**

Together with government and local plantation companies, in May 2017 we explored supporting the development of a PPI compact in Peunaron sub-district to minimize human-elephant conflict and intensify sustainable palm oil production to protect 30,000 hectares (direct) and 200,000 hectares (indirect).

## Lessons learned

Provincial and district level elections in February 2017 influenced the speed of political engagement between the last quarter of 2016 and the first two quarters of 2017.

Multi-stakeholder convening, governance and planning needs to be combined with action on the ground to keep stakeholders motivated.

The peatland management regulation and forest moratorium are requiring land users, especially SME plantation companies, to protect and restore, while alternative business models are not yet proven. This reduces the effectiveness of the policy framework, with low enforcement and compliance in reality.

## Risk assessment

An overall Indonesia risk table was included in the Annual Plan 2017. An assessment of occurrence of, and responses to, these risks has been included in the chapter on the West Kalimantan landscape.





# South Sumatra, Indonesia

PPI compacts underway

## Impact focus



Smallholder livelihoods



Mitigation of deforestation

The province of South Sumatra spans almost 9 million hectares, is home to the endangered Sumatran tiger, and is an important production area for palm oil, timber, pulp & paper, and rubber. Natural forest cover has reduced significantly and, coupled with forest and peatland fires, creates an urgent need to balance commodity production with forest protection. IDH brought public and private stakeholders together and drove the development of a green growth plan for the province. We aim to conserve 80,000 hectares of HCV/HCS forests and peatland, restore 20,000 hectares of forest and peatland, and increase sustainable agricultural production on 33,000 hectares, improving the livelihoods of 9,000 smallholder farmers and community members in and around Sembilang-Berbak National Park. We also aim to pilot jurisdictional certification in Musi Banyuasin Regency for palm oil.



### Private

APHI, APP, Asian Agri, GAPKI, Indofood/London Sumatra, Makin Group, Musim Mas, Unilever, and Wilmar.

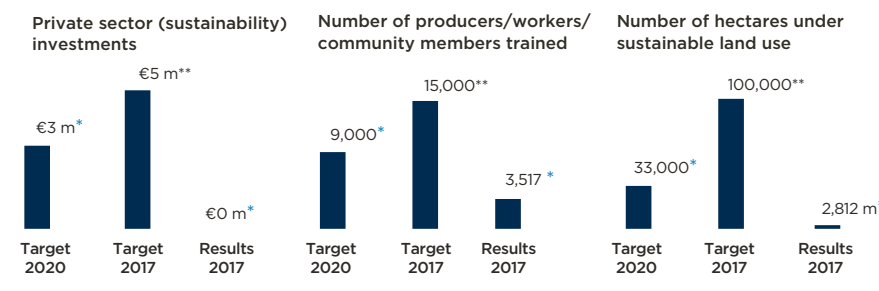
### Public

District government of Musi Banyuasin and Banyuasin, provincial government of South Sumatra, Peatland Restoration Agency (BRG), Provincial Peatland Restoration Agency (TRG), and Ministry of Environment and Forestry.

### Other

RSPO, Daemeter, Hutan Kita Institute (HaKI), Setara Jambi, LTKL, Belantara Foundation, ICRAF, SNV, SPKS, Rainforest Alliance, WRI, FPP, Deltares, and Kelola Sendang project/ Zoological Society of London (ZSL).

## Progress towards 2020



\* South Sumatra \*\* All Indonesia

## Market transformation

IDH works in South Sumatra with the established producers and traders of key commodities in the region. In 2017, we focused on establishing relations with provincial and district governments, and started bringing com-

panies, governments, farmers, and civil society together to discuss more detailed land-use plans and roles and responsibilities in PPI Compacts in the Sembilang and Lalan areas. In terms of field-level change, we supported two ground-breaking initiatives to invest in responsible production of palm oil by smallholders. In 2018, we will leverage these early successes to achieve our impact targets by 2020.

## Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector (sustainability) investments:

Target: €5,000,000, Result: € 0\*

### Business cases for sustainable practices delivered:

Target: 1, Result: 1 (smallholder palm oil certification)

IDH concluded the project with palm oil company Indofood Agri/Lonsum, resulting in RSPO certification of 183 independent smallholders. We proved it can be done, and it is the first step towards certifying all their circa 45,000 smallholders. This will be done by Indofood Agri/Lonsum via its own funding.

We developed a Fire-Free Village toolkit (a document of guidelines and best practices), which has been disseminated within the Fire Free Alliance (FFA), consisting of palm oil and forestry companies that have a special interest in the concept. Asia Pulp and Paper (APP), PT Tania Selatan (Wilmar) and Pinago Utama are implementing the concept in the first and second ring of their concessions in South Sumatra. This is one of the innovations that contributed to reducing hotspots from around 21,298 in 2015 to 2,567 in 2017.

## Changes in landscape governance

### Green growth plans delivered:

Target: 2, Result: 2

### Sustainability embedded at corporate level:

no target Results: IDH is coordinator of the national Sustainable Districts Platform (LTKL).

The South Sumatra green growth plan was launched at the Bonn Challenge in South Sumatra in May 2017. The province will integrate the plan in the improved RPJMD

(medium-term development plan). The Planning Agency (BAPPEDA) of South Sumatra facilitated the issue of Governor Regulation No. 16 2017 on the green growth plan, in particular for its governance in South Sumatra. They also hosted a meeting with district-level governments and asked them to include these in their own medium-term development plans.

A green growth plan for Lalan sub-district (in Musi Banyuasin) was finalized in early 2017 following the commitment of Musi Banyuasin district to become a Verified Sourcing Area by 2025. 4,000 smallholders have been mapped in preparation for ISPO/RSPO certification. This triggered RSPO to trial its jurisdictional certification in the district. RSPO selected Sabah in Malaysia and Musi Banyuasin to pilot this new scheme. IDH worked with the multi-stakeholder group Sahabat MuBa to design a Centre of Excellence to provide services to farmers (like GAP training, seedlings, fertilizer and finance, managing land rights, and protecting HCV/HCS).

IDH has been selected as the coordinator of the Sustainable Districts Platform (LTKL), in which Musi Banyuasin district was appointed leader among the other eight districts across Indonesia. In the area adjacent to Lalan, IDH has explored how to establish a PPI Compact in and around Sembilang-Berbak National Park.

**“IDH brings palm oil competitors together that would normally rather avoid each other. I do not know any other organizations that can do that.”**

Daniel Prakarsa, Commercial Sustainability Lead at Golden Agri Resources

We scoped a PPI Compact in the Sembilang National Park buffer zone between APP-IndoAgri-KPH and IDH for restoration, water and peat management, fire prevention, productivity improvement and community livelihoods. After explorative talks, we concluded that peat rehabilitation and capacity building of the national park authority are key interventions.

## Field-level sustainability

### Smallholders trained in GAP:

Target (all Indonesia): 15,000 farmers, 50 plantation and/or mill workers, 100 community members, Result South Sumatra: 3,517 farmers trained on oil palm Good Agricultural Practices

### Number of hectares under sustainable land use:

Target (all Indonesia): 100,000, Result South Sumatra: 2,812 under RSPO or equivalent production

\*Only contributions to implementation projects included. Private contribution to one field level project in South Sumatra has been included in the palm oil chapter.

The first independent smallholders replanting project was realized, supported by the CPO Fund in Musi Banyuasin for 4,446 hectares. IDH facilitated a local bank providing the loans, supported by the province.

IDH realized a project with palm oil company Indofood Agri/Lonsum to certify 183 independent smallholders under RSPO, and link this to potential European buyers of sustainable palm oil.

The field-level impact that was achieved in 2017 includes pilots that will be scaled in 2018 and beyond. The number of 183 certified palm oil smallholders may seem insignificant in light of the challenges the region faces, but IDH showed it can be done and replicated. Moreover, IDH is increasingly seen by people on the ground as an organization.

## Lessons learned

The big learning from the Lonsum project is that the palm oil mills need to put real skin in the game, right from the start. Without their commitment and energy it becomes a long and expensive process (it took us four years). But this had never been done before, and the potential to replicate the model to cover 45,000 smallholders on 90,000 hectares is significant and can have a huge knock-on effect in the region.

The PPI Compact approach is new for implementing partners, and requires capacity building to ensure the approach is understood and can be organized.

The innovative finance agenda brings a new boost of enthusiasm among our partners. The concept still needs to

be proven, but everyone feels this might be the missing link to unlock scale.

**The important learning from the Lonsum project is that mills need to put real skin in the game, right from the start. Without their commitment, it becomes a long and expensive process.**

There is a great need to develop business models that create economic incentives to be legally compliant. Peatland management regulation and forest moratorium require land users, especially plantation companies, to protect and restore, while alternative business models are not yet proven.

Sub-national jurisdictions moving ahead in the area of emission and deforestation reduction can be politically sensitive to the national government. This may lead to conflicts that delay project implementation at the sub-national level.

## Risk assessment

An overall Indonesia risk table was included in the Annual Plan 2017. An assessment of occurrence of, and responses to, these risks has been included in the chapter on the West Kalimantan landscape.



# Mato Grosso, Brazil

Paving the way for investment

## Impact focus



Smallholder livelihoods



Mitigation of deforestation

The State of Mato Grosso in Brazil is a biodiversity hotspot, spanning three biomes: the Amazon, Cerrado and Pantanal. It is also the largest sub-national jurisdictional producer of soy, corn, beef and cotton in Latin America. Land clearing for timber, followed by cattle ranching in the cleared area, is the biggest driver of illegal deforestation. More than half of the ranches are highly unproductive. Intensifying cattle production to free up land for responsible farming is key to stopping deforestation. Through the state-led Produce, Conserve and Include (PCI) strategy, IDH partners with leading producers, municipalities, NGOs and others to maintain and conserve 60% of the native forest while doubling economic output by 2030, including by developing compacts (agreements) between public-private stakeholders. The program operates in the context of Brazil's Forest Code, which makes private land-users the primary custodian of forests.



### Private

ADM, Amaggi, Banco do Brasil, Bunge, Cargill, Carrefour, Edafoagro, Grupo Roncador, Juparana, Marfrig, &Green Fund, Peca, Rabobank, Santander, Sicredi, Syngenta, Fazenda Sao Marcelo, and Natcap Sustainable Solutions. Above, AIBA (Association of farmers and irrigators of Bahia), ABIDES (Brazilian association of sustainable development), Acrimat (Mato Grosso Cattle Ranching Association), AproSoja (Mato Grosso Soybean Producers Association), Aprofir (Association of Bean and Irrigation Producers of Mato Grosso), Arefloresta (Mato Grosso Reforestation Association), Aquamat (Association of fish farmers of mato grosso), CGF (Consumer Goods Forum), CIPEM (Center of the Producing and Exporting Timber Industries of the State of Matogrosso), FAMATO (Mato Grosso Agriculture Federation), FETAGRI-MT (Federation of Agricultural Workers in Mato Grosso), Fefac (European Feed Manufacturers' Federation), Fediol (the EU vegetable oil and protein meal industry association), IACA, IMAC ((Beef Institute of Mato Grosso)), WEF (World Economic Forum)

### Public

BNDES, Amazon Fund, Embassy of The Netherlands, Embassy of Norway, British Embassy, Gabinete de Governo do Estado do MT, Green Municipalities Program, Mato Grosso State governor and vice-governor, Ministério Público Estadual (MPE), Ministério Público Federal (MPF), Ministry of Agriculture (MAPA), Environment Ministry (MMA), Municipalities of Querencia, Juruena, Cotriguacu & Paragominas, Mato Grosso State Secretaries of Economic Affairs, Environmental Affairs, Family Agriculture, Labour and Social Affairs, Strategic Affairs, Also the State Secretaris of Pará: economic development, Environment and PMV (Green Municipalities Program of Pará State).

### Other

RTRS, GTPS, TFA 2020, WRI. Ação Verde, Aliança da Terra, CLUA, Earth Innovation Institute, Environmental Defense Fund, Global Canopy Program, Imaflora, Instituto Socioambiental, Instituto Centro da Vida, Instituto da Pesquisa Ambiental da Amazonia, ProForest, Solidaridad, TNC, and WWF, Ecoagriculture Partners, 2020.

## Progress towards 2020



## Market transformation

By 2020, we aim to conserve 756,000 hectares and restore 123,000 hectares of forest, and intensify 312,500 hectares of degraded pasture land, leading to 937,500 hectares of avoided deforestation in Mato Grosso. We

aim to do so by increasing the production of grains and beef through intensification and better use of degraded land. Including smallholders by improving their access to credit and markets, as well as ensuring land tenure rights for smallholder plots, are other important components.

We connect the PCI approach in Mato Grosso to the sustainable sourcing criteria of the European feed industry, which sources a large portion of soy from that region. The landscape program in Mato Grosso is therefore closely linked to the market-focused Soy program (see separate chapter).

### Relevant Sustainable Development Goals



### Changes in business practices

#### Private-sector (sustainability) investments target:

Target € 1,100, 000, Result: €940,485

#### Business cases for sustainable practices delivered:

Target: 2, Result: 1 finalized (benefits of a landscape approach to cattle ranching) and 2 in progress (cattle intensification and regional sourcing of soy)

“With the signing of the memorandum, the Soja Plus program will enter the benchmarking process to be recognized as a responsible production program, serving as a Brazilian soybean passport for the European market.”

Endrigo Dalcin, President, Aprosoja

Through the PCI approach, IDH connected the European feed industry to Brazilian soy producers. As a result, IDH, FEFAC (the EU feed industry), FEDIOL (the European refiners), Aprosoja (a soy producer), the Mato Grosso Soy and Corn Farmers Association and ABIOVE (the vegetable oil industry in Brazil) signed a Memorandum of Understanding (MoU) in January 2017, to promote responsible soy, protect community livelihoods and connect the industry to European market demand.

The agreement is the first time a formal working relationship has been established between Brazilian soy producers and key European purchasers, and will contribute to Brazil's national targets to reduce carbon emissions as part of the Paris Climate Agreement.

As part of the agreement, we started the Soja Plus project with Aprosoja on verified sourcing in the Sorriso area in Mato Grosso, covering 2 million hectares. This will provide technical assistance to soy producers to comply with the EU environmental guidelines – giving them a “passport” to EU markets.

### Changes in landscape governance

#### Changes in policy and regulatory environment:

Target: 1, Result: 1

#### Number of landscape plans developed and operationalized:

Target: 1, Result: 1 PCI roadmap finalized, and 2 PCI regional compact plans under development

IDH supported the institutionalization of the PCI strategy in Mato Grosso, leading to a commitment of US \$20 million from the German Development Bank (KfW). In addition, the UK Department for Business, Energy and Industrial Strategy (BEIS) pledged £24 million. Our work has gained international recognition and paved the way for investors, making PCI less dependent on IDH.

In Mato Grosso, our work gained international recognition and paved the way for investors.

We developed Produce, Protect and Include (PPI) compact plans with public, private and civil society stakeholders in the regions of Juruena Valley (Mato Grosso) and Paragominas (Pará State). They have been, or will be, launched in 2018. The plans outline a common vision for sustainable production, protection of natural resources and inclusion of local communities. There are plans to develop VSAs with long term governance linked to (global) value chains.

### Field-level impact

#### Producers trained on Good Agricultural Practices (GPAs):

Target: 800, Result: 861

#### Area under good agricultural practices:

Target: 1.5 million hectares, Result: 296,643 hectares

under good agricultural practices, 360 hectares of pastureland under intensification, 389 hectares of farmland under restoration process

In 2017, IDH co-designed and funded three field-level projects. The first is with Amaggi and Aliança da Terra to create verified sourcing areas (VSAs) for soy, based on the environmental regularization program (PRA) and FE-FAC sourcing guidelines. The second is with Grupo Roncador (a beef producer) and The Nature Conservancy (TNC) to support calf suppliers to intensify production and implement the PRA. And the third is with Aprosoja, to provide soy producers with access to the EU market (see above).

We also made headway on a three-year cattle intensification project with TNC and Grupo Roncador in the Central Araguaia Valley of Mato Grosso. In 2017, 49 calf suppliers joined the project, representing 114,727 hectares of land.

## Gender

Around 25% of the members of the PCI Executive Committee are women.

## Lessons learned

Compliance with the national Forest Code leads to a reduction in deforestation caused by soy farming. However, continuous attention needs to be paid to new drivers of deforestation, such as land speculation and clearing followed by cattle ranching, rural settlements, and protected areas poorly managed by the local, state and federal authorities.

There is a gap between state policymaking and local implementation. Developing regional PCI compacts will help bridge this gap.



# Taï forest area, Côte d'Ivoire

Forest protection, agricultural production and social inclusion

## Impact focus



Smallholder livelihoods



Mitigation of deforestation

In the southwest of Côte d'Ivoire, the Taï forest area is an ecologically vital tropical rainforest, rich in biodiversity and home to many endemic and endangered species, such as chimpanzees and pigmy hippopotamus. The forest also provides ecosystem services such as climate regulation, which agricultural production depends upon. Additionally, about 40% of national cocoa production in Côte d'Ivoire is grown in the area. Other agricultural commodities such as rubber and palm oil are also grown in the region. Over the past decades, the expansion of agricultural production and population growth have caused massive deforestation and land degradation in the forests around Taï National Park, including the Cavally Region which hosts the two large forest reserves of Goin-Débé and Cavally.



In 2017, with these environmental challenges as a backdrop, the government of Côte d'Ivoire started to develop a new national forest policy, in dialogue with the international community. In parallel, insights advanced on cocoa production as a driver of deforestation. On a global scale these insights precipitated the launch of the public-private led Cocoa and Forests Initiative, which committed the government of Côte d'Ivoire (and Ghana) and cocoa companies to actions to eliminate deforestation and forest degradation from the cocoa supply chain (see more on this development in the Cocoa chapter). IDH was at the heart of both of these developments, which resulted in a renewed enabling environment that builds on the energy of stakeholders and addresses the challenges currently faced in Côte d'Ivoire. At the same time complications have occurred, such as political unrest and continuing immigration, increasing forest encroachment and deforestation, particular in the Goin-Débé and Cavally forest reserves. This has prompted a government urgency plan in the Cavally Region funded by the National Security Council. Additionally, cocoa prices are at a five year low, further stressing the business case for cocoa production. This context emphasizes the need for immediate action on the ground.

### Private

Cémoi, Barry Callebaut, Cargill, Cocoonect, Mondelez, OLAM, SIAT, STBC, Touton, APROMAC, and TRANCHIVOIRE.

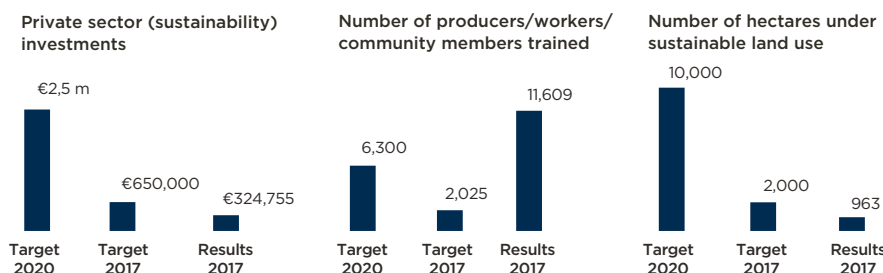
### Public

Conseil Café Cacao, CDI Ministry of Agriculture, CDI Ministry of Environment, CDI Ministry of Planning, CDI Ministry of Water and Forests, OIPR, SEP-REDD, and SODEFOR

### Other

ICRAF, AFD, CNRA, Ecotierra, Fondation des Parcs et Reserves en CDI, CSRS, EtcTerra Rongead, Impactum, GIZ, Solidaridad, TFT, UFEM-CI, UTZ Certified, Rainforest Alliance, FAIRTRADE USA, Wild Chimpanzee Foundation, and World Bank.

## Progress towards 2020



## Market transformation

The overall objective of the program is to create a sustainable balance between forest protection, agricultural production and social inclusion in the region. IDH is taking steps to achieve this goal through the development of an inclusive regional green growth plan, which aligns public and private sector investments. Green growth plans will be supported by field level investments, allowing individual partners to start leveraging opportunities (e.g. agroforestry) or to address barriers (e.g. lack of traceability) and develop a clearer vision on closer collaboration at regional level. Activities on the ground have resulted in a start of such closer collaboration between the agro-industry actors in the region with the forestry authority SODEFOR. This collaboration and the exchanges bring tangible insights on how to better align forest surveillance with cocoa production. The step-wise approach increases the readiness of partners to commit to a joint regional green growth plan.

### Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector (sustainability) investments:

Target: €650,000, Ratio of 1:1, Result: € 324,755, Ratio 1:0.7

Cocoa exporters active in the Taï forest area have begun activities that support forest protection, improve production practices, and promote the inclusion of local communities. This is in part due to the IDH-supported regional platform. Participating companies have become more aware of the barriers and possibilities to act, due to the closer relationship they have formed with SODEFOR. Activities so far include training and input supply for agroforestry, improved traceability capacity, and sensitization of the local population to the value of forest preservation.

Additionally, rubber operator SIAT and timber operator STBC, active in the region, have endorsed the regional governance structures and the importance of developing a regional green growth strategy.

## Changes in landscape governance

### Changes in policy and regulatory environment:

Target: 1 change in policy foreseen on improved forest monitoring and surveillance, Result: 2

### Number of landscape plans developed and operationalized:

Target: 1 regional land-use management/green growth plan developed for forest reserves of Goin Dèbé and Cavally, Result: 0

The governance of the landscape has been formally approved with a Supervisory Committee, headed by the Ministry of Planning. The Regional Committee will bring together the local authorities with the program partners to boost the exchange and field level collaboration.

In the region, SODEFOR has launched two pilot projects, improving surveillance of the Cavally forest reserve and conducting a census on the Goin-Dèbé forest reserve. Both projects have been endorsed by the government and are being further embedded in public policy developments.

At a national level, a new forestry policy has been developed leading to a renewed forest code to be published early 2018. Over the last few years IDH has contributed to these evolutions by openly addressing the theme of forest management and its link to agricultural production.

The government of Côte d'Ivoire and cocoa industry have signed the Joint Framework of Action on Cocoa and Forests outlining the actions to be undertaken by to delink deforestation from cocoa production. The signing of the Cocoa and Forests Initiative framework provides a solid basis for collaboration between industry and government and across the cocoa and forestry sectors. As one of the key conveners of this Initiative, IDH has played a crucial role in its establishment. With the ISLA activities in the Cavally region, IDH and its partners directly set an example of how to operationalize the framework commitments.

## Field-level impact

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

target 2,025 result 11.609

### #ha where trained practices are applied:

target 2000 result: 963

Agroforestry plans that are being implemented were defined in collaboration with research partners and timber operators. Local awareness committees on environmental and social issues have been established within cooperatives, as well as improved traceability systems. The extensive sensitization efforts within communities



are resulting in higher awareness and engagement of the local populations.

**“The next step is the Joint Framework of Action to show and bundle our commitments to stop deforestation and forest degradation.”**

John Peter Amewu, Minister of Lands and Natural Resources, Ghana

In 2017, IDH supported the cooperatives' mapping of cocoa plantations in collaboration with SODEFOR, the forestry authority in charge of the forest reserves. This mapping has enabled cooperatives to verify whether plantations lie within the Cavally reserve. It also enables them, with data and tools, to enforce their sustainable sourcing policies and exclude cocoa produced in protected forest areas.

## Gender

Through agroforestry promotion and practices, gender balance can be achieved on tasks and responsibilities that are traditionally divided between men and women. An implementing partner in the landscape is prototyping this approach, by training a group restricted to female-only agroforestry master trainers.

## Lessons learned

Embedding “green growth thinking” in partners' activities is a progressive, cumulative process. The wide-spread availability and affordability of (non-cocoa) planting material is crucial for the successful promotion of agroforestry. For farmers to obtain tree tenure they need to be land owners, which creates some hurdles in the implementation of agroforestry projects. The engagement of locally initiated and embedded NGOs is key for long-term forest conservation.



# Southwest Mau Forest, Kenya

Leveraging private interests in a sustainable landscape

## Impact focus



Smallholder livelihoods



Mitigation of deforestation

The Mau Forest block in western Kenya covers more than 400,000 hectares and is ecologically and economically critical for Kenya and parts of East Africa. Through the Initiative for Sustainable Landscapes (ISLA Kenya), IDH aims to restore and conserve 60,000 hectares of the South West Mau Forest by 2030. We build on the interests of tea companies and others to conserve the forest for its microclimate, and of the Kenyan government to improve community livelihoods. Together we work towards holistic landscape management, as well as improved livelihoods, water, and sustainable energy.



### Private

James Finlays Kenya Limited, Unilever Tea Kenya Limited, Kenya Tea Development Agency, LEL Timber, Timber Manufacturers Association, and Safaricom Foundation.

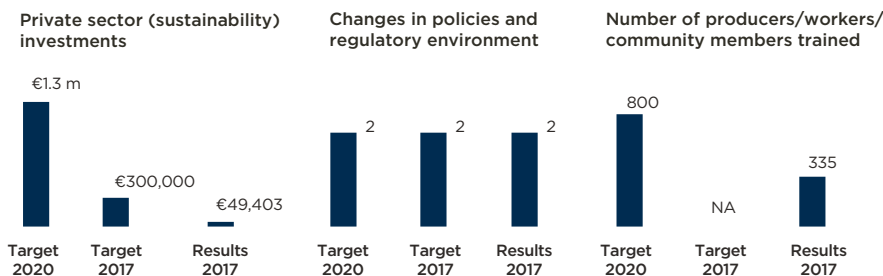
### Public

County governments (Bomet, Kericho, Nakuru), Kenya Forest Research Institute, Kenya Forest Service, Kenya Water Towers Agency, Kenya Wildlife Service, Nyayo Tea Zones Development Corporation, Tea Research Institute, various ministries (national government), Water Resources Management Authority, and Kenya Electricity Generation Company.

### Other

ICRAF, SNV, SPKS, Rainforest Alliance,

## Progress towards 2020



## Market transformation

ISLA Kenya aims to conserve the Southwest Mau Forest block through community livelihoods, water governance, sustainable energy and ultimately holistic landscape management. By 2020 we aim to have convened a

formalized coalition of public, private, civil and knowledge partners. Through joint interventions and a financially viable governance system led by the Stawisha Mau Charitable Trust, we aim to lay the foundation for protecting 60,000 hectares of the forest based on scalable prototypes and business cases.

### Relevant Sustainable Development Goals



### Changes in business practices

#### Private-sector (sustainability) investments:

Target €300,000, Result: € 49,403

#### Business cases for sustainable practices delivered:

Target: 3, Result: 2 (livestock intensification and geothermal energy)

“The forest influences the region’s microclimate, such as rainfall patterns, creating ideal conditions for the production of tea and other crops. It will require our full support and good will from all stakeholders.”

Lerionka Tiampati, CEO, Kenya Tea Development Agency

Our private sector partners now consolidate their efforts towards forest, water conservation and community engagement through the Initiative for Sustainable Landscapes (ISLA) Kenya partnership based on joint interventions that take the bigger South West Mau landscape into consideration. In the past, they carried out independent activities without a direct link to the bigger landscape area. They now also make use of commonly available specialized expertise from implementing partners engaged by IDH for ongoing projects, including GIZ

on improvement of water flows and access, SNV on livestock intensification aimed at reducing pressure on the forest, Rhino Ark on forest conservation and community engagement. In addition, IDH engaged IF Technology as an expert organization to explore sustainable energy options with private sector partners from the tea sector. Over and above this, the private sector is collaborating directly with public sector agencies in Kenya such as KFS and KWS in joint projects such as Adopt a Forest and Aerial Surveillance. They also align with IDH and other partners to communicate their work in the SW Mau as happened during the Mau Festival and launch of the Stawisha Mau Charitable Trust. Finlays, part of the Swire Group, is also putting the landscape approach at the core of their sustainability strategy from 2018 as a result of the positive experience from working under the ISLA Kenya Partnership to-date (2015 to 2017).

### Changes in landscape governance

#### Landscape management plan delivered:

Target: An integrated management plan is developed for South West Mau and Transmara Forest blocks.

Registration of the Stawisha Mau Charitable Trust delivered

#### Sustainability embedded at corporate level:

Private-sector companies such as Unilever Tea Kenya and James Finlays

“The Stawisha Mau Charitable Trust sends a positive signal that the collective work of ISLA will continue in the long term.”

Winnie Mwaniki, Landscape Manager IDH

ISLA Kenya has shifted from financing small-scale projects mainly confined to the tea value chain or forest areas close to their location, to greater investments beyond their immediate farms and factories, which will materialize in 2018 and beyond.

IDH coordinated the process of registering the Stawisha Mau Charitable Trust – a governance system set up to ensure the long term financial viability of ISLA Kenya. The trust sends a positive signal that the collective work of ISLA will continue in the long term, and will help align high-level policy discussions with activities on the ground.

Supported by the Dutch Embassy in Kenya, we started a high level dialogue on the South West Mau Forest between ISLA partners and the national government through the Ministry of Environment.

Together with our partner Rhino Ark, we organized joint surveillance flights and law-enforcement trainings for the government agencies KFS and KWS, to address illegal forest activities like charcoal burning. This has improved collaboration on forest protection.

## Field-level impact

### Community members trained:

335

### Forest planted:

207,52 hectares

IDH started a two-year livestock intensification project to address forest loss due to cattle grazing. Partnering with SNV, we began training farmers to rear cattle more productively at home, rather than grazing them in the forest. This will help reduce deforestation, while supporting communities to increase their incomes.

Following extensive community engagement, we planned to install a game-proof barrier between the forest and local communities, to prevent damage by wildlife to farms. While the prolonged election period in Kenya delayed the installation, the Nyayo Tea Zones Development Corporation planted tea on an area of 22 km in length. In 2018, the barrier will be constructed between this “tea buffer” and the forest.

We engaged community members in re-planting the forest, and delivered trainings on forming Community Forest Associations (CFAs) and Water Resource User Associations (WRUA) to help communities manage and use forest and water resources sustainably.

## Gender

As required by the Kenyan constitution, the ISLA program included at least 30% of women in CFA, WRUA and livestock intensification trainings. The ISLA board also included a female trustee in the Stawisha Mau Charitable Trust. There is an opportunity to further integrate gender into key ISLA projects by looking at interventions through a gender lens.

## Lessons learned

We cannot achieve our goals without involving and partnering with the communities that live around the forest and depend on it for their livelihoods. This will be key for the continuation of the success of the program.

To ensure this work is sustainable, ISLA Kenya also needs higher political buy-in from county and national governments, and better engagement with the public sector. A positive example of this was our alignment with the Dutch Embassy in Kenya, which proved to be instrumental in getting ministerial attention to ISLA’s work.

**“Together with ISLA and KFS we demonstrate [to the people] how we can best address rehabilitation. And together we have enhanced the sensitization of the local population.”**

Alfred Abongo, Assistant Head, Mau Forest Conservancy

Bringing together government officers, communities and other partners under the forest surveillance project with an “eyes in the sky and boots on the ground” approach was a positive example of how to jointly monitor illegal forest activities. This approach can be up-scaled to other ecosystems.



# Central Rift, Ethiopia

Trusted convener in a complex landscape

## Impact focus



Smallholder livelihoods

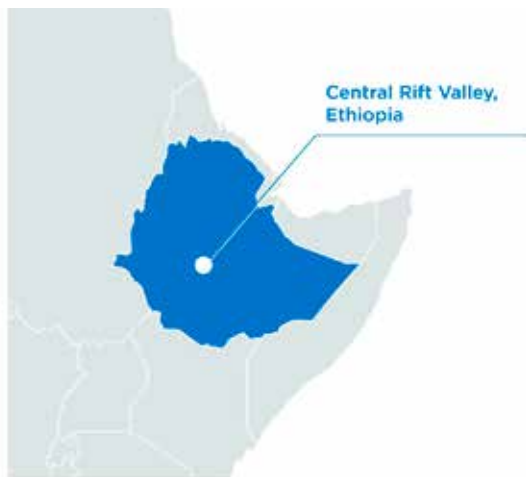


Mitigation of deforestation



Responsible agro-chemical management

The wetland ecosystem in the Central Rift Valley is the largest freshwater ecosystem of Ethiopia with considerable economic, ecological and social significance. It is a biodiversity hotspot for flora and fauna, and contains diverse water plants and water birds, of which most breed in the ecosystem. The lake is also used for drinking water, small-scale commercial fishing, and small-and large-scale irrigation agriculture. The landscape is a key sourcing area for export and local market-oriented agri-commodities, including flowers, wine, beef, fruit and vegetables as well as staple crops.



### Private

Sher Ethiopia, AQ Roses, Braam Flowers, and Ziway Roses, Herburg Roses, Castel Winery, Ethiopian Horticulture Producers and Exporters Association (EHPEA), Meki Batu Farmers' Union, Verde Beef, Haile Resort-Ziway (dialogue started), Ziway lodge (dialogue started).

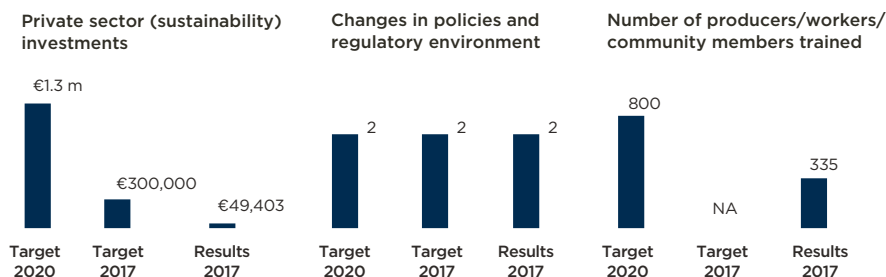
### Public

National government, Rift Valley Lakes Basin Authority, Ethiopian Horticulture & Agriculture Investment Authority, Regional government, Oromia Investment Commission (dialogue started), Oromia Environment, Forest & Climate Change (dialogue started), District government Ziway town municipality, Ziway town mayor's office, Adami Tulu Jido Kombolcha Office of Agriculture.

### Other

PAN-UK, PAN-Ethiopia, TREEAID, Wetlands International, Horn of Africa Regional Environment Center & Network (HoA-REC&N).

## Progress towards 2020



## Market transformation

IDH is a trusted neutral convener in a complex landscape that plays a key role in fostering dialogue and joint action towards a sustainable landscape. IDH convened companies, government and CSOs to jointly identify priority

interventions and co-invested in their implementation. By the end of 2017, the public-private coalition is running four field-level projects: a water allocation plan development for the Ziway Shalla sub-basin, a reforestation and alternative incomes project, GAP certification for smallholders to allow for responsible agrochemical and water use, and a solid waste management pilot in Ziway town, to avoid further contamination of the lake. By 2020, the landscape program aims to have an economically viable governance model up and running, locally owned to address land and water management issues to ensure a sustainable Central Rift Valley Landscape of 14,000 square kilometers.

## Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector (sustainability) investments:

Target: €240,000, Result: €171,220

### Number of water allocation and responsible agrochemical projects (Changes in policy):

Target: 1, Result: 1

As a result of the GLOBALG.A.P. project with Meki Batu Farmers Union, a batch of green beans, onion and cabbage smallholder farmers were GLOBALG.A.P. certified for the first time ever in Ethiopia, changing their practice to an improved and measurable level of agrochemical and water use. They sell their produce to Ethiopian airlines. It may seem a small step, but other farmers will see the benefit of certification, which is projected to create a pull.

Five flower farms, Castel winery and Verde beef PLC were convened by IDH in a PPP coalition, all jointly co-investing with IDH on projects *outside their farms* to help restore degraded land in communal areas. IDH program partner Verde beef set up a tree seedling nursery on its farm to raise seedlings for planting on degraded communal land to contribute to reforestation and alternative income-generating projects that IDH had started with the other companies.

Through the IDH FSI program in Ziway, the flower companies are shifting to integrated pest management, and are implementing waste water treatment and recycling artificial wetlands.

**“Companies saw our tangible results and wanted to be part of it: for reputational reasons, and to achieve more impact on water quality and use, reduction of pesticides and landscape restoration.”**

Mahlet Shebabaw Bekele, Landscape Manager  
Ethiopia

## Changes in landscape governance

### Changes in policies and regulatory environment:

Target: 0, Result: 1 (Water Plan in progress)

We localized the IDH program by rebranding it as the “Ziway-Shalla Sustainability Partnership”. PPPs are new in Ethiopia. Being visibly aligned in the landscape (by billboards and other means) shows alignment and is crucial to promote projects as joint achievements. Through the partnership, companies and regional and local governments have started dialogue on major sustainability issues such as flower waste and agrochemical management. The partnership attracted new, important stakeholders like the Oromia Regional Authority for Environment, Forest and Climate Change, as well as Oromia Investment Commission. Haile Resort and Ziway Lodge also joined the coalition to scale up field-level projects. Discussions have started with the Dutch Embassy in Addis Ababa to join as an observer.

A roadmap for the implementation of a Water Allocation Plan in Ziway-Shalla sub-basin was designed through collaboration between Rift Valley Lakes Basin Authority and IDH.

## Field-level impact

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

Target: 270, Result: 429 (321 men/108 women)

### Number of hectares of sustainable production/farm rehabilitation/sustainable intensification:

Target: 113, Result: 201

Three types of protection/restoration activities were carried out in the reforestation projects:

- 1 Replanting of tree seedlings: 44% of the seedlings survived.
- 2 Area enclosure: the replanted sites and other marginal sites were protected from animal and human interference. Native vegetation quickly recovers if protected and has a much higher survival rate.
- 3 Gully rehabilitation: 1.5 kilometers of gully was rehabilitated through construction of gabion check-dams. The effect of this intervention will be known after the rainy season.

**“Being visibly aligned in the landscape (by billboards and other means) shows alignment and is crucial to promote projects as joint achievements.”**

Mahlet Shebabaw Bekele, Landscape Manager  
Ethiopia

A pilot solid waste management project was carried out in Ziway town to help curb pollution entering from selected waste dump sites to Lake Ziway. The project

availed 6 communal waste skips, 80 roadside waste bins, and 10 waste transporting carts to the municipality to better manage waste. A micro-enterprise of 10 youths was established as a result of the project to continue waste management as a business. Currently, the project covers less than 5% of the town due to capacity issues with the local municipality, but has high potential for scale.

## Lessons learned

There is a lack of high quality implementing partners (IPs) in the landscape, making it difficult for IDH to scale its interventions effectively. IDH is therefore looking for alternative IPs and exploring other options.

Alignment and dialogue between public and private partners in the landscape is of vital importance, and can help ease tensions.

The Water Allocation Plan (WAP) development with Rift Valley Lakes Basin Authority (RVLBA) is getting crowded by multiple international donors. With an increased number of initiatives and limited (institutional) capacity of the RVLBA, processes are time consuming and progress limited. IDH will co-finance the initial water balance study needed for the WAP and also continue building the capacity of RVLBA.



# Nimba, Liberia

Sharing lessons, from one landscape to another

## Impact focus



Smallholder livelihoods



Mitigation of deforestation

Located in the northeast of Liberia's border with Guinea and Côte d'Ivoire, the Nimba landscape is home to the East Nimba Nature Reserve (11,553 hectares) and three community forests. The forest and biodiversity of this landscape are threatened by shifting cultivation practices and hunting, which have become unsustainable. The recent opening of a second mining site by Arcelor Mittal Liberia (AML) is also impacting the forest. As part of its voluntary mining impact offset program, AML's Biodiversity Conservation Program (BCP) aims to support the protection of the reserve, and improve community forest management for conservation. IDH co-funded the program and established a learning link between the BCP and IDH's Community Oil Palm program in the Southeast and West landscape in Liberia.

### Private

Arcelor Mittal.

### Public

Forestry Development Authority (FDA), Ministry of Agriculture (MoA), Environmental Protection Agency (EPA), and National Bureau of Concessions.

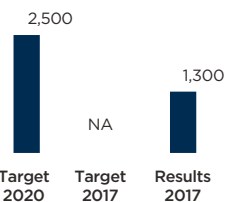
### Other

GROW, Conservation International, RICCE, ARS, and Fauna and Flora International.

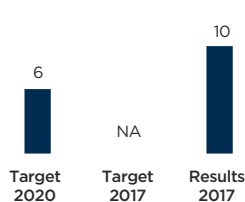


## Progress towards 2020

Number of farmers and community members trained



Number of conservation agreements signed with communities



## Market transformation

The main impact of this project was the learning link between the Nimba landscape and the Southeast and West landscapes in Liberia. Important



lessons on the design of food security interventions and conservation agreements were taken on board in the program design in these two other landscapes. In addition, the feasibility study of the green growth land-use planning in Nimba may be relevant for follow-up work by other NGOs and the recently established Liberia Conservation Fund.

IDH started phasing out its support in the Nimba region and partnership after July 2017, because it has limited added value in this context. The original plan of linking the conservation agreements with communities to commercial or impact investment was not possible.

Please note: Almost all results for this program relate to the period July 2016 - July 2017 due to AML financial and reporting running in that period and the phasing out of support after July 2017.

## Relevant Sustainable Development Goals



## Changes in business practices

### Co-investments by private companies:

Result\*: €0

In the first half of 2017, IDH worked with Arcelor Mittal Liberia to scale up the BCP to provide benefits, mainly in the form of investment in agricultural production, to more communities, learn from the conservation agreement approach that was already applied as part of this program, and explore opportunities for green growth land-use planning, also considering the post-mining economy.

Through this work, we found that the mining industry has no strong incentive or business case to invest in a landscape approach, besides voluntary offsets.

## Changes in landscape governance

### Changes at policy and regulatory level:

Result\*: 0, but coping/feasibility study for a green growth plan (GGP) in the Nimba region was completed

IDH, with the help of a technical expert, assessed the feasibility of participatory land-use planning in the region. This led to a position paper that outlines how a GGP for the Northern Nimba Planning Area might be developed, and provides recommendations on economic development opportunities that start building a post-mining economy. The report was presented to AML and the Liberian Land Authority.

However, towards the end of 2017, with the Liberian presidential election and changes in management at AML, no commitments were made. This will need to be revisited in 2018.

## Field-level impact

### Number of farmers and community members trained:

Result\*: 1,300

### Number of conservation agreements signed with communities:

Result\*: 10

We supported the BCP to run agriculture and livelihood diversification projects in 13 communities, including training of over 500 farmers in improved lowland farming methods and dry season vegetable crop production. Four microfinance groups continued working, and an additional nine groups have been established and trained.

Four new conservation agreements were made with communities between July 2016 and July 2017, and six agreements were renewed. These agreements include the provision of jobs for over 150 (mostly) ex-hunters, and the delivery of other benefits to around 150 farmers in 10 communities. They can play an important role in preventing encroachment and degradation in the East Nimba Nature Reserve. However, in the period July 2016 - July 2017, 50 violations of these agreements, including logging and hunting, took place.

**“There seems to be no convincing business case yet for the mining industry to invest in a landscape approach, besides voluntary offsets.”**

Daan Wensing, Program Director, Landscapes

## Lessons learned

There seems to be no convincing business case yet for the mining industry to invest in a landscape approach in the Nimba landscape, besides voluntary offsets. Re-

\*No target set in Annual Plan 2017

search and communication on the viability and benefits of a landscape approach, such as the BCP, can help spur innovation in this field.

Lessons from farmer schools were used as input for the design of the income diversification and food security work stream in the Southeast of Liberia.

The capacity building on conservation around East Nimba Nature Reserve has been strong. But ongoing illegal hunting and logging pose a challenge for its long-term conservation. This is an important lesson and insight for the West and Southeast landscapes of the country.



# Southeast and West, Liberia

A game changer for palm oil in West Africa

## Impact focus

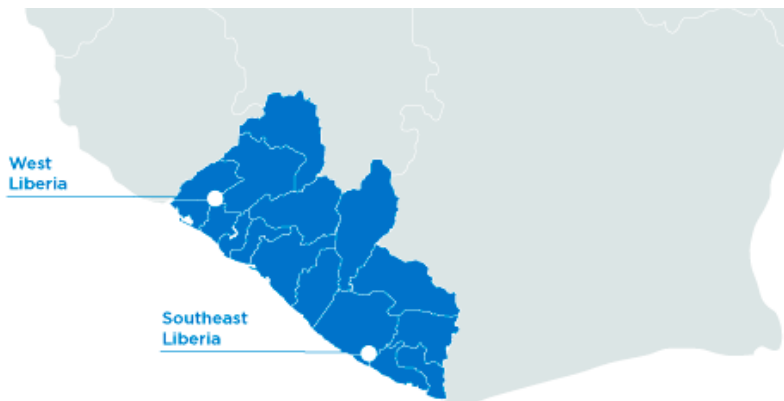


Smallholder livelihoods



Mitigation of deforestation

To develop its economy, the government of Liberia has granted concessions to several international companies to grow oil palm, of which the largest are Golden Veroleum Liberia (GVL) in the Southeast (Grand Kru and Sinoe counties) and Sime Darby in the West (Grand Cape Mount county). The gross concession areas of 300,000 – 350,000 hectares include HCV/ HCS forest. As this forest is not managed or conserved, oil palm development, roads and population growth mean these forests are subject to deforestation. We collaborate with our partners to develop an inclusive community out-grower scheme for oil palm, mobilize investment through the &Green Fund, develop finance institutions, and safeguard a landscape approach to forest protection with a focus on food security, land rights, and community decision making.



### Private

Equatorial Palm Oil, Golden Veroleum Liberia (GVL), Sime Darby Plantation Liberia, and &Green Fund.

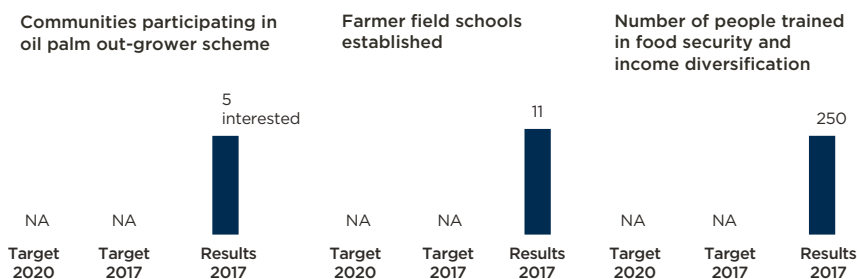
### Public

Forest Development Authority (FDA), Ministry of Agriculture (MoA), Ministry of Internal Affairs, and National Bureau of Concessions, Ministry of Finance, Environmental Protection Agency, and EU.

### Other

GROW, Fauna and Flora International, IFC, Proparco, African Development Bank (AfDB), Parley, and Farmer Union Network CSO palm oil working group, Sustainable Development Institute, Transboundary Market Women and transport unions, and Conservation International.

## Progress towards 2020



## Market transformation

The path to market transformation in the Liberia Southeast and West landscapes is to pilot a socially inclusive and environmentally friendly way of setting up palm oil production. The out-grower model designed by IDH

and private-sector companies shows that a different approach to palm oil might be possible, by offering an alternative to the traditional plantation approach, where the communities, land-use planning and forest are central.

Once rolled out, the scheme could serve as a model for other palm oil companies in Liberia and beyond, and for more inclusive and forest-friendly development of export/cash crop production in other countries in Africa and Asia.

## Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector (sustainability) investments

Result\*: €0

*\*No target set in Annual Plan 2017 2017. The private sector is supposed to contribute by investing in the Community Oil Palm out-grower scheme, this investment did not materialize in 2017.*

Together with GVL, IDH presented a proposal to potential impact investors for 4,000 hectares of community-owned oil palm farms and some 20,000 hectares of protected forest in the Southeast landscape. The proposal could become the leading model for concession development in Liberia through poverty reduction, linking investments in agricultural productivity to forest protection through production-protection agreements (PPAs), and putting communities at the head of decision making on land use.

Several of the investors showed interest and entered negotiations with GVL. The presidential election (October – December 2017) postponed many activities in Liberia, including investment decisions. It also became clear that additional support from the government of Liberia was needed.

In the West landscape, Sime Darby is interested in a similar investment approach, but activities have been put

on hold while awaiting the outcome of the High Carbon Stock (HCS) assessment in its gross concession area. In the meantime, Sime Darby has already developed an updated concession development strategy with a much stronger role for community out-growers.

## Changes in landscape governance

### Communities participating in oil palm out-grower scheme:

Result\*: 5 expressed interest after information meeting, 1 in feasibility and land identification phase, and 1 in capacity building phase of the FPIC process

**IDH showed that a different approach to palm oil is possible: one where communities, land-use planning and the forest are central.**

IDH designed a new inclusive and participatory governance process in the Southeast landscape. This involves five steps that communities need to follow to give Free, Prior and Informed Consent (FPIC) before deciding to join the oil palm out-grower scheme. Through this process, we started identifying potential out-grower and forest locations, organizing community information events in 13 communities in Sinoe County with GVL and the Liberian government.

Following the FPIC process, five communities expressed interest in taking the scheme forward. One community reached the feasibility and land identification phase of the process (stage 2) and capacity building on the forest protection plan and governance (stage 3). The implementation is now on hold until the government, GVL, and later Sime Darby and investors make progress on the investment decision.

IDH's decision-making process showed that a different approach to palm oil is possible: one where the communities, land-use planning and forest are central.

## Field-level impact

### Farmer field schools established:

Result\*: 11

### Number of people trained in food security and income diversification:

Result\*: 250 people in 10 communities

IDH partnered with the Liberian Ministry of Agriculture and the Farmers Union Network on several initiatives.

\*No target set in Annual Plan 2017

We established 11 farmer field schools and held food security and income diversification trainings in 10 communities in Sinoe County, to ensure they do not become food insecure by spending all resources on producing oil palm.

Following the FPIC principles, we organized a decision-making process for the oil palm out-grower scheme with 13 communities. This included developing education and communication materials, such as toolkits and posters on Community Oil Palm with Forest Protection. The process also helped resolve land boundary issues with the Land Authority and the Forest Authority.

**“We are not simply asking communities to say Yes or No to a scheme. We are asking them to consider all the options on the table.”**

Silas Siakor, IDH Liberia

We provided one community with training on governance. The community is now close to setting up a legal entity for community oil palm. These developments will lead to a toolkit on governance capacity building in communities, to be used in the other out-grower communities.

## Gender

Around 70% of the 250 participants in the farmer field school project are women. However, we still need to encourage and support more women to actively participate in discussions during FPIC process for the palm oil out-grower scheme.

## Lessons learned

Our concepts and investment proposal are promising game changers. Liberia could be the first case in West Africa (maybe even worldwide) where investments in oil palm are socially inclusive, explicitly designed to improve the economic development of communities, and linked to environmental protection. For now, negotiations around investment have come to a near standstill, due to a combination of factors including company restructuring and the postponing of investment decisions.

**“Liberia could be the first case in West Africa where investments in oil palm are socially inclusive, explicitly designed to improve development of communities, and linked to environmental protection.”**

Silas Siakor, IDH Liberia

The presidential election of 2017 had a significant impact on the progress of the program. With a new president in place, it will take some time before a new agenda is developed for the country. However, building partnerships with ministries before the elections helped us to start rebuilding these relationships soon after. One such positive example is our partnership with the Ministry of Agriculture on farmer field schools.

While designing the FPIC-based community decision-making process, we benefited significantly from including critical local civil society groups and international NGOs.



# Central Highlands, Vietnam

Working with the government for sustainable growth

## Impact focus



Vietnam is the world's second largest coffee exporter after Brazil, and 95% of its coffee is produced in the Central Highlands region. This region is also vital for global and regional production of other important crops such as pepper, tea, fruit and vegetables, flowers, rubber and cashew.

Rapid growth in agricultural output in past decades is due to favorable economic policies, and has led to improvements in income and livelihoods for large portions of the population. However, the future of agricultural production and its access to export markets is threatened by extreme climate events, in particular recurring droughts. Farmers with crops such as rice, vegetables, fruit, and coffee are big users of water for irrigation in the Central Highlands area. In the dry season, water for agriculture, households and hydropower is getting scarcer and is negatively affecting the production of key crops, especially coffee and pepper. A second threat is toxic loading of the environment and limited access to export markets because of high biocide residue levels (MRLs) in agriculture



### Private

ACOM (ECOM), JDE, Lavazza, LDC, Olam, Simexco, Syngenta, The Dow Dupont, Pan Nature, CropLife, HRNS, Nestlé, UTZ, Fresh Studio, Vietnam International Bank (VIB), SH Bank, VP Bank, Techcombank, Ocean Bank, and Lien Viet Post Bank.

### Public

Department of Natural Resources and Environment in Dam Lak and Lam Dong, Departments of Agriculture and Rural Development in Dak Lak and Lam Dong, Department of Lam Dong Sub-department of Plant Protection, Ministry of Agriculture and Rural Development, PPC Dak Lak and Lam Dong, VnSAT, Bank for Investment and Planning Vietnam, Dutch and Swiss embassies.

### Other

Tropenbos Vietnam, Vietnam Coffee Coordination Board, WASI, World Bank, UNREDD, Asian Development Bank, Vietnam Tea Association, Global Coffee Platform, UNDP, and UNEP.

## Progress towards 2020



\* 63 water flow meters  
 48 sprinkler and drip irrigation systems  
 13 soil and air moisture measurement systems linked to an app to operate automated irrigation systems  
 5 terraces and grass banks to improve water retention on farms  
 1 rainwater harvesting structure

## Market transformation

IDH focuses on two of the five provinces in the Central Highlands: Lam Dong and Dak Lak, with a total area of 2.3 million hectares. Our programs cover an area of 10,000–20,000 hectares. We focus on climate resilient,

sustainable agriculture with an emphasis on: efficient water use to ensure sufficient water availability in dry seasons; crop and tree diversification to improve biodiversity and farmers' resilience against price volatility; and responsible agrochemical use to reduce the carbon footprint (fertilizer), reduce toxic loading and food safety (biocides), and increase profitability for farmers.

## Relevant Sustainable Development Goals



## Changes in business practices

### Private-sector (sustainability) investments:

Target: €400,000, Result: €415,654

### Business cases developed:

Target: 2, Result: 1

IDH created a pre-competitive platform for four coffee traders and two roasters to collect and share farmer field book data. Together with these companies, IDH co-funded data collection and shared the analyses and lessons learned with the government, other donors and the global coffee sector. Coffee traders supported farmers to establish pilots on the utilization of water, agroforestry, agrochemicals and fertilizer. Weekly and monthly data were collected with the farmer field book tool to develop business cases on how to sustainably manage water and soil resources, while diversifying income, efficiently using inputs, and hence optimizing profits.

**“In Vietnam, IDH is the linking pin between government, companies and international financiers. They unlock public-private cooperation. And they have the ability and quality to co-design interventions and think it through as a business.”**

Laurent Bossolasco, Sustainability Management Services at Ecom Asia

Coffee traders invested in sustainable production and land management at a larger scale (group/cooperatives) and are now upscaling project interventions to achieve impacts at landscape level in our two landscapes in different ways: (i) provision of input and commitment to buy output; (ii) access to loans and financial assistance from existing programs, such as World Bank and VnSAT; and (iii) landscape design at scale of 60–400 hectares of coffee areas (the average farm size is 1-2 hectares) that apply water saving irrigation/water harvesting, agroforestry and agrochemical management in a coordinated way.

## Changes in landscape governance

### Landscape plans developed and operationalized:

Target: 0, Result: 1 green growth plan (commitment)

### Changes in policies and regulatory environment:

Target: 1, Result: 2 (irrigation decree, agrochemicals)

In 2017, IDH built consensus on a green growth plan in Lam Dong Province. Based on the relationship developed with the Provincial People's Committee leadership in Lam Dong, a provincial working group with leaders from different departments (Planning & Investment, Agriculture, Natural Resources and Environment) was established in October to facilitate the development of a green growth plan with IDH and technical experts (still to be contracted). Early talks started in 2017 with other donors, including UNDP, UNEP, and GIZ to strengthen the IDH-led approach with additional funding and technical expertise.

IDH helped improve management of agrochemical trade and use at local and central level. Recommendations were made based on a thorough baseline and issue analysis, and discussed in different stakeholder platforms convened by IDH, including the Provincial Steering Committee and the Agrochemical Taskforce that IDH co-chairs, and were adopted by provincial and national authorities. Recommendations on alternatives for harmful pesticides that align with the requirements of international standards were published in Lam Dong, and are advocated by policymakers at national level.

In addition, the Department of Plant Protection committed to work with IDH to co-develop a smartphone app that provides farmers with the most up-to-date regulations on agrochemical trade and use, as well as information on pesticides, covering all commodities in Vietnam.

The new irrigation law decree, targeting full-cost recovery of irrigation infrastructures after decades of subsidizing irrigation service fees, has been approved by the national government. To support the implementation of the new law, IDH has supported the government to develop the water allocation at regional/catchment level. IDH has developed a strong partnership with the

Department for Water Resources under the Ministry of Agriculture and Rural Development, and aligned with important international stakeholders, including the Asian Development Bank through their Water Efficiency Improvement in Draught Affected Provinces, the Australian Water Partnership and the Australian National University. IDH also contributed to the development of the irrigation decree, to ensure relevance for the private sector as well as making sure the right incentives for water-saving are included.

**“IDH supported us with creating the water pricing policy by sharing expertise and best practices on water pricing from around the world. They also helped us pilot water pricing projects in the Central Highlands.”**

Le Thi Kim Cuc, Director of the Directorate of Water Resources at MARD

## Field-level impact

### Trainers, auditors and/ or government staff trained:

Target: 150, Result: 338

### Number and type of infrastructure:

Target: 15 water flow meters and 10 drip and sprinkler irrigation tests, Result: 63 water flow meters, 48 sprinkler and drip irrigation systems, 13 soil and air moisture measurement systems linked to an app to operate automated irrigation systems, 5 terraces and grass banks to improve water retention on farms, 1 rainwater harvesting structure

Data collection through the farmer field book tool revealed the use of banned agrochemicals by Vietnamese law and international standards. A minority of farmers (44%) spray biocides, of which 52% of farmers use biocides that are considered highly hazardous to human health and the environment. Of certified farmers, 15% of those that spray, use biocides containing active ingredients that are not allowed by UTZ and other standards.

Almost 10,000 farmers were trained on climate-change resilience of coffee farming, including sub-topics such as agroforestry, agrochemical use, water-efficient irrigation,

replanting, effects of climate change on the coffee farm, and farm economics based on farmer field book data collected. Trainings were conducted both in the field (on demo farms) and in classroom settings.

IDH helped co-finance 63 water flow meters, 48 sprinkler and drip irrigation systems, 13 soil and air moisture measurement systems linked to an app to operate automated irrigation systems, five terraces and grass banks to improve water retention on farms, and one rainwater harvesting structure as a pilot to test the economic viability of investments in irrigation systems.

## Gender

In Vietnam, we monitored farmer profiles of 900 coffee farmers through the farmer field book data in the coffee season of 2016-2017. Only 90 of the 900 were female, although women in farming households often work on the farm. Beyond farm ownership, gender inequality isn't a big issue in Vietnam. For example: 60-90% of farm households have joint decision-making; the education level of male and female farmers is equal; and the gender pay gap of female hired labor on farms was negative: female workers earn more than male workers. One risk that the data revealed is that female family members are involved in pesticide spraying, an activity that can be dangerous without protective equipment, especially if women are of reproductive age. Pilots on responsible agrochemical management will start in 2018.

## Lessons learned

Project interventions should target farmer groups or cooperatives to manage interdependencies, economies of scale, and shared benefits in water management, agroforestry and input management rather than by approaching individual farms.

Close cooperation with government at local and central level is vital to achieve a bigger impact. Pilots and learnings at farm level can help to inform regulation/policy/support to farm-level intervention.

Pilot monitoring and data collection is required to prove the business case, in order to encourage farmers and private-sector and other supporting programs to upscale successful models.



# Program support

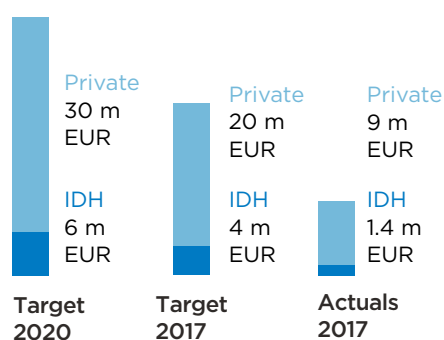
# Innovative Finance

Innovative finance supports IDH's sector programs to meet their key sustainability targets. The team focuses on the agendas of smallholder farmers in the cocoa, coffee, palm oil and cotton sectors, and finding innovative solutions to increase farm-level investments (i.e. access to finance for these small-scale producers). The core work is to catalyze financial institutions and IDH supply chain partners to make high-risk investments in smallholder farmer operations, which will improve both the sustainability of these supply chains and/or landscapes and the livelihoods of the producers. Innovative finance works on developing prototypes of different innovative financing mechanisms that could be leading examples for value chain financing.

The growing trend nowadays is towards global deals rather than single origin deals. Innovative finance is therefore working with leading companies interested in making smallholder financing part of their global sourcing strategy. The team is also focused on what learnings can be taken from the initial deals, and ensuring that these learnings are disseminated between our partners.

The target to set up an investment program regarding production-protection-inclusion has been fulfilled and outsourced by the incorporation of the &Green fund. The fund is now operational, completing the innovative finance team's role in this activity.

## Financial Progress 2017



## Countries covered

All IDH relevant countries are covered. In particular, the innovative finance team has projects in Côte d'Ivoire, the Philippines and Uganda, and is working with companies in Peru, Zambia, and Malawi, and with financial institutions in Europe, the UK and the USA.

## Main sustainability issues targeted

- Smallholder livelihoods
- Changes in business practices
- Economic growth

## Private partners

FMO, IFC, ABN AMRO, Rabobank, AgDevco, Root Capital, Advans, Cargill, Olam, Ecom, Barry Callebaut, GAFSP, Kenner Foods, Machu Picchu Foods, Wilmar, Mars, Cemoi, Neumann Kaffee Gruppe, and C&A Foundation.

## Relevant Sustainable Development Goals



## Key activities, results and role of IDH

### Impact claim 1: Improve smallholder farmer livelihoods by 2018.

Catalyze at least two financial institutions (DFIs or commercial FIs) to engage on a project directly financing (risk-sharing) smallholder farmers or farmer groups.

The team only achieved one deal but it was with a new financial institution, ABN AMRO, and a new supply chain manager, Neumann Kaffee Gruppe. It is the first commercial financial institution that has entered into this space. The innovative finance team has spent considerable time with the impact banking team from ABN AMRO to familiarize them with this type of financing. This deal has also shown early success on the ground, and we look forward to receiving results in 2018. Through the transaction, the local exporter of Neumann is expected to provide productivity and income-smoothing loans to up to 30,000 farmers by 2021. Farmers will have the ability to increase their net income by 180%.

Our role is to use our grant funding to share first loss in

innovative finance deals to catalyze financial institutions for upstream financing of farm investments, by leveraging the high risks related to such investments. IDH drives a strong learning agenda to close the “uncertainty gap” for other potential financiers interested in this space. IDH has seen an increase in interest from its partners to engage in this type of project.

The team was also in the final stages of closing a second deal in the cotton sector in Zambia with FMO before one of the JV partners who operated the business sold their share to the silent JV partner. The team will re-start the conversations with the operator in 2018.

#### **Impact claim 2: Improve smallholder farmer bankability by 2018.**

Create (minimum) first-year financial track record for smallholder farmers, which will lead to bankability in the future.

The team aimed to improve the bankability of 20,000 farmers by 2018. The total number of farmers that are expected to be reached by the three deals is 155,000. However, we are seeing that the expansion ambition of the companies is more difficult than previously expected. This has been due to a variety of reasons, the largest being the fall in cocoa prices, which affected the Barry Callebaut-IFC deal (we had expected to reach this target on that deal alone). The fall in cocoa prices negatively affected the business case for farmers to take fertilizer, which limits the number of approvable farmers. Farmers that have enough cash flow can still access the fertilizer.

All companies remain committed to the initial targets, but expect that they will take approximately two years longer to achieve in each case. Given this, we did not reach our target of 20,000 farmers, but approximately 6,000 farmers have a first-year track record.

Through IDH catalyzing the transaction, farmers are able to access formal credit – often for the first time – thereby building a track record that helps improve bankability.

#### **Impact claim 3: Develop proof of concept of sustainable and scalable smallholder farmer financing business models within producer countries by 2018.**

Catalyze more than US \$10 million in direct investments into smallholder farmers or farmer groups (i.e. loose associations or cooperatives).

With the new deal signed, the team catalyzed US \$9 million of annual financing available for direct investments for smallholder farmers in Uganda with a new supply chain manager who now wishes to extend the model to ten countries over ten years. Barry Callebaut is also taking their model to two new countries.

Our role is to take part in risk-sharing agreements with

financial institutions and supply chain companies by sharing first loss risk up to a certain value of the farmer financing portfolio.

#### **Lessons learned**

1. Innovative financing projects are new business ventures for our partners, so it takes time to operationalize these innovative service delivery solutions. IDH now flags this upfront with our partners, so they can start to work on a solution as early as possible.
2. Focusing on single origins can be too small and time consuming for the different teams within the supply chain managers. We need to focus on global solutions with our partners.
3. Providing income-smoothing loans between harvests can benefit farmers by allowing them to pay one-off events like school fees without having to approach informal money lenders or selling their harvest early, allowing them to continue to invest in their farm. IDH shares this learning with all our potential partners and recommends including such loans in any model.

#### **Link to IDH impact themes**

Smallholder inclusion: The innovative finance team's focus is to find innovative solutions to increase farm-level investments in smallholder farmers who are working in the cocoa, coffee, tea, palm oil and cotton sectors, with the primary goal of increasing their profitability and improving their livelihoods. With its different financing mechanisms, the innovative finance team catalyzes engagement from the financial sector and supply chain companies to provide financing to smallholder farmers, which enables them to invest in their farms so they can become self-sufficient. In 2017, smallholder cocoa farmers, who are taking part in the farmer financing program of IDH's first innovative finance deals, received productivity packages on credit, allowing them to invest in their cocoa farms and start creating financial track records. These activities help farmers improve their profitability and ultimately their livelihoods.

## Risk assessment

Risk	Probability	Impact	Mitigating action undertaken
Projects not well-linked to existing IDH sector program work and focus.	Medium-low	High	The team meets formally with every sector director once a month, to ensure alignment with the program targets.
Not being able to create effective partnerships with financial institutions.	Medium-low	High	In 2017 the Innovative Finance team has expanded and has hired staff with extensive experience and strong economic and business-acumen skills. The team continues to work with their original partners, FMO and IFC, and has now added ABN AMRO. The team also has good relationships with many other financial institutions.
Not finding suitable projects.	Medium-low	High	The team uses its financial institution networks, the IDH sector networks, and also builds their own networks.
Not finding a suitable exit strategy for each innovative finance project.	Medium-high	Medium-high	The team developed theories and implemented exit strategies; we started discussions with local financial sector players to develop partnerships for the supply chain and smallholders with these institutions. We will also exit the projects one year before the other partners.
Not finding the human resources required for scaling up.	Medium-high	High	The team is fully staffed.
Projects moving slower than desired to reach execution (i.e. signed agreements).	Medium-high	High	The team takes learnings from existing deals and flags possible bottlenecks early.

# Learning & Innovation

In 2017, the IDH Learning & Innovation team supported the IDH program teams in improving their strategies and proofs of concept (POCs), convening internal and external learning on our impact themes, and disseminating our learnings via publications, webinars, events and blogs. We strengthened our thought leadership, especially in the impact themes of mitigation of deforestation and smallholder livelihoods through expanding our knowledge network, sharing our key insights via publications and events, and driving new innovations like Service Delivery Models (SDMs) and Production-Protection-Inclusion (PPI) Compacts. We further shaped our agenda for the other impact themes with internal and external stakeholders.

Some of our key achievements included:

- Continuing our work on SDMs, which has now supported more than 30 service provider partners; analyzing an additional 20 cases, of which eight in partnership with the Bill and Melina Gates Foundation (BMGF), publishing a new “SDM Insights” report, and hosting an international partner event to co-shape the future work on SDMs.
- Dedicated publications and an external international event on our approach to landscapes, with over 100 participants from business, government and civil society, as well as an internal concept note on our approach to sustainable production, forest protection and community inclusion (PPI) that is used as reference in the continued implementation of the landscape program strategy.
- Presenting the approach on living wages at the “Roundtable on Living Wages in the Agri-food Sector” and engaging for partnership with the Global Living Wage Coalition.
- Gained a better understanding of the global debates on agrochemicals through engagement with experts and two papers (for internal use) that presented the issues related to responsible agrochemical management from different points of view.
- Further developed and professionalized the gender impact theme with, for example, the launch of the IDH Gender Tool Kit.
- Moreover, we have produced several external communications explaining our research methods and the evidence gathered so far, including the booklet “How are we making a difference” and a webinar with over 70 participants.

In addition to strengthening the impact themes, we significantly improved our approach to impact research, securing comprehensive research plans for a selection of POCs, and Monitoring & Evaluation, a process that has resulted in better POCs and a more robust and organized monitoring system, including qualitative and quantitative results of the Result Measurement Framework KPIs for the commodity and landscape programs.

## IMPACT THEMES

### Smallholder livelihoods

In 2017, the Learning & Innovation team deepened and broadened our knowledge leadership on smallholder inclusion and engagement best practices. Through our refined data-driven analysis of the key drivers for economically sustainable SDMs, we continued building more and closer relationships with commodity partners to evaluate their models and better understand how the business case for engagement with smallholders in service delivery can be driven by innovations that improve the economic impact of service delivery at farmer and service-provider levels. We supported the IDH commodity program teams to identify these opportunities and drive investments that make use of the results. We shared these outcomes with a broader learning community, through attending, presenting at, and hosting smallholder-specific events. A key publication has been the [SDM insights report<sup>1</sup>, an aggregation of the findings from 30 total case analyses conducted through mid-2017](#).

Our work on SDM analyses grew significantly in 2017, with more than 20 additional cases analyzed (both on existing and planned models), including eight in partnership with the Bill and Melinda Gates Foundation (BMGF). Utilizing a widely applicable and expanded methodology, we have more than doubled our list of key indicators of analysis (to nearly 140) in an ever-growing benchmark-able database. As we build on the insights already gained from these analyses, we will further develop our expertise and share our learnings in smallholder engagement through the establishment of the Smallholder Innovation Platform, to be strategically led by our headquarters office in the Netherlands and operationally led by a newly-established business unit in Nairobi, Kenya.

1 [https://www.idhsustainabletrade.com/uploaded/2017/12/Smallholder\\_Engagement\\_Report\\_2017.pdf](https://www.idhsustainabletrade.com/uploaded/2017/12/Smallholder_Engagement_Report_2017.pdf)

Planned activities	Results 2017
Finalize the IDH proposition on smallholder inclusion, including overview of program activities and link to impact baseline.	<ul style="list-style-type: none"> <li>• Communication material (two-pager on smallholder impact theme, blog posts, deep-dive webinar recordings and strategic papers) shared on website.</li> <li>• Internal whitespaces on smallholder topics (traceability and farmer resilience) coordinated and supported.</li> </ul>
Support programs in strategizing investment decisions and developing prototypes for innovation.	<ul style="list-style-type: none"> <li>• SDM analyses have been guiding the cassava, cashew, and coffee program in making investment decisions.</li> <li>• With partners in coffee and cocoa, prototypes for new service packages and new smallholder models and systems have been tested.</li> </ul>
Scope program on continuous improvement of SDMs with a committed coalition of partners.	<ul style="list-style-type: none"> <li>• Innovation program document on plans for prototyping, financing, and scaling innovations produced following key stakeholder convening (see below).</li> </ul>
Strengthening IDH thought leadership by deepening learnings and building a learning community.	<ul style="list-style-type: none"> <li>• Research completed and whitepaper on farmer segmentation written.</li> <li>• Learning material shared and webinars hosted on two smallholder deep-dive topics (ICT solutions and diversification).</li> <li>• New “<a href="#">SDM Insights</a>” report published</li> <li>• Key stakeholder workshop co-hosted by BMGF held to shape and drive plans for further development of smallholder service delivery strategy.</li> <li>• Attendance and presentation of smallholder work at the Innovation Forum (UK), Smallholder Sourcing Event (NL), and World Cocoa Foundation annual meeting (USA).</li> </ul>

### Mitigation of deforestation

In 2017, as the landscape program was moving towards implementation, we started documenting our approach to landscapes and communicating on our experience and expertise, through the release of the [Practical Guide for Landscape Conveners](#)<sup>2</sup> for example, and the organization of our first IDH Landscape Forum, the insights of which were summarized in a [dedicated report](#)<sup>3</sup>. We also started conceptualizing our approach to sustainable production, forest protection and community inclusion (PPI) through the development of an internal concept note on our PPI Compacts, which is now the reference for the landscape program to organize their work. This concept note, for example, fed into the organization of a PPI Compact work

shop for our partners in Brazil in May 2017, during which we explained IDH’s expectations and level of ambition. We also continued facilitating internal learning, through the organization of our “Landscape Team Day” and creation of dedicated internal working groups on PPI Compacts and Verified Sourcing Areas.

2 [http://ecoagriculture.org/wp-content/uploads/2017/03/Public-Private-Civic-Partnerships-for-Sustainable-Landscapes-Practical-Guide-for-Conveners\\_web.pdf](http://ecoagriculture.org/wp-content/uploads/2017/03/Public-Private-Civic-Partnerships-for-Sustainable-Landscapes-Practical-Guide-for-Conveners_web.pdf)

3 [https://www.idhsustainabletrade.com/uploaded/2017/03/IDH\\_Landscapes\\_forum\\_report\\_march\\_29th\\_2017\\_Final.pdf](https://www.idhsustainabletrade.com/uploaded/2017/03/IDH_Landscapes_forum_report_march_29th_2017_Final.pdf)

Planned activities	Results 2017
Finalize IDH proposition on deforestation, including overview of program activities and link to impact baseline.	<p>IDH's approach to mitigating deforestation was clarified and consolidated through:</p> <ul style="list-style-type: none"> <li>• An updated intervention logic, fully aligned with our PPI approach,</li> <li>• A program of activities for the impact theme;</li> <li>• Proofs of concept and impact claims for each landscape.</li> </ul> <p>This has brought more alignment across the landscapes teams and ensured coherence of our strategy to deliver impact.</p>
Convene our program partners to share best practices and innovations for a business approach to sustainable landscapes.	<p><i>IDH Landscape Forum:</i></p> <ul style="list-style-type: none"> <li>• On February 9, 2017, we organized the first IDH Landscape Forum, bringing together around 100 landscape partners from the public, private and NGO sectors in Amsterdam for a full-day event.</li> <li>• A <a href="#">Forum Report<sup>2</sup></a> illustrated by videos was developed to consolidate learnings, and was disseminated broadly.</li> <li>• The forum provided a platform for our partners to share best practices and learn from each other. It helped to further strengthen IDH's position as a thought leader on landscape approaches to mitigate deforestation.</li> </ul> <p><i>Other activities included:</i></p> <ul style="list-style-type: none"> <li>• Collaboration with EcoAgriculture partners to develop a <a href="#">Practical Guide for Landscape Conveners</a>, which builds on our landscape conveners' experience in setting up multi-stakeholder coalitions.</li> <li>• Presentation of our PPI approach at various events, including <a href="#">TFA2020<sup>3</sup></a> meetings, <a href="#">Landscape Platform</a> events, <a href="#">WWF workshop in Brasilia<sup>4</sup></a>, the <a href="#">Innovation Forum on Deforestation<sup>5</sup></a>, etc.</li> <li>• Started the development of four case studies that capture the business case to engage in landscape approaches (expected to be final in Q2 2018), which will help us to gain more insights on how to build business engagement strategy in our landscapes.</li> </ul>
Drive shared learning in landscape teams.	<ul style="list-style-type: none"> <li>• Organization of internal "learning days", bringing together the teams from 11 landscapes. This enabled cross-landscape learning on key topics, and resulted in the creation of dedicated internal working groups on PPI Compacts, and Verified Sourcing Areas (VSAs).</li> </ul>
Convene program partners in a learning event on verified region-based sourcing.	<ul style="list-style-type: none"> <li>• IDH's work on VSAs is being led by the Indonesia and Brazil teams, who focus on palm oil and soy sourcing respectively.</li> <li>• In Indonesia, a working group on palm oil regularly discusses the conditions to create VSAs in Indonesian landscapes.</li> <li>• The learnings generated through the development of VSAs are being shared across the landscape program.</li> </ul>
Develop clear definition and operational approach on "protection" in the landscape programs in Liberia and Indonesia.	<ul style="list-style-type: none"> <li>• Developed a conceptual framework articulating IDH's approach to Production-Protection-Inclusion and in particular the PPI Compacts, which are agreements between public, private, civil society and community stakeholders to enhance the sustainability and productivity of land and secure community livelihoods in exchange for forest protection.</li> <li>• The framework facilitated the incubation of PPI Compacts in Indonesia and Brazil.</li> <li>• In Liberia, we supported the development of a forest protection toolkit, to provide guidance into the development of forest protection plans, as part of production-protection agreements.</li> </ul>

2 [https://www.idhsustainabletrade.com/uploaded/2017/03/IDH\\_Landscapes\\_forum\\_report\\_march\\_29th\\_2017\\_Final.pdf](https://www.idhsustainabletrade.com/uploaded/2017/03/IDH_Landscapes_forum_report_march_29th_2017_Final.pdf)

3 <https://www.tfa2020.org/en/events/tfa-2020-general-assembly-sprint-2020/>

4 [http://wwf.panda.org/what\\_we\\_do/footprint/forest\\_climate/forest\\_climate\\_publications/?312310/Tackling-Deforestation-Through-A-Jurisdictional-Approach](http://wwf.panda.org/what_we_do/footprint/forest_climate/forest_climate_publications/?312310/Tackling-Deforestation-Through-A-Jurisdictional-Approach)

5 [http://wwf.panda.org/what\\_we\\_do/footprint/forest\\_climate/forest\\_climate\\_publications/?312310/Tackling-Deforestation-Through-A-Jurisdictional-Approach](http://wwf.panda.org/what_we_do/footprint/forest_climate/forest_climate_publications/?312310/Tackling-Deforestation-Through-A-Jurisdictional-Approach)

### Living wage and improved working conditions

IDH advanced its learning agenda for living wage and improved working conditions. Our aim, together with our sector partners, is to implement a range of different approaches across the tea, apparel, flowers and bananas sectors (both under the F&I program) that could ultimately be replicated and scaled by the private sector later on. These approaches are currently emerging, ranging from pre-competitive collaboration on benchmarked social and safety standards, implementing living wages at company and sector levels, and dialogue models for workers to engage with management to address working conditions and issues, such as abuse from supervisors.

In tea, under the Malawi Tea 2020 program IDH has been instrumental in the development of a unique price-discovery model together with Oxfam and Accenture Development Partnerships. The model is envisioned to be used by tea buying companies to make visible their contribution, or the lack of this, to the living wage journey in Malawi

on each transaction. Negotiations with tea buying companies and producers in Malawi are ongoing, and the aim is to have the model fully implemented in 2018.

In May 2017, IDH presented this approach on living wage at the “Roundtable on Living Wages in the Agri-food Sector” organized by the Dutch Ministry of Foreign Affairs, where representatives of leading Dutch supermarkets discussed their strategies on the theme together with relevant stakeholders.

As the momentum for internalizing living wage in business practices is increasing, IDH expects to be increasingly partnering with sectors to make the case for implementation. For this, IDH engaged with the Global Living Wage Coalition (GLWC) of sustainability standards. We concluded by deciding to jointly engage with a broader group of industry standards, retail and trade to support and promote living wage implementation. This will take place from 2018 onwards.

Planned activities	Results 2017
<p>Translate living wage learnings from the Tea program in Malawi to the Fresh &amp; Ingredients program in East Africa.</p>	<ul style="list-style-type: none"> <li>• As part of the Fresh &amp; Ingredients program, IDH presented its new approach on living wages at the “Roundtable on Living Wages in the Agri-food Sector” organized by the Dutch Ministry of Foreign Affairs, where representatives from leading Dutch supermarkets discussed their strategies on the theme together with relevant stakeholders. The event profiled IDH as a partner that can support and assist the frontrunner companies willing to test approaches and identify possible solutions to work towards living wages.</li> <li>• The SIFAV project with the World Banana Forum (WBF, FAO in Rome), which represents the global banana supply chain, made positive steps: the study on living wages in Ghana was published and presented; the study on the cost of living in Ecuador has been initiated and is currently in its final revision process. The other SIFAV project on living wages, with Fyffes and International Procurement Limited (IPL), also made progress: the first version of the study for Costa Rica was presented in September, during which the remarks and comments of all stakeholders were taken into account by the researchers for the finalization of the study. Having high quality, accepted figures on living wages is the first step for the sector to acknowledge gaps and develop strategies to address them.</li> <li>• The studies on living wages in the flower sector in Ethiopia and Kenya were finalized in early 2017. An FSI working group on living wages was created during the year to discuss how the sector could approach the significant gaps identified in both countries between living and current wages.</li> </ul>
<p>Finalize the IDH proposition on living wage, including overview of program activities and link to impact baseline.</p>	<ul style="list-style-type: none"> <li>• We have not yet been able to finalize the IDH proposition on living wage due to the absence of dedicated Learning &amp; Innovation staff. Nonetheless, we have made significant process in the impact theme through, for example, the F&amp;I program and the Malawi 2020 impact research. From the Fresh &amp; Ingredients perspective, two key learnings emerged: first, the necessity to provide a common cross-sectoral framework and methodology to our partners for addressing the living wage issue; second, the importance of finding frontrunner companies, like Fyffes and IPL, that want to test possible solutions, with the aim of sharing the learnings and ultimately providing tested scalable solutions.</li> </ul>



### Responsible agrochemical management (RAM)

In 2017, the RAM impact theme was further strengthened and embedded in the organization. We supported program teams to improve their POCs on RAM, and in some cases helped develop new strategies and POCs. In addition, we gained new insights into the issues around agrochemical management in India and Vietnam through research studies, and gained a better understanding of the global debates on agrochemicals through two papers and engagement with experts. This has helped shape the Learning & Innovation agenda on RAM for 2018-2020.

Planned activities	Results 2017
<p>Finalize the IDH proposition on agrochemicals, including overview of program activities and link to impact baseline. Hold regular meetings with an internal working group on strategic issues regarding agrochemical management.</p>	<ul style="list-style-type: none"> <li>• IDH proposition on RAM has been developed and translated into a two-pager and website text.</li> <li>• Internal learning has taken place through individual meetings with program teams to discuss, strengthen and create alignment on program strategies. This has provided increased clarity both internally and externally on what IDH's approach to RAM is and how partners can engage in a cross-sectoral manner.</li> </ul>
<p>Conduct international learning study and convene knowledge on global developments and initiatives.</p>	<ul style="list-style-type: none"> <li>• Two studies on agrochemical trade and use have been executed in India and Vietnam, resulting in insights and recommendations for IDH programs to address this issue.</li> <li>• Two strongmen from different backgrounds were contracted by IDH to develop papers on technical and policy/political aspects of agrochemicals, and their views on addressing the negative impacts of agrochemical use. This has provided good insights into complex debates, based on which we have drafted a RAM innovation strategy to be internalized in 2018.</li> </ul>
<p>Develop an IT system for traceability related to agrochemical management in Lam Dong province, Vietnam (together with ISLA team).</p>	<ul style="list-style-type: none"> <li>• The <a href="#">Vietnam study</a> has shown that in order to address the challenges identified (e.g. scattered application of regulation, deficient inspection processes, etc.), an improved agrochemical management system is necessary. Discussions with program teams and local stakeholders have taken place in 2017, and implementation is planned for 2018 under the responsibility of the ISLA team in Vietnam.</li> </ul>

## Gender equality and empowerment

In 2017, IDH took steps towards further developing and professionalizing the gender impact theme. As part of strategy development, we finalized the IDH gender proposition as well as the gender equality and empowerment intervention logic for the overall impact theme, which will be used for impact research by Wageningen University and Research. In September, the [IDH Gender Toolkit<sup>4</sup>](https://www.idhsustainabletrade.com/uploaded/2017/09/IDH-Gender-Toolkit-with-Guide.pdf) was launched. The toolkit provides IDH staff, as well as other IDH partners, such as implementing organizations and companies, with practical tools and examples to integrate gender into their programs and supply chains, and to ensure they are gender sensitive. In addition, we developed a gender-focused strategy for six IDH sectors (cocoa, coffee, apparel, cotton, flowers (F&I), and tea). For each sector, a 2020 goal was set, providing input for the overall IDH 2020 gender goal.

4 <https://www.idhsustainabletrade.com/uploaded/2017/09/IDH-Gender-Toolkit-with-Guide.pdf>

Throughout the year, awareness was raised both internally and externally. Externally through several social media campaigns on International Women's Day as well as the 16 days of activism against gender-based violence, in which IDH senior leadership took a public stance on addressing gender issues. Internally, conversations and workshop sessions were held with specific program teams to discuss gender issues particular to their sector, and also to identify overlap with other sectors and cross-learning opportunities. The capacity of the gender impact team was enlarged through the recruitment of a program officer. Through these internal awareness-raising activities, the gender impact theme has been established in the IDH organization over the course of 2017. We aim to further develop its strategy and practical tools for implementation in 2018.

Planned activities	Results 2017
Finalize the IDH proposition on gender, including overview of program activities and the establishment of an impact baseline.	<ul style="list-style-type: none"><li>• IDH proposition finalized and publicly available.</li><li>• Intervention logic and impact pathway finalized and publicly available.</li><li>• Impact baseline and research plan developed, to be carried out in 2018.</li></ul>
Analyze gender risks and opportunities across IDH programs.	<ul style="list-style-type: none"><li>• Consultation session on opportunities and risks with broader IDH organization during gender session in IDH strategy week in March 2017.</li><li>• Various awareness-raising activities with IDH staff, to facilitate uptake of gender issues in internal and external projects. Identification of 2018 gender strategy and 2020 goal together with six IDH sectors (cocoa, coffee, cotton, flowers (F&amp;I), apparel, and tea).</li></ul>

### Impact evaluation and Monitoring & Evaluation (M&E)

In 2017, the Learning & Innovation team has significantly strengthened the IDH impact research approach and communication. On a selection of POCs, we have secured comprehensive research plans that cover IDH impacts on sector governance, business practices and field-level sustainability, to lead to systemic change. The research around these POCs is used internally not only to keep track of progress and impacts but also to reflect on the strategies and adjust when necessary. Moreover, we have

produced several external communications explaining our research methods and the evidence gathered so far; these include the booklet “How are we making a difference” and a webinar. Finally, we have strengthened IDH strategies to reach impact by setting up an Investment Committee that discusses the key strategies and assesses the impact per investment of our upcoming projects.

Planned activities	Results 2017
Drive internal learning on impact themes.	<ul style="list-style-type: none"> <li>The ongoing research on a selection of POCs (at least one per impact theme) has led to strategic discussions within program teams to strengthen their strategies to reach impact.</li> <li>Impact research has given the teams an opportunity to reflect, learn and adapt.</li> </ul>
Create communication based on impact baseline.	<ul style="list-style-type: none"> <li>In June 2017, we <a href="#">published a booklet</a> on IDH’s overall impact based on WUR-KPMG impact evaluation.</li> <li>In September 2017, we organized a webinar (70 participants) to explain the research conducted on IDH’s public good impact and the evidence gathered so far: <a href="https://soundcloud.com/idhtrade">soundcloud.com/idhtrade</a>.</li> </ul>
Carry out corrective action to improve evidence base.	<ul style="list-style-type: none"> <li>After the first impact evaluation from WUR-KPMG in 2016, during 2017 we improved impact research for a selection of POCs. We defined clear research plans for each POC and started assessing overall impacts, including sector governance, business practices and field-level sustainability.</li> <li>During 2017, we strengthened our M&amp;E systems to secure more robust and organized data collection, measurement of qualitative and quantitative KPIs results and results management, through our implementing partners and our IDH commodity and landscape teams.</li> <li>We better aligned the M&amp;E output and outcome data with impact data.</li> <li>Finally, we also improved the indicators that cover our landscapes work, through the formulation and communication of better guidelines for the measurement of key performance indicator results.</li> </ul>
Drive internal learning and dialogue on impact-per-euro.	<ul style="list-style-type: none"> <li>During 2017, the Learning &amp; Innovation team successfully set up and led the IDH Investment Committee, to assess and strengthen investment decisions to make greater impacts.</li> <li>The Investment Committee has proven to be a great tool, not only to strengthen IDH projects but also as a learning tool for teams to reflect and discuss the impact-per-investment of each proposal.</li> </ul>

# Communication & Outreach

In 2017, IDH developed its beyond 2020 communication strategy. This included:

- Supporting the internationalization of IDH, by creating standard templates and guidelines for overseas communication officers and branding for overseas IDH offices;
- Increasing visibility in the Dutch and international public domain, through (social) media presence, initiating and participating in public debates, sending letters to the editor, reaching out to international mainstream media;
- Expanding our learning communications – supporting and disseminating publications, co-organizing and designing fora and workshops, organizing webinars and podcasts;
- Supporting our innovative finance agenda – for example, by designing and launching the andgreen.fund at WEF Davos;
- Developing new materials to bring IDH to new audiences, such as impact investors, banks, new donors and other potential financiers.

Simultaneously, IDH communication supported ongoing activities and outreach for our programs and landscapes, through communication materials and interventions that:

- Create alignment, such as the Ziway-Shalla Sustainability Partnership in Ethiopia;
- Build trust among stakeholders, such as between Brazilian soy producers and the European feed industry;
- Create local and global recognition for jurisdictional agreements, such as international media attention for green growth plans in several Indonesian districts;
- Create global recognition for public-private commitments, such as branding and promoting the Cocoa & Forest Initiative;
- Visualize our interventions and approaches (Innovative Finance, PPI, VSA, SDMs, etc.) through infographics, videos, PowerPoints and other materials to support commitment of new potential public and private partners/donors.

IDH communication used the momentum and achievements in our programs and landscapes to gain more international recognition. In recent years, our communi-

cation focused on supporting programs and landscapes to accelerate and upscale. Now, we are increasingly combining these supporting activities with creating more (media) attention for our achievements and the impact we generate – for example, with the publication of *How we are making a difference*. There's a clear need to maintain a fine balance between seeking attention and recognition for ourselves to attract donors on the one hand, and putting our partners in the spotlight in order to attract more partners to our programs on the other.

## Communication highlights

- Launch of the andgreen.fund at WEF Davos in January.
- Social media campaign on IDH gender work on International Women's Day, and 16-day campaign.
- March London meeting and press conference at COP23 in Bonn for the Cocoa & Forests Initiative.
- West Kalimantan video to explain our PPI approach.
- Campaign on IDH's sustainable tea program.
- Apparel mill improvement pilot results visualized and branded in international media.
- Strategic LABS communications support towards members.
- Monthly podcasts established as a new communication outlet.
- SDM event and insights report.
- Joint pitch with Dutch financial institution and press around deal signing with ABN AMRO.
- Online publications of the Cocoa Annual Report and Flourish.
- International recognition for our publication: *How we are making a difference*.
- Positive NGO debate in November in the Netherlands on results and prospects of the Aid and Trade Agenda.
- Recognition by WWF of our innovations on landscapes and PPIs.
- Successful donor outreach to USAID, Rockefeller Foundation, and others.
- Successful onboarding of overseas communication staff.

## Results according to plan

Description	KPI targets 2017	Results 2017
Formulate a clear value proposition for IDH with the leadership team that speaks to potential funders, and translate that into actionable communication.	<ul style="list-style-type: none"> <li>• Strategy implemented to ensure IDH's track record and proposition are known to all board members of relevant funding agencies/ foundations</li> <li>• Up-to-date proposition on IDH website</li> <li>• 1 corporate 4-pager for fundraising</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy implemented</li> <li>• IDH proposition up to date on website</li> <li>• 2, 4, 6 and 8-pagers on IDH for outreach to potential donors delivered</li> </ul>
Ensure IDH's website is a transparent source of information for stakeholders and press, and is instrumental to our learning and convening agenda.	<ul style="list-style-type: none"> <li>• 2 news item per week</li> <li>• 1 blog post per week</li> <li>• 10 tweets per week</li> <li>• 2,000 visitors per week</li> <li>• Regular updates by program/ landscape teams</li> </ul>	<ul style="list-style-type: none"> <li>• 4-5 news items per week</li> <li>• 10 blog posts in 2017</li> <li>• 6 tweets per week</li> <li>• 2,300 visitors per week</li> <li>• Delivered through monthly IDH newsletters and dedicated newsletters</li> </ul>
Ensure IDH and its programs are visible in mainstream and professional international media in support of both programs and donor outreach.	<ul style="list-style-type: none"> <li>• Formulate and implement a social media strategy with leadership team</li> <li>• Quoted 500 times in (international) media</li> </ul>	<ul style="list-style-type: none"> <li>• Formulated social media strategy but implementation was unsuccessful</li> <li>• Quoted over 900 times in international media</li> </ul>
Strengthen our policy and donor network.	Co-organize one high-level policy businesses meeting on public-private partnerships for green and inclusive growth with input from landscape and program teams	Co-organized Landscape Forum
Position IDH as an innovative thought leader on the basis of learning team output.	<ul style="list-style-type: none"> <li>• 2 high-level expert publications</li> <li>• 1 article in expert magazine</li> <li>• 1 expert event</li> </ul>	<ul style="list-style-type: none"> <li>• 2 expert publications in special interest media</li> <li>• Co-organized SDM workshop, attended by Queen Máxima</li> </ul>
Build outreach strategy for new stakeholders with external experts and relevant IDH teams.	<ul style="list-style-type: none"> <li>• 1 publication for stakeholders in our innovative finance work</li> <li>• 1 (generic) donor publication</li> </ul>	<ul style="list-style-type: none"> <li>• innovative finance communication materials delivered</li> <li>• No special donor communication delivered</li> </ul>

### Best practices

1. Collaboration with our stakeholders and communication peers to leverage our network
2. Monitoring of digital content for more strategic placement
3. Earlier engagement with programs and landscapes to improve their outreach

### Lessons learned

1. Maintaining positive stakeholder relations is important, but the process can compromise message quality (press releases become joint statements rather than topline messaging for journalists) and media uptake.
2. Pitch development processes help to solidify a common concept for IDH teams that have not yet fully thought through their target audiences and USPs.
3. Internationalization of IDH requires more managing and directing of overseas communication staff/agencies.

# International partnerships and fundraising

IDH's partnership with international strategic partners, i.e. donors, international organizations and multinational companies are important to increase effectiveness and influence, to strengthen the international outreach and to help fund the organization. Throughout 2017 IDH has continued strengthening the international relations and based on this will be developing an International Engagement Strategy for Strategic Partners to be finalized in 2018 along with a set of individual engagement plans for selected partners. With regards to IDH

fundraising the capacity of IDH is growing and some lessons learned are helping to develop new procedures and workflows. However, building sufficient fundraising pipeline, and providing quality follow up is still a challenge. It's positive to see various programs have been able to attract funding from new donors. At the same time, for other programs it is more difficult to find good opportunities and/or organize within IDH the capacity needed to translate this into new contracts.

Targets 2017	Activities 2017	Results 2017
Intensify outreach to Denmark	IDH organized together with DIEH (Danish Initiative for Ethical Trade) workshops on several issues (e.g. impact assessment) to share lessons learned and exchange knowledge on how to best address sustainability challenges and opportunities with Danish stakeholders.  IDH started/intensified several relationships with Danish stakeholders (e.g. with IFU).	There is good interest from Danish stakeholders engaging with IDH. In 2018 we continue to strengthen these relationships to have concrete engagement from more stakeholders in IDH's programmes and intensify our outreach to Denmark (and other donor countries) through engagement plans.
Meet fundraising targets on, and assistance to, three-five commodity programs. In specifics: <ul style="list-style-type: none"> <li>• Three new program funding agreements with scope of MYP, at least one at country level</li> <li>• Two new partnerships with private foundations</li> </ul>	Assisted several commodity programs with a number still in process.	5 new program funding agreements with scope of MYP, with two at country level signed (1)  Two new partnerships with private foundations were signed (2)
Participate in all relevant calls for proposals	Participated in several solicited and unsolicited calls for proposals.	See (1 and 2) for an overview of new partnerships and contracts signed.
Deepen long-term relationships with like-minded donors and related private foundations	Started several new relations and deepened existing relations.	An International Engagement Strategy is being developed in 2018 to strengthen relationship with strategic partners incl. countries, international organizations and multinational companies.
Draft revenue model beyond 2020	IDH 2030 Strategy developed	Revenue model part of IDH 2030 Strategy
€8 million additional non-earmarked funding to MYP by Denmark	Assisted Danish Mid-term Review of the Danish Organisation Strategy with IDH 2015-2020	On 13 December, the Danish Ministry of Foreign Affairs and IDH signed a new cooperation agreement for the period of 2018-2020 for €8 million (60 million Danish Krone)
Improved funding strategy, procedures, capacity, and data in selected commodity programs and landscapes for fundraising.	Throughout the year IDH has worked on developing procedures and capacity for fundraising in commodity programs and landscape programs.	This work will continue into 2018 gaining learnings from the process as still more outreach is being done in this area.

**(1) The following contracts were signed:**

- a strategic partnership with the Norwegian International Climate & Forest Initiative (NICFI) on Agricultural Production, Forest Protection and Social Inclusion
- in parallel, IDH led the incorporation of the andgreen. fund, with initial investments from NICFI and Unilever
- IDH to become the Land Degradation and Neutrality Fund (LDN-fund) Technical Assistance facility manager
- MOU signed between AGRA and IDH with strong paragraph on cooperation in cassava
- Dutch embassy (EKN) support for cotton climate resilience in Mozambique
- Rwanda HortInvest project approved by EKN. Project is a consortium led by SNV.
- USAID Vietnam support for Race to the Top (RttT) program
- a contract with the British-funded Partnership for Forests (P4F) to convene and implement the Cocoa & the Forests Initiative in West Africa and a livestock intensification project in the Mau Forest in Kenya

**(2) The following partnerships with private foundations were signed:**

- Walton Family Foundation to develop guidelines for sustainable aquaculture investment in Indonesia
- Rockefeller Foundation to support the development of Nigeria's industrial cassava value chain

# Annex 1

# Summary financial statements

The summary financial statements contain a summary of the annual accounts of Stichting IDH Sustainable Trade Initiative. Goal of the summary financial statements is to provide insight in IDH's financials on an aggregated level. The auditor's report at the end of this section ensures consistency with IDH's annual accounts. IDH's annual accounts are available on request. Both the annual accounts and this summary financial statements, do not reflect the effects of events that occurred subsequent to the date of the auditor's report on those financial statements.

The summary financial statements do not contain all the disclosures required by the Guideline for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board.

Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade Initiative.



The following table indicates the key financial figures over 2017 and 2016.

<i>amounts in millions of Euros</i>	Actual 2017	Actual 2016
<b>Program Contributions:</b>		
Private partners - via IDH	1.42	1.26
Private partners - directly to project	42.34	50.85
<b>Total private partners</b>	<b>43.76</b>	<b>52.11</b>
Other donors - via IDH	0.32	0.05
Other donors - directly to project	1.67	8.71
<b>Total other donors</b>	<b>1.99</b>	<b>8.76</b>
<b>IDH</b>	<b>20.99</b>	<b>26.22</b>
<b>Total Program Contributions</b>	<b>66.74</b>	<b>87.09</b>
<b>IDH Expenditures:</b>		
IDH Program Contributions	20.99	26.22
IDH contribution on behalf of private partners	1.42	1.26
IDH contribution on behalf of other donors	0.32	0.05
<b>Total IDH Program Contributions</b>	<b>22.73</b>	<b>27.53</b>
Learning, Innovation and Impact	1.53	1.48
Support and outreach	0.75	1.20
<b>Total Program Related Costs</b>	<b>2.28</b>	<b>2.68</b>
Congress and communication	0.44	0.44
Personnel	2.82	3.05
Organization	1.03	1.27
<b>Total IDH organizational expenditures</b>	<b>4.29</b>	<b>4.76</b>
Financial income and expenses	0.34	-0.13
Total Fin income/expenses	0.34	-0.13
<b>Total IDH Expenditures (incl. contributions via IDH)</b>	<b>29.64</b>	<b>34.84</b>
<b>Total incl. Partner Contributions</b>	<b>73.7</b>	<b>94.40</b>
Ratio program contributions IDH: private	1:2.1	1:2.0
Percentage IDH organizational Expenditures: Total IDH	14.5%	13.7%
Percentage IDH organizational Expenditures: Total incl. Partner contributions	5.8%	5.0%

# Balance sheet

As at 31 december 2017 (after appropriation of result)

	31 december 2017		31 december 2016	
	€	€	€	€
<b>ASSETS</b>				
<i>Tangible Fixed Assets</i>		83,294		104,117
<i>Current Assets</i>		28,205,199		17,474,044
Accounts receivable	936,816		1,057,071	
Deferred program contributions	3,360,597		3,080,640	
Other receivables and prepaid expenses	519,728		565,779	
Cash at bank	23,388,057		12,770,554	
<b>TOTAL ASSETS</b>		<b>28,288,493</b>		<b>17,578,160</b>
<b>LIABILITIES</b>				
<i>Short-term liabilities</i>				
Appropriated funds		20,993,164		7,867,245
Institutional funding	16,304,591		1,388,067	
Earmarked funds	4,688,573		6,479,177	
Trade and other payables		7,295,329		9,710,915
Accounts payable	1,800,499		2,665,337	
Accrued expenses	102,767		41,919	
Program commitments	4,646,803		6,091,570	
Grants received in advance			-	
Program payables	320,344		453,970	
Other liabilities	424,916		458,118	
<b>TOTAL LIABILITIES</b>		<b>28,288,493</b>		<b>17,578,160</b>

# Statement of income and expenditures

	Actuals 2017 €	Budget 2017 €	Actuals 2016 €
<b>INCOME</b>			
Subsidies from governments	27,732,012	38,512,000	33,489,609
Other income	1,903,209	238,000	1,350,895
<i>total income</i>	<i>29,635,221</i>	<i>38,750,000</i>	<i>34,840,504</i>
<b>EXPENDITURES</b>			
Program Contributions	22,721,391		27,529,833
Learning and Innovation	1,425,821		1,175,735
Impact assessments and evaluations	99,994		301,330
Programs - travel and other program costs	508,884		692,635
Programs - country offices	231,360		226,563
Outreach - external advisory	8,697		283,674
<i>total program expenditures</i>	<i>24,996,147</i>	<i>32,250,000</i>	<i>30,209,770</i>
Program communication costs	155,504		222,930
Corporate communication costs	287,259		217,120
Wages and salaries	3,456,922		3,349,680
Social security charges	458,041		547,814
Pension contribution (defined contribution)	263,395		256,287
Other personnel costs	587,182		568,684
Attribution of personnel costs to programs	-1,945,395		-1,672,615
Office costs (housing and IT)	692,704		988,420
Other organization costs	337,383		281,009
<i>total organizational expenditures</i>	<i>4,292,995</i>	<i>6,500,000</i>	<i>4,759,329</i>
<b>Operating result</b>	<b>346,079</b>	<b>-</b>	<b>-128,595</b>
Interest income	-3,017	-	-17,786
Foreign exchange result	324,826	-	-133,707
Bank charges	24,270	-	22,902
<b>Result</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Program Contributions 2017

	TOTAL	IDH	PRIVATE managed by IDH	OTHER managed by IDH	Annual Plan
Apparel	1,145,210	333,851	576,202	235,157	700,000
Aquaculture	402,742	402,742	-	-	1,500,000
Cocoa	1,057,280	994,757	60,084	2,439	1,500,000
Coffee	3,250,975	2,964,965	286,010		3,600,000
Cotton	2,145,791	2,145,791	-	-	3,300,000
Fresh & Ingredients*	2,021,601	1,854,842	166,759		2,000,000
Grow Africa (Cassava)	260,269	251,509	-	8,760	800,000
Landscapes	8,040,776	7,753,008	243,434	44,334	11,450,000
Innovative Finance	95,239	95,239	-	-	-
Mining & Minerals	128,163	103,702	24,461		100,000
Palm Oil	353,362	353,362	-	-	400,000
Soy	751,688	751,688	-	-	1,000,000
Tea	2,465,361	2,380,861	60,000	24,500	1,800,000
Tropical Timber	602,934	602,934	-	-	1,100,000
<b>Total programs</b>	<b>22,721,391</b>	<b>20,989,251</b>	<b>1,416,950</b>	<b>315,190</b>	<b>29,250,000</b>

\* In Fresh & Ingredients the following programs are included:  
Fruit & Vegetables, Flowers & Plants, Cashew, Spices

# Program Contributions 2008-2017

	Total	IDH TOTAL	PRIVATE TOTAL	OTHER TOTAL
Apparel	3,588,722	1,443,251	1,910,315	235,157
Aquaculture	27,609,233	6,715,104	19,080,444	1,813,685
Cocoa	91,794,397	22,569,883	56,969,653	12,254,861
Coffee	55,850,127	17,102,991	37,328,488	1,418,649
Cotton	66,330,331	19,934,544	35,398,172	10,997,615
Electronics	13,825,946	2,036,411	11,789,535	-
Fresh & Ingredients	28,477,356	10,984,172	15,887,698	1,605,486
Grow Africa (Cassava)	1,903,877	1,886,217	8,900	8,760
Landscapes	24,112,782	16,004,954	7,204,755	903,073
Innovative Finance	187,917	155,014	32,903	-
Mining & Minerals	903,979	422,532	481,447	-
Natural Stone	1,528,379	762,354	591,714	174,311
Palm Oil	8,892,435	2,629,461	6,248,728	14,246
Pulp & Paper	882,573	790,030	46,961	45,582
Soy	39,026,500	11,225,575	27,558,300	242,625
Tea	37,406,412	12,538,553	21,871,638	2,996,221
Tourism	2,524,083	794,720	1,560,023	169,340
Tropical Timber	29,810,001	12,324,103	12,490,743	4,995,156
<b>Subtotal programs</b>	<b>434,655,051</b>	<b>140,319,869</b>	<b>256,460,416</b>	<b>37,874,766</b>
Learning	7,547,874	6,746,859	199,148	601,867
Comm, & Congress	4,067,689	2,902,194	1,072,382	93,113
<b>Total</b>	<b>446,270,614</b>	<b>149,968,922</b>	<b>257,731,946</b>	<b>38,569,746</b>

# Accounting Principles

## General

### Principal activities

IDH – the Sustainable Trade Initiative (CC reg. 53521129), is a foundation under Dutch law, and has its legal address at Arthur van Schendelstraat 500 in Utrecht, The Netherlands. The organization is primarily involved in promotion of sustainability within the main international trade chains. It wishes to reinforce public-private consortiums that operate in those international trade chains in order to achieve high impact and value creation (from an economic, social and ecological perspective) in developing countries and emerging markets.

### Financial Reporting period

The financial year coincides with the calendar year.

### Basis of preparation

These financial statements have been prepared in accordance with the guidelines for annual reporting 640 ‘Not for-profit organizations’ of the Dutch Accounting Standards Board and in accordance with relevant laws and regulations as stipulated in the audit protocol of the Dutch Ministry of Foreign Affairs. These guidelines are endorsed by the core donors of IDH. The accounting policies applied are based on the historical cost convention. In 2017 we further strengthened the transparency of our financial reporting by no longer using a second reporting format and related reporting guidelines for our Annual Accounts in addition to the 640 guidelines that were prescribed by our core donors. Rather, we now solely report in accordance to the Audit Protocol of the Dutch Ministry of Foreign Affairs. This was decided in consultation with our donors. As the 2017 budget still followed this second reporting format, a detailed budget comparison can only be made from next year onwards.

IDH has chosen a categorical classification of the statement of income and expenditure. The organizational costs include the congress and communication costs, the personnel costs and the organizational costs. In the notes to the statement of income and expenditure a further breakdown of these cost categories is included. In addition, in annex 1 the institutional donor overview is presented. This statement is used predominantly towards donors and other external parties.

[Law on the financial remuneration of senior executives in the public and semi-public sector \(“Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector \(WNT\)”\)](#)

The organization complies with the formal policy of the rules of the WNT (“Beleidsregel toepassing WNT”) and uses this Policy as a guideline throughout these financial statements.

### Going concern

These financial statements have been prepared on the basis of the going concern assumption.

In accordance with the grant from the Ministry of Foreign Affairs, IDH has not created a provision for continuity. However the Ministry of Foreign Affairs has provided a formal guarantee to IDH to safeguard IDH’s liabilities regarding personnel and short-term liabilities when ending the grant.

## Accounting policies

### General

Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is disclosed in the balance sheet if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet if it is expected to result in an outflow from the entity of resources embodying economic benefits, and the amount of the obligation can be measured with sufficient reliability.

Income is recognized in the profit and loss account if an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognized if a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and/or if all risks related to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

The revenue and expenses are allocated to the period to which they relate.

The financial statements are presented in Euros, the organization's functional currency.

#### Use of estimates

Preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles, the reported values of assets and liabilities, and income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

#### Transactions in foreign currencies

Transactions denominated in another currency are translated into the relevant functional currency at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in another currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date.

#### Financial instruments

Financial instruments include trade and other receivables, loans, cash items and trade and other payables. Financial instruments are initially recognized at fair value. After initial recognition, financial instruments are valued in the manner described below.

#### Short term loans granted

Short term loans granted are carried at amortized cost on the basis of the effective interest method, less impairment losses.

#### Receivables

Receivables are carried at amortized cost on the basis of the effective interest method, less impairment losses.

#### Trade and other payables

Trade and other payables are carried at amortized cost on the basis of the effective interest method, less impairment losses.

#### Derivatives

IDH does not hold any derivatives.

#### Impairment financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

An impairment loss in respect of a financial asset stated at amortized cost is calculated as the difference between

its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in the statement of income and expenditure and reflected in an allowance account against loans and receivables.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through the statement of income and expenditure (up to the amount of the original cost).

#### Receivables

The valuation of receivables is explained under the heading 'Financial instruments'.

#### Appropriated funds

Appropriated funds include grants received in advance, but which are not yet part of program - and other expenditures. The appropriated funds are carried over to the next financial year.

#### Trade and other payables

The valuation of trade and other payables is explained under the heading 'Financial instruments'.

#### Contingent liability

Contingent liabilities include possible obligations depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be measured reliably.

#### Revenue recognition

##### Government grants

Government grants are initially recognized in the balance sheet as appropriated funds if there is reasonable assurance that they will be received and that the foundation will comply with the conditions associated with the grant. Grants that compensate the foundation for expenses incurred are recognized in the statement of income and expenditure on a systematic basis, in the same period in which the expenses are recognized.

##### Recognition of private and other co-funding

With the co-funding grant from the Dutch, Swiss and Danish Governments (the donors), IDH runs public-private, precompetitive market transformation programs in multiple sectors. A prerequisite for any IDH contribution - based on the grant conditions of IDH's institutional donors - is a minimum of 50% co-funding by private (and other) parties. Co-funding is considered private when it comes from private sector companies that have their main source of income from the specific commodity supply chain or landscape of a program. All other

funding from NGOs or governments is considered other funding. Based on the grant conditions of IDH's institutional donors this should be measured cumulative and over the entire grant period.

IDH's convening role in bringing together supply chain partners is one of its core activities and it is therefore key to report on this not only to its donors but also to the public. IDH has developed a framework that explains the guidelines for valuation of the (private) co-funding achieved by IDH's convening role. Based on this framework, the maximum leverage of IDH's contribution with the (private) co-funding is factor five. This co-funding amount forms a minor part of the total reported private and other co-funding in the Annual report.

### Program expenditures

#### Program expenditures

IDH enters into conditional, multi-year contracts with its implementing and other public and private partners. These multi-year contracts are not recognized in the year in which they have been committed, but the annual commitment to the implementing partner is determined based on the (revised) approved annual budgets of the implementing partners taking into consideration the actual spending on the project. The annual commitment is recognized as program expenditure in the corresponding financial year. This accounting principle is derived from the fact that:

- The contracts include the provision that the parties (including IDH) reserve the right to terminate the agreement and/or the project with immediate effect and without the risk of incurring liability for damages or compensation, in the event IDH's institutional donors terminate or materially change their funding of IDH;
- Every year IDH will initiate an evaluation and assessment of the projects for the past year. IDH reserves the right to lower or quit its contribution when the implementing partner or other parties do not meet the predefined deadlines and/or goals;
- The program expenditures in the budget of IDH are recognized on this same accounting principle. The annual budget is discussed each year with and approved by IDH's institutional donors.

The remaining obligation based on the contracts held with the implementing partners is recognized under the off-balance sheet assets and liabilities. Once obligations to implementing partners or other parties cease to exist, they are released to the statement of income and expenditure in the same financial year and noticeably deducted from the program expenditures in the financial year.

### Expenditures if IDH is liable on behalf of funders

Funding from other program partners received by IDH will be recognized as income in the statement of income

and expenditure of the foundation, when IDH is contractually liable for the total financial commitment (the grant of the foundation and from program funders) pledged to the implementing partners of IDH for the financial year. The total financial commitment (the grant of IDH and the funding from the program partners), based on the approved annual budget of the implementing partner for the financial year, is recognized as program expenditure in the statement of income and expenditure of IDH. On balance, the financial commitment of IDH is recognized in the statement of income and expenditure.

### Other

Grants received as a contribution to the expenses incurred by the foundation are recognized in the statement of income and expenditure, and deducted from the expenses concerned.

### Employee benefits/pensions

#### Pension insurance

The main principle is that the pension charge to be recognized for the reporting period should be equal to the pension contributions payable to the pension insurer over the period. Insofar as the payable contributions have not yet been paid as at balance sheet date, a liability is recognized. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognized to account for any repayment by the pension insurer or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the pension insurer and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments, and that it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the insurer, the pension agreement with the staff and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

### Leasing

The foundation may enter into financial and operating leases. A lease contract where the risks and rewards associated with ownership of the leased property are transferred substantially all to the lessee, is referred to as a financial lease. All other leases are classified as operating leases. In classifying leases, the economic reality of the transaction is decisive rather than its legal form. Stichting IDH Sustainable Trade Initiative has only entered into operating leases.



### Operating leases

If the company acts as lessee in an operating lease, then the leased property is not capitalized. Lease payments regarding operating leases are charged to the profit and loss account on a straight-line basis over the lease period.

### Taxes

IDH does not perform any entrepreneurial activities. The Dutch tax authorities have ruled that IDH is exempt from VAT and from Corporate Income Tax.

### Determination of fair value

A number of accounting policies and disclosures in the foundation's financial statements require the determination of the fair value for financial assets and liabilities. Where applicable, detailed information concerning the principles for determining fair value are included in those sections that specifically relate to the relevant asset or liability.

### Law on the financial remuneration of senior executives in the public and semi-public sector ('Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT)')

The Executive Board of IDH consists of two directors, a chairman and a member. The employment remuneration meets the requirements of the Ministry of Foreign Affairs, in which it is stated that the remuneration of the Executive Board does not exceed the remuneration of the director-general of International Cooperation.

As per 1 January 2015 the 'Wet normering bezoldiging topfunctionarissen WNT-2' came in to force to which IDH is fully compliant, including the transitional regulation of the WNT that is applicable till 1<sup>st</sup> January 2017. Based upon these criteria the below table shows the remuneration of the employees that are qualified, in accordance with the WNT, as senior executive:

Name	H.J.M. Oorthuizen	S. Collet	E.A. Bosgra	E.A. Bosgra	T.H. van der Put
Position	Chairman of the Executive Board	Member of the Executive Board	Director of Operations	Seconded **	Consultant ***
Former director	No	No	No	Yes	Yes
Employment agreement	Yes	Yes	Yes	Yes	No
Type	Indefinite period	Indefinite period	Indefinite period	Indefinite period	N/A
Hours per week	40	40	30	28	N/A
Part time percentage	100%	100%	80%	75%	N/A
Period	Jan - Dec 2017	Jan - Dec 2017	Jan - Apr 2017	May - Dec 2017	Jan - Dec 2017
Salary, holiday and year end allowance	€ 141,150	€ 121,103	€ 22,733	€ 42,626	N/A
Other allowances	€ 3,013	€ 1,725	€ 225	€ 422	N/A
Pension and other insurances	€ 16,155	€ 13,371	€ 2,417	€ 3,799	N/A
Total remuneration 2017	€ 160,318	€ 136,198	€ 25,375	€ 46,846	€ 81,600
Maximum Allowable WNT	€ 168,000	€ 168,000	€ 44,186	€ 84,575	N/A
<b>Total remuneration 2016</b>	<b>€ 157,912</b>	<b>N/A*)</b>	<b>€ 76,673</b>		<b>€ 128,873</b>

\* Seconded and financed by Dutch Ministry of Foreign Affairs

\*\* Seconded to Human Cities Coalition, for which IDH received compensation

\*\*\* Member of the Executive Board with an employment agreement until 31 December 2016. Consultant since 1 January 2017

In accordance to the WNT, the table below shows the current composition of the Supervisory Board:

Name	Function	Appointed	Retired	Place	Date	Signature
Mr A.H.J. Veneman	Chair	7 September 2011				
Mr B. Marttin	Member	16 May 2012				
Mr G. Boon	Member	8 April 2013				
Ms A. Kalibata	Member	30 March 2015	23 February 2017			
Mr C.P. Frutiger	Member	16 June 2015				
Ms. K.D. Schuijt	Member	23 February 2017				
Mr. I. Gavilan	Member	23 February 2017				
Mr. S.E. de Cleene	Member	1 June 2017				
Mr. L. Bolander	Member	27 November 2017				

The Supervisory Board did not receive any remuneration and expense reimbursements.

## ANCILLARY POSITIONS

### Executive Board

- Mr. H.J.M. Oorthuizen (appointed as Chair of the Executive Board on 7 September 2011)
- Member of the Better Cotton Initiative Council
- Wageningen Ambassador for the Wageningen University
- Member of World Connectors
- Member of International Peer Review on German Sustainable Development Strategy
- Member of Board of Directors & Green Fund

**Mr. S.C. Collet** (appointed as a member of the Executive Board on 1 January 2017)

- Member of Supervisory Board Stichting OneWorld

### Supervisory Board

**Mr. A.H.J. Veneman** (appointed as Chair of the Supervisory Board on 7 September 2011)

- Corporate Director Sustainability at AkzoNobel
- Chairman Supervisory Board Foundation 'Milieukeur' (SMK Eco Label)
- Ambassador Amsterdam Climate Initiative
- Member of International Advisory Board of the Utrecht University
- Member of Nyenrode's International Advisory Board (IAB)
- Ambassador Nederland Circulaire Hotspot
- Member of Supervisory Board Human Cities Coalition
- Member of World Business Council for Sustainable Development
- Member of daily and general board as well as Committee Multinational Organizations of Dutch employers' organization VNO-NCW
- Member of Committee on development and cooperation of the Advisory Council on International Affairs of Dutch Ministry of Foreign Affairs

**Mr. S.E. de Cleene** (appointed as a member of the Supervisory Board on 1 June 2017)

- Trustee of The Partnering Initiative

**Mr. I. Gavilan** (appointed as a member of the Supervisory Board on 23 September 2017)

- None

**Ms. K.D. Schuijt** (appointed as a member of the Supervisory Board on 23 September 2017)

- Member of Advisory Board Hogeschool van Hall Larenstein
- Member of Executive Board de Groene 11

**Mr. L. Bolander** (appointed as a member of the Supervisory Board on 27 November 2017)

- Member of the Board OK amba
- Chairman of the Board Travelmarket a/s
- Member of the Board Trap Danmark a/s
- Chairman of the Board Direct Gruppen a/s
- Chairman of the Board Spejder Sport a/s
- Chairman of the Board Middelgrundsonden
- Chairman of the Board Dagbladet Information a/s

**Mr. B.J. Marttin** (appointed as a member of the Supervisory Board on 16 May 2012)

- Member of the Managing Board Rabobank
- Chairman of the Shareholders Council of Rabo Development
- Chairman of the Supervisory Board of De Lage Landen International BV
- Chairman of the Supervisory Board of Obvion NV
- Chairman of the Board of Directors Rabohypotheekbank NV
- Member of the Board of Directors Rabobank International Holding BV
- Member of the Board Rabobank Australia Ltd
- Member of the Board Rabobank New Zealand Ltd
- Member of the Board Rabobank Foundation
- Member of the Board Nieuwe Fondsen
- Member of the North America Board of Directors (Utrecht-America-Holdings Inc.)
- Member of the Supervisory Board of the Wageningen University
- Member of the Dutch Trade and Investment Board (dissolved December 2017)
- Member of the Board Unico Banking Group (dissolved October 2017)
- Member of the Board of Trustees of Hanns R. Neumann Stiftung
- Member of the Supervisory Board of ARISE BV
- Vice-chairman of the Board of Directors American Chamber of Commerce
- Chairman of the Advisory Board Amsterdam University College (*stepped down July 2017*)

**Mr. G. Boon** (appointed as a member of the Supervisory Board on 1 March 2013)

- Non-executive director (KPMG, Albron (chair) and Royal BAM Group)
- Lay judge ("Raad") at the Enterprise Chamber ("Ondernemingskamer") which is part of the Amsterdam Court of Appeal ("Gerechtshof")

[Mr. C.P. Frutiger \(appointed as a member of the Supervisory Board on 16 June 2015\)](#)

- Global Head of Global Public Affairs at Nestlé S.A
- Member of the Swiss Government Advisory Commission on International Cooperation
- Steering Committee Member at the UN Global Compact LEAD
- Board Member at Global Compact Network Switzerland
- Deputy Chair Executive Board. Nestlé Nutrition Institute

The Supervisory Board has created three committees in which the following members of the Supervisory Board are represented

[The audit committee:](#)

- Mr. B.J. Marttin
- Mr. G. Boon

[The impact committee:](#)

The impact committee now consists of the following members:

- Prof. Dr. Peter Knorringa (Chairman of the impact committee) – Professor of Private Sector & Development. International Institute of Social Studies (ISS). Erasmus University Rotterdam
- Mr. Jan-Kees Vis – Global Director Sustainable Sourcing Development. Unilever
- Frank Eyhorn – Co-Team Leader Rural Economy at the Advisory Service Department HELVETAS Swiss Intercooperation
- Mr. I. Gavilan
- Ms. K.D. Schuijt

[The nomination and remuneration committee:](#)

- Mr. A.H.J. Veneman
- Mr. C.P. Frutiger

# Report of the independent auditor

To: the Executive Board and the Supervisory Board of Stichting IDH Sustainable Trade Initiative

## OUR OPINION

The summary financial statements 2017 of Stichting IDH Sustainable Trade Initiative, based in Utrecht is derived from the audited financial statements 2017 of Stichting IDH Sustainable Trade Initiative.

In our opinion the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2017 of Stichting IDH Sustainable Trade Initiative, on the basis described in the related explanatory notes.

The summary financial statements comprise:

1. the summary statement of financial position at 31 December 2017;
2. the following statements over 2017:
3. the balance sheet, the statement of income and expenditures, program contributions 2017, program contributions 2008-2017;
4. the accounting principles; and
5. annex - ancillary positions Executive Board and Supervisory Board

## SUMMARY FINANCIAL STATEMENTS

The summary financial statements do not contain all the disclosures required by the Guideline for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade and our auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on those financial statements of report dated 1 June 2018.

## THE AUDITED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

We expressed an unqualified audit opinion on the audited financial statements 2017 of Stichting IDH Sustainable Trade Initiative in our auditor's report of 31 May 2018.

## RESPONSIBILITIES OF EXECUTIVE AND THE SUPERVISORY BOARD FOR THE SUMMARY FINANCIAL STATEMENTS

The Executive board is responsible for the preparation of the summary financial statements on the basis as described in the related explanatory notes.

The supervisory board is responsible for overseeing the company's financial reporting process.

## OUR RESPONSIBILITIES

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which we conducted in accordance with Dutch law, including the Dutch Standard 810 'Opdrachten om te rapporteren betreffende samengevatte financiële overzichten' (Engagements to report on summary financial statements).

Amsterdam, 31 May 2018

**MAZARS PAARDEKOOPER HOFFMAN N.V.**

drs. R.C.H.M. Horsmans RA RV