



# IDH Sustainable Trade Management Response





# Introduction

KPMG has submitted their final impact evaluation of IDH's 2016-2020 Program Portfolio. Research by external organizations allow us to understand and improve our work as convenors seeking to develop and scale up sustainability efforts around the world. We appreciate validation of the work and accept the learnings that will help us improve as we move forward.

# Background

In 2016, IDH selected Wageningen University & Research (WUR) and KPMG to design and deliver a five-year impact evaluation program on the IDH 2016-2020 Multi-Year Plan. The program's goal was to understand IDH's contribution to sustainable development and improve the programs. In 2017, the consortium partners WUR & KPMG delivered a well-received first assessment report. After a joint assessment of the partnership, KPMG was appointed to execute the midterm and the portfolio end evaluation based on the original methodology, including an academic expert panel to validate the findings.

The objective of the program was to evaluate IDH's portfolio utilizing [OECD DAC evaluation criteria](#), including relevance, coherence, effectiveness, efficiency, impact and sustainability. The End Evaluation Report provides an understanding of the extent to which changes in business practices, sector governance and field level sustainability have occurred across [IDH's five impact themes](#), and whether IDH's contribution could be measured.



# Research Findings

The evaluators from KPMG confirmed several key achievements and features of our organization that reaffirm our track record as a successful convenor for sustainable market transformation coalitions. There is clear recognition that IDH has relevance and additionality. The research found that most of the IDH Proof of Concepts have achieved their outcome objectives at the sector and business practice level. Researchers also found that IDH demonstrated enhanced relevance, additionality, and effectiveness across the five innovation strategies that emerged over the period of 2016-2020.<sup>1</sup> For an ambitious organization with a diverse programme portfolio these are significant achievements.

**When considering the long-term, field-level impact of our work, it is important to consider two points:**

1. For many transformation processes, 5 years is relatively short period for impact to materialize.
2. Improved sector governance and field level impact are interconnected, but often happen in sequence with improved sector governance as a precondition for impact.

In particular, the evaluation highlighted the [Malawi 2020 program](#) for IDH's important role in the observed impact level results, including a decrease of the living wage gap and the enhancement of collective bargaining. This program has provided IDH with an opportunity to refine its role as convenor, including the testing of a living wage road map with front runners and scaling it via industry platforms. And ultimately pulling out from the focus on one country to work with the Ethical Tea Partnership and Global Tea Coalition to find opportunities for replication in other geographies.

The Cocoa & Forest Initiative (CFI), which was launched by Prince Charles and facilitated by IDH and the World Cocoa Foundation, provides another strong example of IDH's contributions. The partnership resulted from consultations in March 2016 among the Governments of Côte d'Ivoire and Ghana, and 35 leading cocoa and chocolate companies that account for 85% of the global cocoa trade. IDH and its partners took over the convening role in March 2017 developed a Common Framework for Action (CFA) that was put into action in 2018. Côte d'Ivoire adopted a national satellite system to monitor deforestation and planted nearly 10 million trees in 2020 with a goal of extending forest cover to 20 percent of the country. Ghana restored roughly 226,000 hectares of forest area, or 870 football fields per day, in 2020 through cocoa landscape partnerships. Altogether, cocoa and chocolate companies have distributed 10.4 million forest trees since 2018 and achieved 82 percent (Ghana) and 74 percent (Côte d'Ivoire) traceability in direct sourcing in 2020.

While notable progress has been made on crucial topics, such as traceability, satellite monitoring of deforestation, awareness-raising and monitoring and evaluation, IDH feels that this is insufficient. The new phase of IDH's work will be oriented towards actions on the ground, including the implementation of pilot projects based on landscape approaches to rebalance land use, an increase in agroforestry activities, and forest restoration projects through partnerships with the private sector.

KPMG has provided various recommendations in the report. IDH is pleased to share our responses and how we will move forward.

## Recommendation A

*IDH should make a strategic choice regarding their role among the various organizations that aim to drive change and the focus of their portfolio. Does the organization aspire to be an incubator or do they want to drive transformative change in just a few sectors?*

## IDH Response

IDH has demonstrated an aptitude for developing innovative approaches and concepts that enhance sustainable production and trade. At least five strategies have been developed over the 2016-2021 period, including:

- A focus on data driven insights to compile the business case for sustainable interventions (e.g. Farmfit including service delivery models);
- Development and deployment of digital tools upstream and downstream to accelerate sustainable market transformation (e.g. Living Wage Roadmap, Digital Transformation)
- Investable interventions that range from niche to norm through the development of innovative finance solutions;
- Inclusive and transparent supply chains with the launch of a new market mechanism for landscape initiatives (e.g. SourceUp);
- Realization of premium market for smallholders, enabling them to earn a better income, by empowering small to medium enterprises (e.g. Value Chain Development).

This work could possibly give evaluators and donors the impression that IDH is an incubator and initiator rather than an organization focused on fixing and completing transformation processes around complex sustainability issues.

However, in IDH's Multi-Year Strategy 2021-2025, and the related and revised corporate theory of change, IDH lays out its dual role as an incubator (i.e. creating the space and means to test innovative solutions and models for sustainable production and trade) and its role in transforming markets to encourage the adoption of newly developed and proven innovations via program partners and other key stakeholders.

It is less about pursuing one path or the other, but rather about ensuring that proven innovations can follow the course to systemic change and wider adoption by private companies.

IDH is aware that it cannot seek to drive transformative change, nor be an incubator across all sectors, but we will carefully analyze and select where we provide the greatest additionality and take on the role of incubator or scaling partner as needed.



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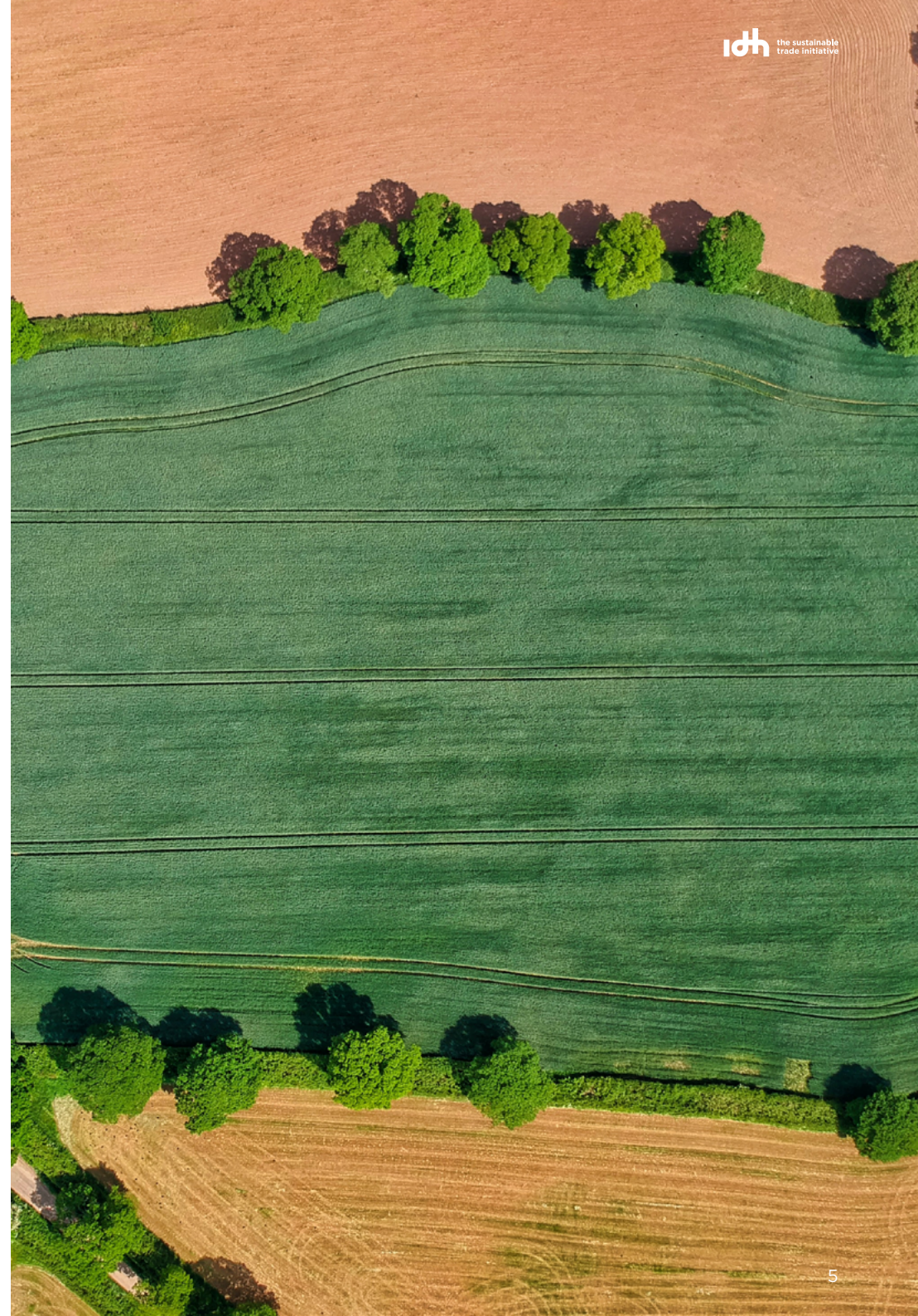
With IDH's shift to three overarching impact themes – Better incomes, Better Jobs, Better Environment – our dual role can be seen in our Living Income focus in commodity sectors.

Living income addresses the gap between what farmers in many commodity sectors currently earn and what they need for a dignified livelihood. Our partnerships in this sector have delivered incubator-type concepts (e.g. Income Driver Calculator), which we have leveraged to create impact models that can be scaled. A smart mix of tools, such as the Service Delivery Model analysis and Income Driver Calculator, have allowed for better analysis and much needed insights needed for closing the income gap. This tool enables IDH's work with companies like Nestle and Unilever to scale up living income commitments and reach transformative change.

Going forward, our Multi-Year Plan will guide our programs with a view toward how we contribute to sector wide impacts through systemic change in sector governance, business practices, and eventually the field and workplace.

IDH already has developed clear and concrete roadmaps for living incomes and living wages, and we will do the same in the coming year for a better environment. These roadmaps will be disseminated to the partners and others to promote scaling and replication of approaches.

In the monitoring, evaluation and reporting of progress over the 2021-25 period, IDH will continue to address our successes, failures and learnings so that we can understand the impact of our innovations and contributions to systems changes and adoption, scaling and crowding of these pilots in the sectors where we work.



## Recommendation B

*No matter which direction is selected, IDH should be transparent on the expected impact within a specific timeframe in close collaboration with donors and other stakeholders.*

## IDH Response

IDH is unique among private sector development approaches. Our organization tends to have broader goals in terms of competitive, inclusive & sustainable growth and aims for market transformation rather than incremental change. IDH combines bottom-up constraint analysis with a top-down opportunity assessment and a high-level vision for change. We are explicit about the need for long-term thinking and government buy-in and commitment. This requires structural changes to the sector and close engagement with governments.

Two observations of the evaluator relate specifically to the nature of the IDH approach: “Expectations raised might have been too high” and “IDH’s Theories of Change lack specificity with regard to when to expect impact, as well what exactly to expect. In many cases the Theory of Change only describes a direction”.

At times, IDH’s KPI framework may not seem entirely fit for purpose for the roles and results that could be expected. IDH co-funded projects have a relatively smaller footprint and are meant to be the proofs of concept for further adoption and scaling by others. We have limited control over the larger direct impact at the sector and field level. We have learned that our (indirect) impacts can only be delivered by the strategic program partners who contribute to the direct impact.

Secondly, we have come to understand that IDH’s contribution to transformation is at the level of systems change through improved sector governance and business practices, which are the pre-conditions for the private sector to embrace sustainable trade practices. As IDH clarifies its sphere of control and influence, we should be able to reduce the confusion flagged by KPMG. With a sharpened focus, IDH will be more prudent in how we set impact targets at the field level.

IDH’s revised corporate Theory of Change and its renewed focus on systems change in sector governance, business practices and support functions will lead to clearer impact and contribution claims.

We will improve the measurement of outcomes by introducing mixed methods with both qualitative and quantitative data. Furthermore, we will better document the intermediate changes/steps that occur in the convening activities. In addition, IDH will test assumptions relating to the Theory of Change through corporate and program level evaluations, as well as address knowledge gaps for the impact themes.

Our Landscapes Business Unit is now creating Theories of Change for each landscape and adapting the Theory of Change for the market end work where it is a challenge to make the direct link between markets and landscapes.

Based on progressive learning and the concept of “Success has many parents, but failure is an orphan”, IDH will continue to recognize and reward the contributions that each partner makes to the coalitions and results.



## Recommendation C

*Ensure that the supporting systems, procedures and processes are in place safeguarding relevance, additionality, coherence and sustainability across the full portfolio as well as over the timeline of the respective interventions and in line with the choices made (incubator vs transformer).*

## IDH Response

In the period of 2016-2021, IDH has seen significant growth of the total budget, staffing, and adaptive management to deal with the impacts of the COVID-19 pandemic and restructuring of organization and management. Despite this turbulence, the evaluators confirm that IDH has been able to ensure relevance and additionality, not only prior to rollout of interventions, but also through ex post evaluations and stakeholder consultation. External coherence is confirmed by project documentation and some ex-post evaluations. IDH believes that these are remarkable achievements and is happy to receive confirmation in the KPMG report.

It should be noted that throughout the implementation of our Multi-Year Strategy, IDH has been aware of required improvements in systems, structures and procedures needed to cope with the growth, the on-boarding of learning, and the strategy refresh that serves as a foundation for the next funding period.

The previous portfolio structure of 11 sector programs and 9 landscape programs has been restructured into an organization with one corporate unit, 5 business units (Textile & Manufacturing, Agri-commodities, Food Crops & Ingredients, Landscapes, Intelligence & Insights), which operate 13 program clusters (Materials, Life & Building Safety, Verified Industrial Parks, Coffee, Cocoa, Tea, Value Chain Development, Sustainability Platforms, FarmFit Africa, Production-Protection-Inclusion, Landscape Finance, Markets and SourceUp).

In the corporate office, management has been strengthened with a newly appointed CFO and Director of Human Resources & Talent Management. The Monitoring & Evaluation function has been moved from the Insights & Innovation business unit to direct supervision by the CFO. A new M&E manager has been appointed and the team has been significantly expanded both at corporate and BU level. The landscape BU has appointed a senior learning and impact manager and ensured that the postholder is on the BU management team to ensure that the learning agenda included in all deliberations.

Along with the application for the next funding period, IDH prepared a series of strategic documents to step up organizational performance, including a Monitoring, Evaluation and Learning Plan, a Quality Assurance Plan, and a Partnership Approach. The operationalization of those strategic documents has already started, but a significant amount of actions remain for the coming 12 month period.

**In addition, IDH has made significant progress in other areas addressed in the end evaluation, including:**

- IDH has strengthened the monitoring and reporting structure by having the M&E linked to the financial department with CFO as line manager. A tailored project management system within Salesforce (ROSA - Register Outcomes Stakeholder Applications) has been rolled out, which includes a module for partner reporting. ROSA combines financial and result data and will allow for more effective reporting, including assessments on cost-effectiveness. The migration from old to new system will begin in November 2021.
- IDH will make corrective actions in our Investment Committee process as well as in the yet to be defined and approved evaluation policy.
- The Quality Assurance Plan includes guidance on internal reflection sessions and quarterly and annual reviews at the program and business unit level (supported by templates for preparation and documentation). This way of working will gradually be rolled out in the next 12 months supported by the Operations and M&E teams. The M&E team will establish a community of practice with one of the objectives being to disseminate learnings from evaluations.
- The revised corporate Theory of Change has been complemented with a new Result Measurement Framework and a menu of harmonized corporate indicators at the output, outcome and impact levels (16 KPIs for corporate level and 23 KPIs for field level innovation projects, which serve as a menu for programs to choose from). The coherence has been strengthened by developing program cluster level Theories of Change which were subsequently aggregated into the corporate level Theory of Change. Program teams are encouraged to make a selection from this menu and complement them with additional project specific KPIs where needed. The partner portal that is being created in the new ROSA system will facilitate reporting with a digital upload option.
- The new quality assurance plan contains sections of exit and scaling strategies. This new guidance material will be disseminated once the M&E team is at full capacity (recruitment of 2 vacancies is currently ongoing) and is anticipated to begin in Q1 of 2022. IDH will build on its real-life experience in working with front runner companies who are willing to test an innovation and subsequently demonstrate the commitment to go to scale (see example of Nestle in the living income work in cocoa).



## Recommendation D

*Strengthen the future evidence base and align upfront with donors which Proof of Concepts and/or interventions should be central in the evidence base and prevent this being determined in the context of the evaluation.*

## IDH Response

IDH appreciates the fact that the evaluators confirmed that most Proof of Concepts (PoCs) have achieved or are expected to achieve their objectives at output and outcome level on sector governance and business practices level. Unfortunately, field level objectives are met less frequently or could not be established due to the previous Results Measurement Framework (RMF), which failed to deliver the robust and transparent results due to inconsistent reporting and lack of data-validation. As indicated earlier, IDH has taken steps to strengthen the M&E structure to avoid similar short comings in the next period. In particular, the increased M&E capacity at the business unit level can provide the needed advisory services and supporting role to strengthen the program capacity and data quality.

While the Proof of Concepts in 2016 were a sample from each of the five impact themes (Smallholder Inclusion, Mitigation of Deforestation, Gender Equality and Empowerment, Responsible Agrochemical Management, and Living Wage & Working Conditions), the sampling in the new funding period 2021-2025 will shift to an estimated 10 - 15 key mechanisms for achieving change in business practices, sector governance and how such changes eventually contribute to impact in Better Jobs, Better Incomes, Better Environment and Gender equality as a cross sector theme.

**In addition, IDH is addressing other issues raised in the evaluation through a variety of initiatives, including:**

- An evaluation policy for corporate monitoring, evaluation and learning that will be discussed and finalized in Q4 of 2021
- External experts will be consulted to assess the quality and result measurement frameworks and KPIs as we complete our corporate baseline.
- Dedicated M&E advisors in each business unit will support each team through the entire program cycle from design to reporting and evaluation. The business units Landscapes and Agri-Commodities already have dedicated advisors with two more for the other business units under recruitment. The business unit M&E advisors are supported by the corporate M&E team which provides guidance notes, templates and technical advice.
- A measurement guide has been produced that contains definitions, measurement guidance and units for reporting to accompany the new menu of harmonized corporate KPIs.
- The M&E team will provide Data Quality Assessment services to the programs. These assessments will help IDH staff and implementing partners understand the strengths and weaknesses of their data and the extent to which the data can be trusted to influence management decisions. Data will be assessed against validity, integrity, precision, reliability and timeliness.

- In close collaboration with the experts from I&I and FarmFit Africa, the M&E team will develop a data strategy and contribute to the structure of the data warehouse in the ROSA system.
- The use of new techniques and alternative sources is already happening for program monitoring purposes in the Landscape business unit. IDH will also incorporate these methodologies in the corporate evaluation policy and plan.

The IDH team would also like to highlight a correction to the evaluators on Page 10 where it states that: ‘There is little attention of IDH for mitigating leakage.’ IDH established landscape approaches specifically to complement supply chain and sector approaches, which have very high leakage risk because they tend to be implemented at farm level. In addition, IDH has an additional layer with jurisdictional agreements at state or province level. For example, the “produce – include – conserve” approach agreed at Matto Grosso state level by the governor and private sector partners in addition to three landscape compacts within Matto Grosso<sup>2</sup>.

i. Over the course of the evaluation period (2016-2020) IDH continued to innovate. They aim to create new ways to reach impact at scale. Five innovation strategies were identified to further drive sustainable market transformation: 1. Focus on data driven insights to compile the business case for sustainable interventions (Farmfit incl SDMs) 2. Develop and deploy digital tools upstream and downstream to accelerate sustainable market transformation (Roadmap Living Wage, Digital Transformation) 3. Drive investable interventions from niche to norm through the development of innovative finance solutions 4. Enable inclusive and transparent supply chains through the launch of a new market mechanism for landscape initiatives (SourceUp) 5. Unlock premium market for smallholders, enabling them a better income, through empowerment of SMEs (Value Chain Development).

ii. The IDH landscape program uses an innovative, integrated approach to mitigate deforestation, while improving smallholder and community livelihoods and ensuring supply security for businesses. Through a three-pronged approach – production, protection and inclusion (PPI approach) – our work supports four key stakeholder groups: companies wishing to source sustainably; governments aiming to enable sustainable growth; smallholder farmers who need to diversify their income, secure land rights, and strengthen their position in supply chains; and finally, impact investors and the mainstream finance sector who need bankable projects that deliver impact on SDGs.