

# Review of the Sustainable Trade Initiative IDH 2008-2013

*Terms of Reference (24 April 2013)*

## 1. Introduction, motivation and limitations

The Sustainable Trade Initiative IDH (Initiatief Duurzame Handel) was set up in 2008 as a multi-stakeholder initiative of private companies, NGOs, trade unions and the Dutch government with the aim of improving the sustainability of commodity production and trade in developing countries.

With substantial funding from the ministry of Foreign Affairs (EUR 123 million ODA committed for the period 2008-2015) and match funding from a growing number of private partners, IDH quickly developed into a key player in accelerating the use of Voluntary Sustainability Standards (like UTZ and Rainforest Alliance certified) and other efforts to improve the sustainability in supply chains for commodities from developing countries. IDH is often seen as an example of modern business-like public/private cooperation and is one of the key instruments of the Dutch government's integrated agenda for aid, trade and investment.

While there is a growing international body of knowledge on the effects of Voluntary Sustainability Standards (VSS) in international supply chains, IDH as such has not been evaluated.<sup>1</sup> As part of its work program and the implementation of the 2012 evaluation protocol for Private Sector Development activities, IDH has set up a series of impact studies.<sup>2</sup> These studies focus on three of IDH's main areas of work: cocoa, cotton and tea. So far, these efforts are largely limited to baseline studies.

With a view to the perceived results of the initiative and to provide timely support to IDH's forthcoming multi-annual strategy for the years 2016-2020, the ministry intends to take a new funding decision by mid-2014.<sup>3</sup> In order to inform decision making, IOB has been requested to conduct an evaluation, to be completed by mid-2014.

IOB has agreed to conduct a *review* of IDH. A full-fledged *evaluation* of IDH would not be feasible, given the short time available and in view of the limited information so far on the effectiveness of IDH supported interventions in the producer countries; such an evaluation would be more appropriate by 2016-17, when the results of the impact studies started in 2012 would become available.

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<sup>1</sup> IDH commissioned a quick scan and an attribution claim study (in 2009 resp. 2011) which resulted in two reports: *Duurzame Handel van slagboom naar hefboom*, Triple Value, 2009; *Validation of IDH Attribution Claims 2011*, Steward Redqueen, 2012.

<sup>2</sup> The PSD evaluation protocol was set up in Autumn 2011 by IOB and DDE and agreed with the implementing agencies (such as FMO, CBI, PUM, AgentschapNL, IDH) with a view to improve evaluation practices within PSD activities supported by the ministry. The agencies proposed implementation plans in Spring 2012.

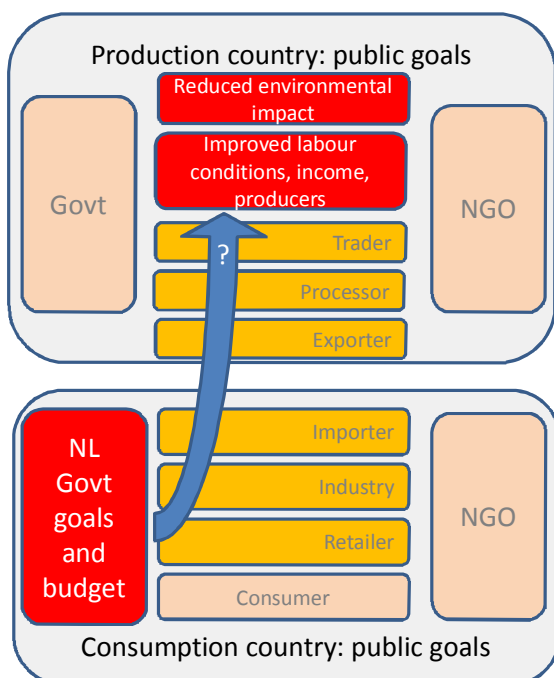
<sup>3</sup> This decision has been brought forward because IDH is expected to run out of MFA funds in course of 2014, one year ahead of the original schedule.

The review character of this study implies limitations. IOB will not be able to fully judge IDH on the classic OECD evaluation criteria (efficiency, effectiveness, impact, relevance and sustainability). However, the review will provide an overview of *available evidence* on the relevance (ex ante), effectiveness and efficiency of IDH. Part of the reporting will be more descriptive, rather than judgemental (for instance on several efficiency aspects). In this way, the review aims to contribute to transparency and informed decision making at the ministry concerning further funding to IDH.

## 2. Background: using public funds, through sustainable supply chain development, to serve public goals

The pursuit of sustainable production, manufacturing and trade in global value chains has over the past decade gained momentum. Certified products claiming some aspect of sustainability are penetrating mainstream markets in Western industrialized countries. Companies running global brands, major retailers and non-governmental organizations work together in public-private partnerships to expand supply and demand of products certified by voluntary standards such as Organic, Fair Trade, RPSO (soy), MSC (fish), UTZ and Rainforest Alliance certified. There are currently 447 registered labels claiming some aspect of sustainability.<sup>4</sup> These initiatives have in particular taken root in food and beverage production, but also cover non-food products like tropical timber, cotton and textiles.

What is the general theory of change behind this area of work in which IDH has become an active player? How could public funding for the development of sustainable supply chains serve the achievement of public goals in developing countries concerning poverty, labour conditions and the environment?



In developing countries, the production, processing and trade of commodities can be related to various sustainability issues: poverty induced by low (farm) prices and low productivity; poor labour conditions including child labour; and negative environmental effects such as deforestation, soil degradation and water pollution.

In conventional commodity markets, where there is no backward market integration or traceability system, the final buyer or consumer is generally unaware of the labour, income or environmental conditions in the country of origin. By transforming the supply chain into a sustainable, integrated and traceable supply chain, buyers and consumers in developed countries can influence the sustainability issues in the production countries. The basic assumption in this theory is that

Figure 1. Supply chains as a channel for public funding to achieve goals in production countries

<sup>4</sup> Website <http://www.ecolabelindex.com/ecolabels/> accessed 14 March 2014.

social, economic or environmental sustainability issues related to production can be effectively addressed via supply chains, in particular in countries where these issues are not sufficiently dealt with by government or other local organisations.<sup>5</sup>

The process of market transformation in supply chains would serve both private and public objectives. Private sector goals include securing access to resources in the long-term, building brand reputation and showing corporate social responsibility. Public objectives include reducing poverty and negative environmental impact, related to for instance the UN Millennium Development Goals (MDGs). The overlap between the private sector objectives and the public objectives would create possibilities for public private partnerships.

Transformation to an integrated supply chain that can assure sustainability in the production countries requires a range of actions. These include convening and creating a network and critical mass of market players; developing a product-specific code or sustainability standard (if this is not yet in place); setting up a traceability system; providing support to producers and other actors to work according to the new standard; and certification of producers.<sup>6</sup>

The initial phase of developing standards and piloting improved production practices would require innovative front running companies and often external public (or NGO) support. Short-term investments would not pay off immediately or are not immediately visible, but eventually the benefits for the private sector – including actors in the chain - would be sufficient to continue working in sustainable supply chains. Public support (ODA) can bridge the period between investment and (visible) benefits and motivate certain actors in the short term. Public support would be thus be needed for the initial standard development and to pilot field training, but once a certain market share of sustainable produce is reached, other companies would follow, and less or no external support would be required. Eventually a voluntary standard may become the norm among buyers and retailers: ‘a license to operate’. Also, governments, both in producing and importing countries, may adopt the norm in national programmes or even in legislation to promote compliance by market players that lag behind<sup>5</sup>.

Public support can be justified if the funding would be crucial for initiating the transformation or if certain public objectives would not be achieved when market transformation would be driven by private sector alone. It can be expected that public funding is effective in supporting market transformation if on the one hand certain conditions are met (such as sector-specific market organisation or critical mass of motivated private sector) and on the other hand certain blockages can be lifted that hamper the private sector to move without external support (such as collaboration among players, agreement on codes or standards, a level playing field, or insufficient public investment in local agricultural services such as research, extension and credit). Through public-private partnerships, temporary ODA would be able to leverage long-term private sector investment in development.<sup>7</sup> Once the market is well integrated and

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<sup>5</sup> Resolve, 2012. Towards sustainability. The roles and limitations of certification.

<sup>6</sup> PBL, 2013. Verduurzaming van internationale handelsketens.

<sup>7</sup> Ministry of Foreign Affairs, 2010. Letter to the House of Representatives outlining development cooperation policy (Basisbrief ontwikkelingsamenwerking)

long-term relationship and trust is built along the supply chain, buyers, processors and producers will be more motivated to further invest in, for example, productivity and product quality.

**Box 1: The role of governments and government funding**

The roles that governments or government funding in developed countries can play varies per commodity and depends on the phase of market transformation (niche market, mainstream). This ranges from subsidising pilot programmes, convening frontrunner market players and NGOs, creating networks and exchanging knowledge of mainstream players, strengthening transparency and competition, to putting legislation in place.

In conclusion: the main assumption in this theory is that without public funding, the public objectives of reducing poverty, improving labour conditions and reducing negative environmental impact, would not be achieved to the same extent. This is either because these objectives would be less anchored in the sustainable supply chains, or because market transformation would not take place in the same pace and at the same scale.

### 3. IDH and its role in sustainable supply chain development

#### *First phase of the initiative*

On 30 June 2007 on the former island of Schokland, a number of companies, NGOs and three ministers (Koenders - Development Cooperation; Verburg - Agriculture, Heemskerk - Trade) signed an agreement that initiated IDH as a public-private partnership facility. One year later, 37 companies, 24 NGOs and 2 trade unions had expressed their commitment to the initiative. The ministry provided an initial 5-year subsidy of EUR 31 million (2008-2013) to a total IDH budget of EUR 58 million; the balance was to be contributed by the other partners in the initiative.

The start subsidy for IDH was related to the government's intention of up-scaling support for the Millennium Development Goals (MDGs). Its purpose was 'to improve the sustainability of international trade and production chains, addressing social, environmental and economic aspects in developing countries, with a view to contribute to MDGs 1 (poverty reduction), 7 (sustainability) and 8 (fair trade)'.

IDH would contribute to these goals by setting up activities along two lines:<sup>8</sup>

- *Sector programs* to address bottlenecks in developing countries for sustainability in supply chains. The first programs would cover four products: cocoa, soy, tropical timber and natural stone. Up to 10 programs were to be developed in total.
- *Inter-sectoral learning* to facilitate the exchange of knowledge between international value chains and to address cross-cutting issues such as child labour, decent wages, reduced use of chemicals and conservation of biodiversity.

#### *IDH Action Plan 2011-2015*

Inspired by the new government coalition's focus on private sector development and by growing support from private companies for its work, IDH submitted a more ambitious 'match funding proposal 2011-

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<sup>8</sup> Ministry of Foreign Affairs. Project approval memorandum IDH 2008-2013

2015' in Autumn 2010. Its 'Action Plan Sustainable Trade 2011-2015' was presented as a 'public-private sustainability investment portfolio' from a coalition of more than 70 companies, civil society organizations, labour unions and trade associations, coordinated through IDH.

By matching the private funds with public funding, the Action Plan would not only deliver 'tangible improvements' in developing regions, but also 'make an important contribution to the innovation and competitiveness of trade and industry in Europe', and the Netherlands in particular. The Action Plan would be 'a unique opportunity to transform commodity markets into engines of sustainable economic growth and global welfare', according to IDH.

Figure 2: Logos of companies and organizations working with IDH in 2010 (source: IDH Match Funding Proposal 2011-2015)



The proposal contained concrete plans for scaling up programs in 8 sectors: cocoa, tropical timber, tea, natural stone, soy, tourism, cotton and aquaculture. For a further 10 products IDH would lead scoping exercises and the development of new programs towards market transformation: cashew nuts, electronics, spices, fruit & vegetables, sugar cane, shoes & sporting goods, beef, flowers & plants, fishery, and palm oil.

For all areas specific goals were set, with key indicators for program results to be attained by 2015. Annex 1 provides an overview with budget and objectives per sector.

For cotton, for example, the Action Plan for 2015 aimed for a 15% productivity increase and/or cost reduction due to better farm management practices for 350.000 farmers, and the sustainable production of 1 million tons of cotton lint (3% world production), while the trademark Better Cotton Initiative (BCI) had to become a commercially viable business, with 5 major brands and 5 major spinners/millers to have joined the program by 2013.

The proposal was embraced by the ministry and IDH received substantial additional funding for its programs for the period up to 31 December 2015, bringing annual MFA contributions to about EUR 30 million per year. This was to be matched by funding from participating private firms.

IDH is currently operating in over 50 countries, involving more than 200 internationally operating businesses, 35 civil society actors and many government agencies from both developed and emerging economies.<sup>9</sup>

#### *IDH's intervention logic and results framework*

The organization describes its approach as follows:<sup>10</sup>

- 'IDH accelerates and up-scales sustainable trade by building impact-oriented coalitions of front running multinationals, civil society organizations, governments and other stakeholders. Through convening public and private interests, strengths and knowledge, IDH programs are to help create shared value for all partners.'

- IDH takes 'a sector-wide approach', aiming for 'market transformation that creates commercial solutions for public good'. 'By integrating sustainability solutions into the rules of the marketplace with committed support of front-running multinationals, IDH strives to create large-scale change that is self-perpetuating. This entails stimulating mainstream global market demand for sustainably produced products, as well as considerable efforts to create the needed supply through strong local private sector development in producing countries.'

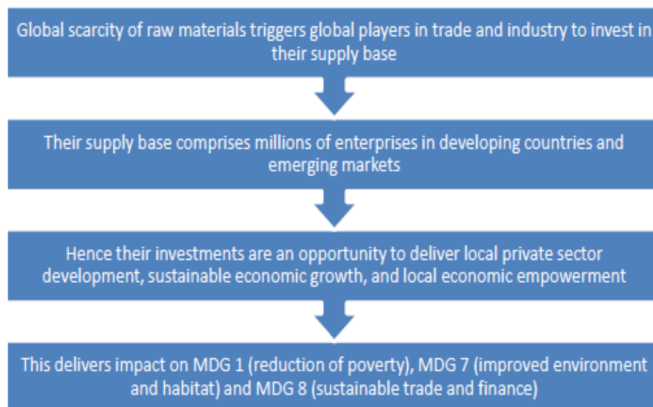
The general business case for working with commercial players for sustainable market transformation, as seen by IDH, is sketched in figure 3. Growing scarcity of supply would stimulate global commercial players to invest in their ultimate supply base: the millions of farmers and enterprises in developing countries. This win-win proposition (supported by increased attention to issues of Corporate Social Responsibility and protecting brand value) would drive the move towards market transformation, creating new possibilities for making global market chains more sustainable on all three dimensions (socially, environmentally, economically).

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<sup>9</sup> Annual Report 2012, Measuring impact and creating shared value, IDH, Utrecht 2013

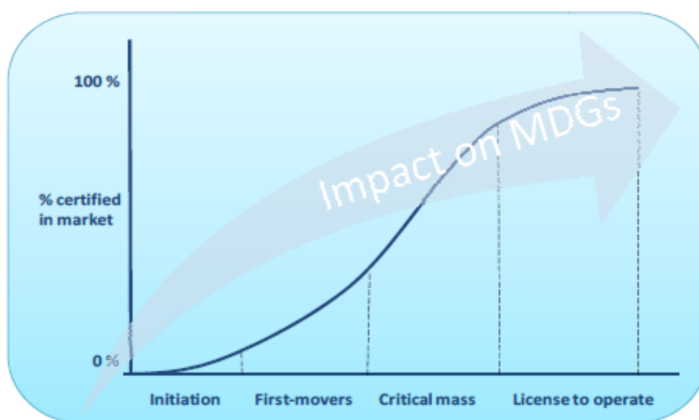
<sup>10</sup> Annual Report 2012, Measuring impact and creating shared value, IDH, Utrecht 2013

Figure 3: The business case for delivering private sector development and impact on MDGs, as presented by IDH



*Market transformation* is the key word in IDH's approach. *Certification* of products to a Voluntary Sustainability Standard would be a main driver of this transformation. When a growing percentage of the market is living up to the standard, the market gradually transforms from traditional to sustainable, according to IDH. Figure 4 sketches the S-curve and the different phases that IDH sees as typical for the process of market transformation.

Figure 4: The four phases of market transformation, as presented by IDH (source: IDH Match Funding Proposal 2011-2015)



According to this model, IDH works as a *catalyst* in the first phases of market transformation. It plays several roles, in particular as a *convener, funder and knowledge broker*. The exact role IDH will take depends on the degree of development already achieved in a particular value chain. Research to identify the potential of sectors for market transformation (scoping) can be followed by development of an implementation plan together with stakeholders for sectors which show good potential. When there is enough support across the sector for up scaling the trade in sustainably produced products, IDH works towards joint implementation plans.

As part of the implementation, IDH co-funds (with private sector co-funding) the activities (training, certification, etc.) needed to boost the provision of commodities produced under the agreed sustainability standard. IDH generally provides funding to *Implementing Partnerorganisations* (such as Solidaridad and SNV) who set up the actual activities in the field that are needed to boost sustainable production in the producer countries. Training producers how to improve production methods, achieve higher yields and live up to the standard, is a key element in the implementation plans. At the same time, the certification schemes need to be put in place and scaled up.

IDH intends to phase out its involvement once the up scaling has resulted in significant market shares for such sustainably produced products (critical mass).

Figure 5: Stages in management of the IDH program portfolio (source: IDH Match Funding Proposal 2011-2015)

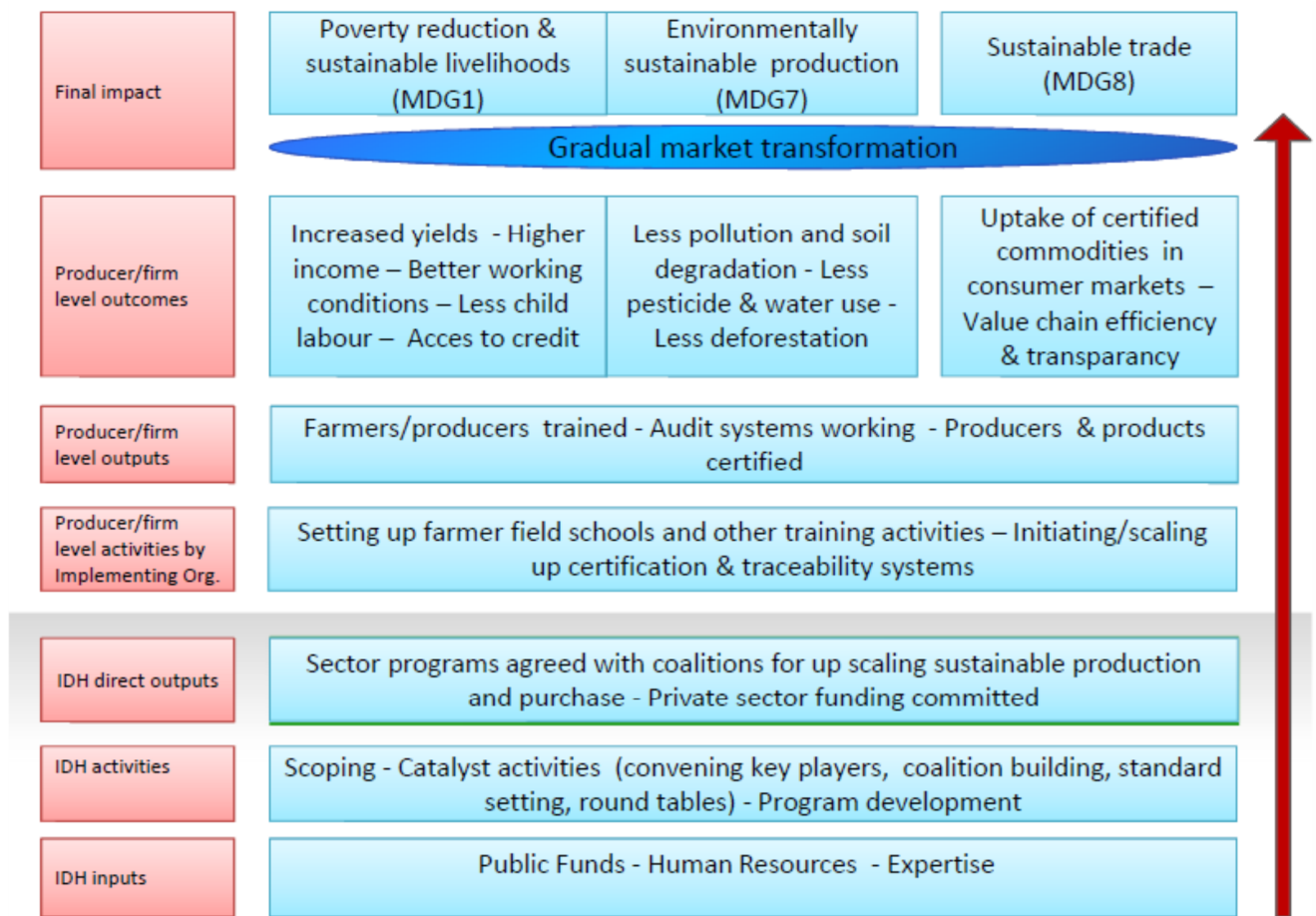


IDH has developed *product-specific intervention logics* for each individual commodity programs. These indicate in particular how sustainability upstream in the supply chain is to be achieved and how this will contribute to the MDGs. The main assumption underlying each intervention logic is that living up to the (voluntary) standard will a) improve labour conditions and income of primary producers, and b) reduce the negative impact on the environment.

The intervention logic for the key commodities of the initiative comprises the following elements: (1) international standard setting by key stakeholders in a value chain, combined with public/private funding for (2) the up-scaling of certification schemes and for (3) training of primary producers to live up to the standard, will lead to (4) increased yields (and thereby income), better working conditions and reduced environmental damage at producer level, while (5) improving value chain efficiency and transparency and ensuring improved access to sustainably produced primary products to companies operating on the main consumer markets. Figure 6 provides an overview of IDH intervention logic.



Figure 6: IDH intervention logic (source: adapted by IOB from IDH Match Funding Proposal 2011-2015)



For each implementation program *key performance indicators (KPIs)* have been set for four result areas:

1. Tangible improvements in the ecology and the socio-economic condition of production in countries of origin in supply chains (improved labour conditions and income, less negative impact on the environment);
2. Tangible improvements in markets (behaviour and commitment of market players towards sustainable chain management, and increase in market share for sustainable products);
3. Effective collaboration and institutionalization at sector level (well-functioning structures, sector-wide alliances, commitment of local governments);
4. Knowledge on sustainability, efficient and effective supply chain approaches developed and shared (cross-sector learning, best practices, etc.).

#### **IDH budget and its allocation**

IDH currently runs an annual budget of EUR 92 million (2014), of which about EUR 35 million is provided by the ministry of Foreign Affairs. As of 2013, the ministry provides an additional subsidy to IDH for its new Sustainable Land and Water Program (SLWP), as part of a EUR 20 million commitment up to 2019. Other public contributions in 2014 come from SECO (Swiss development cooperation, EUR 6 million) and

Danida (Danish development cooperation, 0.3 million). The budgeted contribution from the private sector (for profit) stands in 2014 at 42 million, with NGOs to be providing another 9.4 million.

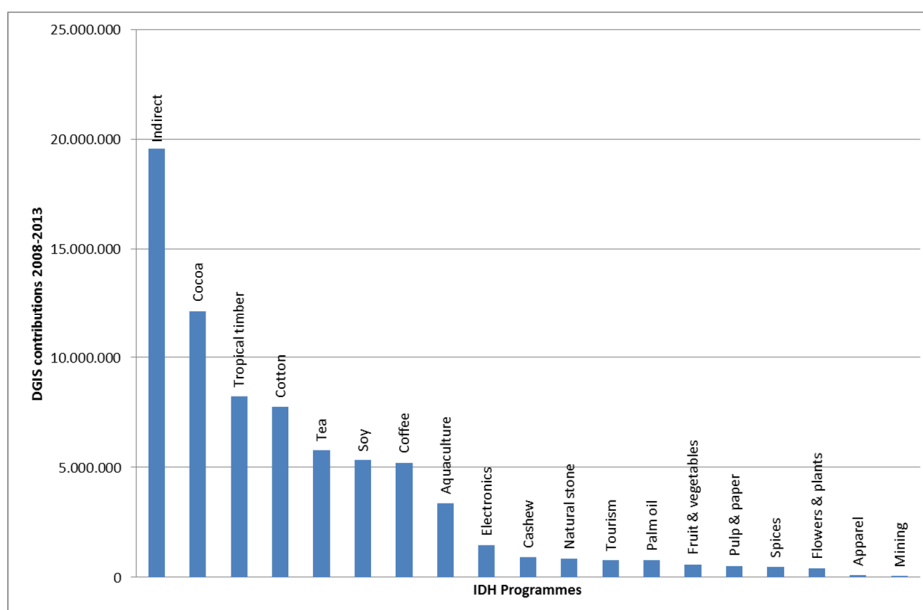
**Table 1: Current public sector funding arrangements for IDH**

Public sector funding arrangements for IDH	Committed funding (EUR million)
MFA/DDE 2008-2015 IDH	123.2
MFA/DME 2013-2019 IDH-SLWP (Sustainable Land and Water Program)	20.0
SECO 2013-2017	24.3
DANIDA 2013-2016 (coffee/cotton)	1.2

In the original set up agreed in 2008, the ministry would finance the IDH secretariat and up to a maximum of 50% of individual sector programs. The remaining 50% in the sector programs had to be contributed by other partners, of which at least 25% from the private sector. This has been changed with the new subsidy arrangement agreed in 2010: with the new multiannual program, the funding contributed by IDH to a sector program would not be more than the contribution from the private sector.<sup>11</sup> In this way, the commitment from the private sector would influence the public contribution in a sector. Both cash contributions and contributions in kind would be accepted. The contributions would have to be validated by means of an auditor’s certificate.

Figure 7 shows how IDH allocated the public contributions from the ministry to its program activities and organizational expenditures in the period 2008-2013. It indicates that apart from substantial indirect costs (which includes both intersectoral learning and overhead costs), 7 programs constitute the centre of gravity of IDH’s work: cocoa, tropical timber, cotton, tea, soy, coffee, and aquaculture.

**Figure 7: IDH’ use of financial contributions of the ministry of Foreign Affairs by program category, 2008-2013\*)**



\*) Expenditure 2008-2012, budget 2013

<sup>11</sup> In 2012 the requirement of 50/50 match funding was extended to the whole IDH budget.

#### 4. Purpose of the review and evaluation questions

The purpose of the IOB review is to provide an independent assessment on the progress, results and potential of the initiative, in order to assist the ministry of Foreign Affairs in making an informed and strategic decision about further funding. The final report will be presented to Parliament, accompanied by a policy response of the minister, as part of IOB's ongoing evaluation work. In general, IOB reports serve the dual purpose of accountability and learning.

The review will draw on available evaluations and research to shed light on the appropriateness of the initiative to attain the government's objectives. The central evaluation question is:

***To what extent is IDH a relevant, effective and efficient organization, in view of the Dutch government's policy on aid and trade?***

The following sub-questions will guide the study:

**Relevance** of IDH's theory of change and intervention logic.

1. What does the current body of evidence indicate about whether and how promoting sustainability through voluntary standards in supply chains is effective in terms of delivering impact on MDGs 1 (poverty reduction: net-income effects, improved labour conditions, # of producers/workers reached), 7 (environmental sustainability: improved land use, reduced pollution, biodiversity saved) and 8 (sustainable trade: % market share achieved for sustainably produced products)?
2. What evidence is available on the role and the magnitude of public funding as compared to private sector funding in promoting market transformation towards sustainable value chains (relative size of private inputs vs. public inputs; private inputs weighed against turnover, profits and margins within the value chain)?
3. What is the perception of stakeholders and external experts concerning the relevance and prospects of making value chains more sustainable through public-private partnerships?

**Effectiveness** of IDH's work.

4. To what extent has IDH's role as convener, knowledge broker and funder contributed to improvements in commodity markets (commitments of market players, well-functioning structures and sector-wide alliances towards sustainable chain management; market share for sustainably produced products)?
5. To what extent has implementation of IDH's programs contributed to creating preconditions for increased yields, higher incomes, better working conditions, and environmental improvements?
6. Under what conditions and by what interventions is IDH support perceived to be most effective in building sustainable supply chains?

**Efficiency** of IDH's work (primarily descriptive).

7. How has IDH developed in terms of organisational capacity (fte, management of programs) and financial efficiency (overhead)?
8. To what extent is IDH's financial contribution from public funds matched by additional private sector contributions (% , cash and in kind), and how does this evolve over the phases of market transformation? What part of the (public) funding is spent at the level of the farmer/primary producer?
9. What are the first indications about the strength (financial sustainability without public funding) of the product-specific business cases for sustainable production & trade?

## 5. Methodology and scope

The review covers the period 2008-2013 and will be largely built on secondary sources. The study will include desk research, a literature review, interviews with stakeholders and an expert meeting. Also a number of case studies will be set up, covering some key commodities in the IDH program. The various sources and methods will be combined to find answers to the evaluation questions.

Questions 1-3 (relevance) will be primarily answered on the basis of the following sources:

- An independent review of the available literature concerning the effectiveness of the value chain approach for development. IOB has commissioned this review in December 2013. The report by Sussex professor Andrew Fearn will be available early April 2014.<sup>12</sup>
- A number of recent studies that focus on the impact of voluntary standards and certification. These include studies performed or commissioned by COSA, IFC, and RESOLVE.<sup>13</sup>
- An expert meeting on the state and prospect of value chain work for sustainable development. This meeting is organized by Wageningen University on behalf of IOB, and will take place on May 23 2014 at the ministry of Foreign Affairs. Eight international experts have agreed to prepare papers and to present their findings and thoughts. Key actors in the business of sustainable value chains (including practitioners from the private sector and NGOs) will join the meeting and discuss the issues.

Questions 4-6 (effectiveness) will be answered using the following sources:

- Case studies by IOB on 5 IDH programs: cocoa, tea, cotton, aquaculture and natural stone. The case studies will include:
  - Review of available (impact) evaluations published by IDH and other sources.
  - Desk research on the various public reports and internal IDH documents and paper trail.<sup>14</sup>

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<sup>12</sup> The desk research study addresses the following questions: 1. What is the evidence regarding the relevance of value chain programs? 2. Which internal and external factors influence the effectiveness of value chain programs? 3. How does the public-private partnership approach influence the efficiency and effectiveness of value chain programs?

<sup>13</sup> *Measuring sustainability – First global report on COSA findings in agriculture*, COSA, forthcoming. *Building a roadmap to sustainability in agro-commodity production*, Jan Willem Molenaar et al, 2013. *Toward Sustainability: The Roles and Limitations of Certification*, Washington DC, RESOLVE 2012.

- Interviews with IDH program officers and selected external players from the private sector, the NGO community and producer representatives in the South.
- Information from interviews with stakeholders concerning IDH’s role in the process of market transformation. IDH commissioned in 2011 an attribution study that provided some information on how key stakeholders in the value chains perceive the role of IDH in the achievements per sector.<sup>15</sup> IOB will pose similar questions in its interviews with selected external stakeholders.
- A brief review by IOB of the state of progress achieved by IDH in the sectors not covered in the case studies, in order to complete the picture of IDH’s convening power and catalytic role. This will include timber or soy as example of round table processes, with both sectors having environmental problems due to illegal deforestation. To point at the specific added value of the IDH approach, reference can be made to sustainable supply chains where the role of IDH has been limited up to 2013, such as coffee.

**Box 2: Arguments for choosing the sectors for the case studies**

Criteria for selecting sectors include the Dutch ODA contribution (2008 – 2013), the phase of market transformation (implementation or upscaling), and the specific market situation and IDH role in that sector. See Annex 2 for a sector overview with budget, phase, and MFG objectives set in 2010.

*Cocoa, tea and cotton* are important products in IDH’s work, covering about a third of project expenditure so far. All three programmes are in the upscaling phase, targeting many smallholder farmers. For all three products impact studies have been commissioned by IDH, with baseline studies for tea starting in 2010, and baseline studies for cocoa and cotton performed in 2012.

*Aquaculture* is an example of a sector in which IDH has played a significant role in the development of a new standard and the establishment of a new coalition. In this way the program is different from the programs on cocoa and coffee where the standard and certification schemes were already in place.

*Natural stone* has been one of the four initial products addressed by IDH. The sector is dominated by SME rather than large multinationals which requires a different approach. The program remained small in scale, and has been merged with the work of, and handed over to, an UK-based organization.

The answers to questions 7-9 (efficiency) will be addressed as follows:

- IOB will review IDH financial statements and reports, with a focus on private sector contributions, financial reporting from the Implementing Partners and the cost of running the IDH organization.
- As part of the case studies (in particular on cocoa, tea and cotton), IOB will assess available evidence on the viability of the product-specific business cases and the costs of certification.

<sup>14</sup> IDH results based management in a sector comes with Annual Reports and biannual Progress Reports of implementing partners, internal Progress Reviews (5 x year), a Traffic Light System and digital minutes.

<sup>15</sup> *Validation of IDH Attribution Claims 2011*, Steward Redqueen, 2012. IOB does not concur entirely with the methodology of the study, as the choice of respondents and the phrasing of the questions was directed by IDH, giving some room for possible bias.

There are significant *limitations* to the study:

- The review is constrained by the short time available to conduct the study, in view of the early decision making on the next IDH subsidy. The number of interviews and documents to be studied will be limited as a result.
- Impact studies directly related to IDH's work are so far limited (mostly baseline studies). This will bear on efforts to provide adequate answers to the evaluation questions on the effectiveness of IDH's programs on income, labour conditions and environmental sustainability. Based on available evidence from studies on similar programs, indications can be provided concerning the *probability of effectiveness* of the IDH programs.

## 6. Organization, Planning, Product and Budget

### Organization

The evaluation will be led by IOB evaluators Jan Klugkist and Ferko Bodnár, with the assistance of IOB researcher Bart Woelders and financial controller Albert Stuijzand.

The reference group will be chaired by IOB director Ruerd Ruben. The reference group will consist of a representative of the ministry of Foreign Affairs/DDE (Paul Schoenmakers) and external specialists (Prof. Onno Omta/LUW, Prof. Peter Knorringa/ISS, Bo van Elzakker/Agro Eco-Louis Bolk Institute). The reference group will in principle meet twice: to discuss the ToR and first progress, and to provide comments to the draft final report.

As part of IOB quality assurance, IOB inspectors Piet de Lange and Jan Bade will act as co-readers of the outputs of the evaluation team.

### Planning

IOB will present a first and brief (4-6 page) interim report by 6 June 2014. This interim report with first findings and issues for consideration can feed into DDE's Quality @ Entry process and enable DDE to include the insights of the IOB review in the feedback on IDH' plans 2016-2020. The full IOB report will become available in July. DDE aims to present a new subsidy proposal to the minister in August.

IOB has already initiated the review study and the case studies as part of the preparation for the ToR. Initial interviews with IDH project staff started on March 31, with interviews on financial aspects starting in the same week. The literature review by Fearne will be delivered early April 2014. The rest of the planning would be as follows:

- ToR approved by Director IOB on 23 April, after IOB-staff review on 17 April and the first meeting of the Reference Group (week of 22 April)
- Further interviews with IDH staff and external stakeholders from 23 April to 13 May.
- Expert meeting May 23
- Writing the interim report: mid-May - 6<sup>th</sup> of June

- Further report writing mid-June - early July → 1<sup>st</sup> full draft report
- Second meeting of reference group: mid-July
- Final draft: end of July
- Production of printed version: August
- Printed document available: September 2014.

### **Product**

The IOB-report will be about 40 pages and provides the main findings, including the answers to the evaluation questions. Further background to the findings in the report (annexes, including the case studies) will be provided on the IOB website. Tentative table of contents:

- Foreword
- Summary and conclusions (6p)
- 1. Introduction and methodology (3p)
- 2. The record and prospects of value chain approaches in fostering sustainable commodity production (10p)
  - The theory of 'value chains for change'
  - Documented results and limitations of value chain approaches
- 3. The role of IDH in sustainable value chain development (14p)
  - IDH role in building alliances in Northern markets
  - Outcome and impact of IDH interventions in the South
- 4. Public and private contributions to sustainable value chain development in the initiative (6p)
  - Organisational evolution of IDH
  - Public and private funding for financially sustainable value chains

### **Budget**

The costs of the literature review by professor Fearne and the expert meeting organized with University of Wageningen have already been covered in separate budgets (IOB activity numbers 26125 and 26326). The production of the final report is covered under IOB's publication budget. The costs pertaining to the activities covered under this ToR are therefore limited to the remuneration provided to external members of the reference group. These costs will be maximum EUR 3410 per person, bringing the required budget to EUR 10.230.

Annex 1. Sector overview: IDH implementation phase, Dutch ODA budget, specific IDH role, and objectives per sector 2011 – 2015\*

Sector**	Phase (2010)	NL ODA Budget*** IDH (m€)	Specific role IDH / specific market situation	MDG1 (poverty, labour conditions)	MDG7 (environment)	MDG8 (share sust. trade)
Cocoa	Implementation / upscaling	16.2	upscaling	300,000 f income	300,000 ha sustainable	50% Dutch import
Soja	upscaling	8.3	Round table	ILO standards in certified farms	150,000 ha conserved	100% Dutch import RTRS
Timber	Development / implementation / upscaling	10.6	Round table	600,000ha certified for small producers	13m ha certified	50% Dutch import
Natural Stone	upscaling	1.0	SME	10,000 workers	50 suppliers certified	70 Eur importers
Tea	Implementation / upscaling	7.3	upscaling	550,000 f income	250,000 ha sust.	50% Eur companies
Tourism	upscaling	0.8		15% accomodations in programme certified	3 CO2 compensation projects	NL+2 Eur countries
Cotton	implementation	10.0	upscaling	350,000 f +15% income	900,000 ha	1m t lint
Aquaculture	implementation	4.6	New standard	10,000 producers income	BMP on 5,000 farms	25% Tilapia, Pangasius, Schrim of 10 Eur retailers ASC certified
Electronics	Development	2.3	New code	500,000 workers	reduced CO2, waste	
Cashew	Development	1.8		200,000 f	Reduced CO2 (transport Africa – Asia)	25% EU – US market
Spices	Development	0.8		15,000 f	24,000 ha	10% Eur peper and nutmeg
Fruit and vegetables	Scoping	1.9		250,000 f	3 pilots 30% COR reduction	10 Eur retailers
Palm oil	Scoping	1.8	Round table	50,000 f	20% area RSPO cert.	80% NW Eur RSPO
Fisheries	Scoping	0		7,400 p	Reduced impact shrimp mangrove	Leading suppliers 20% best practice Tuna.
Flowers and plants	Scoping	0.5		25,000 p	-40% chemicals	(commitment)



Shoes and sporting goods	Scoping	0		Labour conditions 2-3 tier suppliers	-25% toxins	label
Sugercane	Scoping	0		100,000 f	25,000 ha	15% area BSI standard
Beef	Scoping			5,000 p	-25% GHG	25% prod and trade in 8 countries

\* Not clear whether the total number of beneficiaries in a development or scoping study will indeed be reached in 2015, or that this indicates the potential once a scoping study will be implemented and scaled up. Not clear to what extent the number is additional or cumulative over what has been achieved at the start in 2011.

\*\* Note that certain sectors have been added in 2013: notably coffee (10m€ NL ODA up to 2014), and paper and pulp (1.5m€)

\*\*\* Dutch ODA to IDH up to 2014 (Excel overview IOB)