



1. THE IDH FRESH AND INGREDIENTS PROGRAM

Started 1st January 2016, the IDH Fresh & Ingredients (F&I) program combines a number of agro-commodities, and provides cross-sector solutions on critical issues to accelerate sustainable sourcing (please see F&I program background attached). The Program is inviting you to submit concept notes for supply chain projects on the following focus topics:

1. Smallholder inclusion (e.g. increase in productivity and livelihood, and access to finance);
2. Working conditions (e.g. wages, health and safety, gender equality);
3. Agrochemical use (e.g. Integrated Pest Management, residues, health and safety, responsible use);
4. Climate change (e.g. water or reduction of CO₂ emissions).

Cooperation and shared learning between sectors

The call for proposal is open for organisations that participate in one of the following sustainability initiatives: Flowers and Plants (FSI), Fresh Fruit & Vegetables (SIFAV-fresh), Processed Fruit & Vegetables (SIFAV-processed), Nuts (SNI), Spices (SSI) and Vanilla (SVI).

A joint focus and approach

The Fresh & Ingredients program supports these initiatives, and works towards cross-sector solutions on the above mentioned critical issues. This will support the participating companies to make more field impact through a harmonized approach that will be closely linked to the end-buyer needs. For more information on the Fresh & Ingredients Program, please refer to the document *IDH Fresh & Ingredients - Program background*.

2. CALL FOR PROPOSALS

The call for proposals consists of two phases:

1. Concept note - Summary on project concept and results
2. Full proposal - Detailed project proposal

Concept notes can be submitted by an individual Fresh & Ingredients member or a consortium of members.

Regions, co-funding ratios & project period

Focus regions, co-funding ratios & project duration	
Focus regions*	Priority will be given to West, East and Southern Africa; second priority to Latin America
Co-funding ratios	<u>Grants</u> : IDH funds maximum 1/3 of the project against 2/3 eligible private sector funding. Other (non-private) contributions cannot be co-funded by IDH. From the eligible co-funding maximum 1/3 can be an in-kind ¹ contribution. <u>Blended Finance</u> : Funding is case specific but IDH would fund a maximum of 1/5 of the total project cost with a grant plus maximum 1/10 first loss guarantee on smallholder financing.
Duration of project	End of 2020

*The F&I program in Vietnam and India will focus on agrochemical use reduction. In the Vanilla sector we focus on smallholder livelihoods. Projects in Vietnam and India and for the Vanilla sector are not included in this call for proposal. If you are interested to do any projects in these work streams please contact us separately.

¹ Time spent in service of the project.



The concept note should give clear insight into the main activities and targeted results, and needs to address one or more of the four focus topics mentioned above. Your concept note will be evaluated by the IDH Project Assessment Committee, and successful applicants will be invited to develop a full proposal over the subsequent month. IDH may request the applicant for an additional explanation or a meeting to discuss the concept note.

3. WHAT TYPE OF PROJECTS ARE WE LOOKING FOR?

The IDH Fresh & Ingredients program invests in projects that include one or more of the following characteristics:

1. Impact on one of the four focus areas.
2. Projects will be integrated in the business practices of (a) company/companies.
3. Projects should result in a business case. Either the business case or the reasons for not succeeding should both be documented and shared with IDH.
4. Projects have the potential for mainstream replication and scalability².
5. Objectives, activities and expected results are clearly defined and are line with the project strategy.
6. Projects have a clear exit strategy that allows for long-term embedding of the project results in the value chain and the project implementation area.
7. Projects should provide measurable results and learning.
8. Projects include stakeholders from multiple layers of the supply chain (from farmer to retailer).
9. Alignment and cooperation between projects and sectors. If concept notes can be combined in a cross-sector project, the project applicants will be approached by IDH to coordinate their efforts in a combined project proposal to increase the return of investments, impact and stimulate shared learning within and across commodity sectors.
10. Projects require either grants or a combination of grants and financial risk sharing (i.e. blended finance). In the event of a blended finance project, IDH is able to provide a partial guarantee to absorb part of the financial risk of a project (so long as the applicant and a reputable financial institution are also sharing project risk). The applicants are requested to motivate their choice of financial instrument (grants or blended finance) in the concept note template. In case of a 100% grant request it should be motivated why a blended finance approach is not possible or not appropriate in this case. For further information please refer to: *Annex 1 Blended Finance*

4. MINIMUM REQUIREMENTS FOR CONCEPT NOTES

For all concept notes, the following requirements apply:

1. **Application:** Complete the concept note form by following the instructions provided and answering all questions. Only members of one of the F&I Program sectors covenants Flowers and Plants (FSI), Fresh Fruit & Vegetables (SIFAV-fresh), Processed Fruit & Vegetables (SIFAV-processed), Nuts (SNI), and Spices (SSI) can apply. The applicant / implementer must be financially sound and has the knowledge and experience to successfully implement the project and deliver on the targets. In case of final project approval the project applications will be requested to provide a three year financial statements.

² IDH defines scalability as follows: *The possibility to increase impact of a project intervention by adoption of an innovation or improved practice by a larger group of farmers without the need to re-invest an equivalent amount of capital invested in the first project.* Applicants are requested to develop a clear and explicit scaling strategy with potential to reach a larger number of farmers in a more cost efficient manner without the need for grant money. This can be done through using three scalability methodologies:

1. Adoption/implementation (companies and governments incorporate the solution into on-going operations)
2. Expansion (branching out the projects into new locations and target groups)
3. Replication (other organizations or companies take up the solution, increasing its use)



2. **Monitoring and reporting:** The proposal provides a plan for data collection and monitoring to track progress on the agreed targets (KPIs).
3. **Learning:** The applicant and all other partners in the project explicitly commit to share information (with the exception of commercial/confidential information), methodologies and lessons learned on a national and international scale³. Generic training materials and tools which are useful for other projects will be made available for others in order to increase cost-efficiency. Partners who developed those materials will always be consulted.
4. **Budget:** The proposed budget should be deemed realistic to cover the activities.

5. IDH CO-FUNDING GUIDELINES FOR PROJECTS

Contribution private sector partners: Contributions from private organizations that are directly involved in the project and actively contribute to the results of the project. Only those investments by the private sector, which are generated within the involved commodity supply chain(s), are eligible to count as private sector investments.

The following activities may be eligible for IDH co-funding:

Knowledge & assessment

- Baseline assessment project / impact assessment (social/environmental);
- Gap analysis to identify the gap/needs assessment between the current production and more responsible production and the development of the work plan to fill this gap;
- Mapping, data collection and implementation of traceability;
- Active participation and contribution to project events and stakeholder meetings;
- Active participation and contribution to learning within the IDH project scope;
- Development of business case related to the project theme and its approach;

Field level improvement:

- Improvement of farming practices (e.g. technical training & protocols);
- Activities contributing to farmer aggregation and farmer organization;
- Integrative approach of farmer support and access to finance;
- Improvement of working conditions (large scale farms / processing facilities) - particularly in relation to wage, gender, health & safety, and use of agrochemicals;
- Other investments related to improvement of social or environmental practice within the company and within the project scope. Please describe in detail the type of the activity, costs, and how it directly contributes to the project objectives. Describe also why this is not considered as 'part of the usual business operations'.

Result measurement and assessment

- Intermediary evaluation of the project or an end-project assessment;
- Implementing result measurement and monitoring activities within project scope;
- The evaluation of the business case of the project with clear descriptions of the key learnings. Both the successes and the failures. This evaluation will be shared and used to improve and benefit future business cases.

Communication

- Awareness raising events for farmers;
- Outreach to supply chain partners (e.g. retail / end market);

³ IDH acknowledges that in some cases, learnings can only be shared after the initial, competitive starting phase of a project.



- End-project communication and sharing of results.

Cost-items that do not qualify for IDH co-funding include:

- Auditing costs for certification;
- Premiums or fees to standard organization;
- Fixed assets (buildings, machineries, processing plants);
- Fertilizer, chemicals, pesticides;
- Land lease / rent.

The private sector contributions need to be clearly defined in the proposal and linked to the project activities and planning. Project applications with a high percentage of cash contribution will receive a higher score during the assessment.

6. SCORING AND SELECTION

A Project Assessment Committee (PAC) will assess all concept notes and make a recommendation. The decision to invite applicants to submit a full proposal will be taken by IDH, based on the criteria outlined in sections 2, 3 and 4.

7. HOW TO APPLY & CONTACT DETAILS

To apply, the IDH Fresh & Ingredients concept note must be fully completed.



ANNEX 1: BLENDED FINANCE

IDH's definition of Blended Finance: The strategic use of development funds to mobilize private investment capital flows to invest in 'innovative projects' that deliver high development-impact but (initially) face above market-level risks, often due to uncertainty of expected returns, and thus are not financeable through traditional financial instruments. Blended Finance mechanisms allow for private investors to achieve an acceptable risk-adjusted return whilst the project is still able to produce the high impact sought.

IDH's primary motivation to use blended finance is the ability to catalyze additional and external sources of finance (e.g. from development or commercial banks), to increase the impact of our joint-investment with the supply chain, and to test whether service delivery models to producers can work to drive sustainability at producer-level, in particular with smallholder farmers, and be sustainable themselves (i.e. the service delivery business).

Blended Finance Projects for the IDH Fresh & Ingredients Program: Given the scope of the F&I program, blended finance projects which address worker conditions, agrochemical use and/or climate change issues are also potential blended finance projects, however do note the importance for the project to earn sufficient cash flow to repay the financing provided, as well as the investment criteria provided below.

Importantly, these projects must involve direct financing (provision of credit) to the end-users (typically a smallholder) by the Applicant or another company working closely with the Applicant (e.g. a financial institution) over a medium-term (seasonal, typically 6-12months) or long-term (>1 year) period.

IDH is only willing to risk share with a supply chain company on these types of projects if a reputable financial institution is also engaged and willing to provide finance and partaking in the project risk. What this means is that essentially IDH is willing to share a portion of the first-loss with the supply chain to allow the financial institution, and the supply chain company to partner on sharing the remainder of the risk. It is also possible that other actors (e.g. a retailer) are also involved in both the first and second loss tranche of risk.

Investment criteria

Financial Partner:

- A reputable⁴ financial institution (FI) is part of the blended finance project and willing to meet IDH's project criteria
- It is possible that this FI provides finance to the supply chain company and/or the Applicant or directly to the end-user (e.g. the smallholder)

Risk Sharing:

- 50:50 co-first loss (between IDH and the Applicant) on medium term and long term finance
- Financial institution and supply chain company (the Applicant) must both share risk in 2nd loss position
- Maximum 10% exposure by IDH in the project over the period of the project (i.e. final average exposure by project's end)

⁴ Reputable defined as having a clear sustainability agenda and with a reputable track record in the development and/or country and/or crop related to the particular project



Leverage: defined as other finance (non-IDH) in same blended finance project

- Minimum 1:5 required on IDH's total contribution to the project, and 1:10 on risk-sharing exposure (see above)

Business case:

- Show a positive business case for the smallholder/worker/producer (measured by profitability)
- Show a positive (in the medium term) business case for the service delivery mechanism (typically provided by the supply chain company) which drives the project

Farmer Selection:

- Must show a strong farmer selection process
- Farmers with operational track records are preferred

Sustainable and scalable business model and IDH exit:

- Project should lead to a fully commercial and sustainable business model that operates without the need for blended finance mechanisms (i.e. concessionary finance)
- Must be able to show sustainability of the model at IDH exit
- Business model must be scalable

Impact:

- Investments must drive social, environment and economic progress (measured by IDH's KPI system, and possible an impact assessment)

Returns:

- Economic returns for financial institution must be in line with their expectations, based on real and perceived risks
- Applicants economic returns must meet sufficient expectations by the end of the projects in order for the project to be sustainable upon IDH's exit and potentially the exit of the Applicant if this is not its intended long-term role (e.g. a supply chain company wanting to sell the financing part of the project to a local FI)

Applicant's capacity to act as a financial intermediary

- Applicant must demonstrate their ability to handle the monitoring of (micro) loans
- Display sufficient risk management procedures to manage smallholder credit exposure
- Show adequate and transparent credit policies
- Demonstrate institutional capacity in terms of HR and software