



Southern African Food System Transformation Alliance

Overview

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idh
transforming markets



Introduction

Food systems in Southern Africa face enormous challenges. Most of the regional food and agricultural sector is largely underdeveloped, dependent on imports, and lacks the enabling environment to develop, scale and attract the necessary investments. While South Africa is the centre of regional agri-business, its agricultural sector has two sides: highly developed farming enterprises exist in parallel with a struggling, emerging farmer sector.

With a rapidly growing population, food security in Southern Africa will become a critical risk, a risk heightened by climate change and economic disparities in rural areas.

These challenges pose real business risks but can also present significant opportunities. The agricultural sector is also the largest employer in rural populations and is a key enabler for creating economic opportunities and improving livelihoods. In addition, investing in secure, local value chains will have significant benefits, ensuring South Africa maintains a leading role in the Southern African food sector. We need to future-proof SA's food value chains by investing in the communities of the future.

To address these risks and unlock opportunities at scale, it is imperative that businesses work together.

What is the business case?

Many of these challenges are complex and systemic and go beyond the influence of organizations operating alone. Investing in new supply chains, in new ways of production and sourcing, requires new approaches. By working together, collective resources can be leveraged, investments de-risked and learnings shared. For example:

- We can scale total off-take across quality grades to improve viability.
- We can de-risk investments in new business models
- We can catalyse financing and de-risk the cost of capital through combined off-take, joint investment vehicles, and guarantee mechanisms.
- We can learn collectively from new approaches and understanding the conditions for scaling and replicating successful business models.
- We can strengthen communication with government to facilitate needed strategic investments.

In South Africa, we can also take advantage of B-BBEE procurement scoring and Enterprise and Supplier Development (ESD) spending. While mostly seen as a compliance challenge, pooling and smartly designing ESD spending can unlock valuable investments and business cases.

What are the Covenant commitments?

For collaboration to be effective, it needs to be well-structured and ambition oriented. By signing the Covenant, companies commit to local sourcing ambitions and joining the Southern African Food System Transformation Alliance (the 'Alliance'). The commitments in the Covenant are public, moral

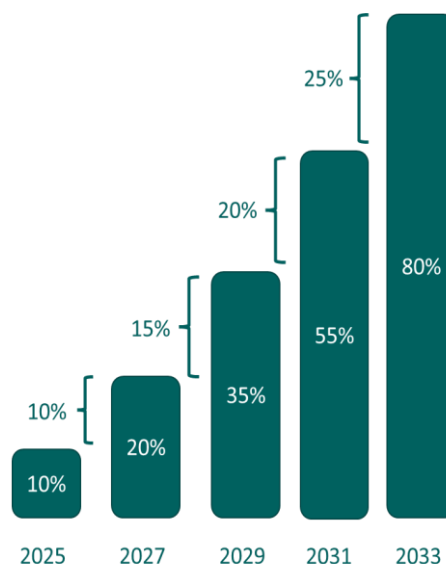


commitments, and are not legally binding. Importantly, while individual companies sign the Covenant commitments, the Alliance members will work towards the ambitions as a collective.

Alliance membership is open to players from across food value chains, from retail, to brands, processors, and producers, and associate membership is open to financial institutions, sector organizations, and governmental bodies.

The overarching Covenant ambition is for 80% of total viable sourcing of agricultural products to be from within the SADC region by 2033, according to the sub-ambitions below. Progress against these ambitions is monitored on an annual basis by a selected third-party; only aggregate and anonymised results are shared externally and with Alliance members.

These commitments form the backbone to establishing a regional, business-led food system Alliance that will collectively develop catalytic and innovative business models, develop the businesses and supply chains of SMEs and processors, and attract commercial financing to scale business opportunities across Southern Africa.



The vehicle of change – IDH Investment Development Hub

Blended, flexible financing solutions coupled with technical assistance are key to unlocking progress against the Alliance's ambitions. To develop and scale catalytic business cases, IDH is developing a South Africa-based Investment Development Hub, comprised of grant and seed financing facilities. Grant financing coupled with technical support will be employed to develop early-stage business cases, while seed capital will be invested to enable scaling.

Investments through the Development Hub can be combined with junior capital from the IDH Farmfit Fund, which will provide significant credit enhancement to crowd in additional investment. The IDH Farmfit Fund is a EUR 100 M de-risking facility designed to de-risk investments in agri-businesses sourcing from smallholder farmers and is managed by IDH Investment Management.

IDH

IDH is a Dutch-based organization, established to prototype and scale sustainable business models in global supply chains. With over 400 private sector partners, IDH has an extensive track record of establishing and managing global sector platforms and leading business-led value chain development programs across Africa. IDH is the independent 'safe pair of hands' that has the experience in bringing companies together and creating a trusted environment for companies to collaborate. IDH will develop and lead the Alliance in Southern Africa and establish an Investment Development Hub to invest in promising business cases.