



# Southern Africa Food System Transformation Alliance

Covenant

May 2023



**idh**  
transforming markets

### Considering that:

1. The average cost of the household food basket in South Africa was close to R 5,000 per month in 2022, R 535 (or 12.6%) more than in 2021<sup>1</sup>.
2. The population of Sub-Saharan Africa is projected to reach 2.1 billion by 2050<sup>2</sup>, an almost doubling of the current Sub-Saharan African population of 1,12 billion in 2021<sup>3</sup>.
3. The South African agriculture sector and related services generated a total income of ZAR 351.4 billion in 2019<sup>4</sup> (roughly USD 24 billion), approximately 12% of the South African GDP. The primary agriculture sector, contributing about 3% to the South African GDP, represents approximately 7% of total formal employment in South Africa<sup>5</sup>.
4. While South Africa is self-sufficient in most agricultural products (and is a net exporter in monetary value)<sup>6</sup>, it plays an important role in regional food security in the export of key staple crops within Southern Africa. There are also certain agricultural products for which South Africa is still heavily dependent on imports (for example, rice, sunflower oil, soybean meal, and spices).
5. According to the SADC (Southern African Development Community) Regional Vulnerability Assessment and Analysis Program (RVAA), the number of food insecure people was estimated at 55.7 million people, during the period from 1 April 2022 to 31 March 2023 in the following 12 SADC member states: Angola, Botswana, DRC, Eswatini, Lesotho, Madagascar, Malawi, Namibia, South Africa, URT, Zambia and Zimbabwe. This is a 34.9% increase on the five-year average. A further 18.6 million children in the SADC region are estimated to be stunted due to malnutrition<sup>7</sup>.
6. The South African commercial agricultural sector is highly concentrated, with a highly capitalised and advanced large-scale commercial sub-sector alongside a struggling SME and smallholder farming sub-sector.
7. South Africa has a very high unemployment rate (34.5%), with particularly high youth unemployment rates: 63.9% for the ages 15-24, and 42.1% for the ages 25-34<sup>8</sup>.
8. Large parts of South Africa are semi-arid, with many regions that are already water stressed. This is already exacerbated by climate change, the effects of which will worsen in the coming decades, with particular risks for agricultural production.
9. The Participating Partners recognize that they can and should play a role in transforming Southern African food systems, under the following primary objectives: (1) to increase local sourcing to reduce the dependency on imports for key crops; (2) increase processing and value addition in the South African economy; (3) to develop an inclusive agricultural sector (inclusive of SMEs, smallholder farmers, women and youth); (4) to contribute to local and regional food security; and (5) to build climate resilience and regenerative farming practices into Southern African agricultural value chains.
10. The Participating Partners recognize their joint influence in South Africa and within the Southern African region, and the need to work collaboratively (on a pre-competitive basis) to have an impact on the objectives above.

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<sup>1</sup> The Household Affordability index, compiled by Pietermaritzburg Economic Justice and Dignity Group (Business Live, Bloomberg and Reuters)

<sup>2</sup> [https://www.thelancet.com/article/S0140-6736\(20\)31522-1/fulltext](https://www.thelancet.com/article/S0140-6736(20)31522-1/fulltext)

<sup>3</sup> <https://www.statista.com/statistics/805605/total-population-sub-saharan-africa>

<sup>4</sup> StatsSA 2019 Agriculture Survey.

<sup>5</sup> Department of Agriculture, Forestry and Fisheries. 2018/2019 yearbook.

<sup>6</sup> Department of Agriculture, Forestry and Fisheries. 2018/2019 yearbook.

<sup>7</sup> SADC (2023). Synthesis report on the state of food and nutrition security and vulnerability in Southern Africa.

<sup>8</sup> StatsSA (2022). South Africa's youth continue to bear the burden of employment.

<https://www.statssa.gov.za/?p=15407>



11. The procurement scorecard under the Broad-Based Black Economic Empowerment (B-BBEE) Agri-BEE Sector Code (under the Codes of Good Practice) is a powerful enabling mechanism to support the inclusion of small-scale and developing black farmers into commercial agricultural supply chains in South Africa.
12. The Agriculture and Agro-Processing Master Plan (AAMP) published by the South African Department of Agriculture, Land Reform and Rural Development (DALRRD) provides a clear governmental strategy for driving the development of “globally competitive agriculture and agro-processing sectors that drive market-oriented and inclusive production to develop rural economies, ensure food security, and grow decent and inclusive employment and entrepreneurial opportunities for all participants in agriculture and agro-processing value chains”. Where possible, the Alliance will seek to align with the AAMP.
13. This covenant represents the partners' intentions and does not constitute a legal obligation. It is based on partners' ambitions to work towards transforming Southern African food systems.
14. The agreements between the Participating Partners have been concluded on a pre-competitive basis. Additionally, the Participating Partners have declared to take note of antitrust laws and regulations (see Annex 1 for competition compliance statement) and no actions that may conflict these will be taken.
15. This covenant is open for participation by all players in the agri-sector (producers/farmers, traders, processors, brands, retailers, and financiers).

### **Agree to the following:**

#### **Purpose of the Covenant**

The purpose of the Covenant is for participating private sector partners, for-profit companies operating directly in food value chains (“Participating Partners”) to:

- (1) Source 80% of their total viable raw materials and ingredients on a volume basis locally<sup>9</sup> by 2033 from within the SADC region<sup>10</sup>.
- (2) To collectively contribute to the transformation of food value chains in the SADC region (to be expanded on under ‘transformation criteria’):
  - a. Socially: to improve livelihoods through the inclusion of emerging farmers, smallholder farmers, women, and youth into food value chains in Southern Africa.
  - b. Environmentally: integrate climate-resilient and regenerative production and supply chain practices into food value chains in Southern Africa.

By committing to these ambitions through the signing of the Covenant, Participating Partners also become members of the IDH Africa Food System Transformation Alliance (hereafter referred to as the “Alliance”), of which the Southern African Food System Transformation Alliance is a part.

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<sup>9</sup> As defined under Product scope and Local sourcing criteria.

<sup>10</sup> The SADC Region includes the following countries: Angola, Botswana, Comoros, Democratic Republic of Congo, Kingdom of Eswatini, Kingdom of Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia, Zimbabwe.



## Scope

Product scope: Agricultural products that are produced, (semi-) processed, and supplied into fresh and processed food value chains, that can be produced and sourced within the Southern African Development Community (SADC) region on a commercially viable basis. A list of agricultural products that have the potential to be produced and sourced from within the SADC region on a commercially viable basis will be developed by the Alliance steering committee following the launch of the Alliance.

Geographical sourcing scope: Products sourced from within the Southern African Development Community (hereinafter referred to as “SADC”) Region. The SADC Region includes the following countries: Angola, Botswana, Comoros, Democratic Republic of Congo, Kingdom of Eswatini, Kingdom of Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia, Zimbabwe.

Market scope: Formal markets for agricultural products across the SADC region, where formal markets are defined as markets where products are sold at specified and advertised prices, and where products are traded across the supply chain through commercial off-take agreements. These formal markets can include physical ‘brick and mortar’ or online retail outlets.

Supply chain scope: Supply chain coverage for this covenant is for the full upstream chain of custody of the signatory of this covenant.

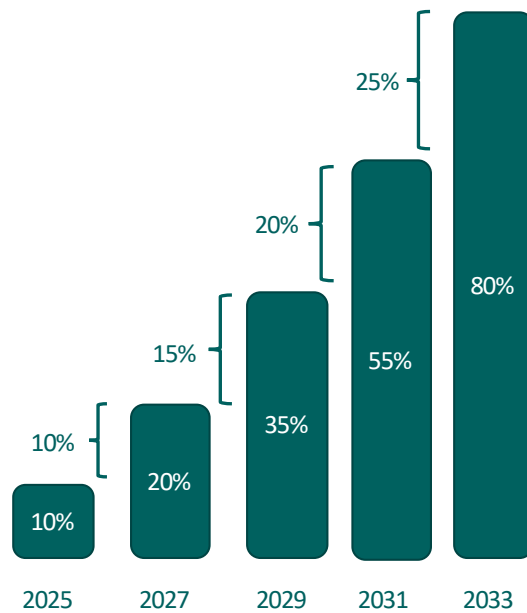
The percentage of locally sourced products is calculated as the total amount of locally sourced products packed/processed/traded per production location, versus the total amount of products sourced globally (including within and outside of the SADC region), for products for which there is a potential to produce and source within the SADC region on a commercially viable basis (see Product Scope). All are based on the quantity of metric kilograms or tons, converted to raw material equivalent that complies with the local sourcing criteria as agreed to by the Steering Committee of the Covenant. The Participating Partners will report on this to IDH. A third-party company will be selected to monitor<sup>11</sup> progress towards the defined targets, outlined under ‘Purpose of the Covenant’ and according to the ‘Local sourcing criteria’.

## Local Sourcing Criteria

The Participating Partners aim to work towards the overarching 80% local sourcing ambition according to the following sub-ambitions:

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<sup>11</sup> By monitoring, we refer to the verification of reported figures relating to a targeted sample of product supply chains for the participating private sector partner. Verification is conducted by a trusted third-party organization, selected through a tender procedure. IDH has worked with third-party organizations that are also financial auditing firms for the verification of progress in other similar international sector platforms.



For each two-year interval, the corresponding ambition will at least need to be met by the 1st of January of the first year of that interval. For example, by the 1st of January 2025, at least 10% of the total aggregate volumes sourced by the Participating Partners need to be sourced locally.

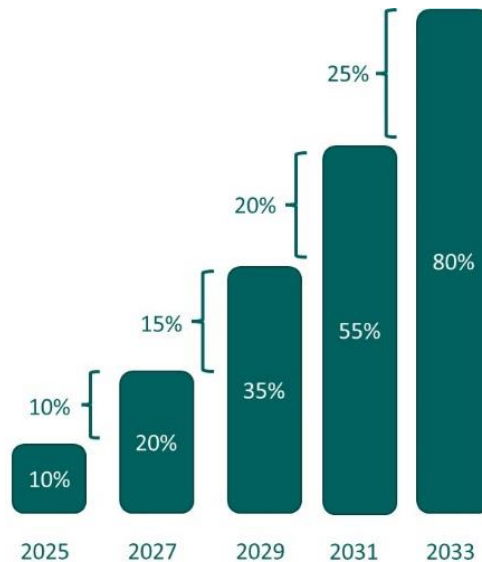
The sub-ambitions have been set based on the assumption that initial progress will be more difficult, but as the Participating Partners are able to capitalize on collaboration opportunities and production and supply chain investments are scaled, working towards increasingly higher sub-ambitions will become possible over time, leading to the overarching ambition of 80% local sourcing by 2033.

The primary ambition of Participating Partners is to increase sourcing within the SADC region. However, where it is not possible to produce or source products from within the SADC region, Participating Partners commit to seeking production and sourcing opportunities in Africa (outside of the SADC region), before referring to opportunities to source internationally (outside of the African continent).

For total aggregate volumes to be recognized as locally sourced, volumes will need to meet the following criteria on balance.



Specific value chains: where a Participating Partner trades or operates within a set of selected product value chains (to be defined separately by the Alliance Steering Committee), products need to be sourced from within the SADC region according to the following sub-ambitions:



The objective here is to focus on a strategic set of agricultural products that require additional collaborative efforts to develop local sourcing, and for which the incentives under the overarching ambitions are otherwise insufficient.

### Transformation criteria

The setting of transformation ambitions and monitoring and evaluation criteria for the Alliance's scope within the SADC region will be co-developed by the Participating Partners, with a decision on the final ambitions and criteria to be made by the Alliance Steering Committee. Once the ambitions and the measurement and evaluation criteria have been agreed upon, these will form an annex to this Covenant commitment.

For Participating Partners that have business operations in South Africa (production, sourcing, processing, distribution, or retail of agricultural products), the Participating Partners have the collective ambition of working towards a Level 2 B-BBEE rating by 2033 in addition to the overarching Alliance transformation ambitions. This will be according to the Amended AgriBEE Sector Code<sup>12</sup> (published 8 December 2017), or where Participating Partners trade in more than one sector (with less than 50% of total turnover generated through agricultural-related activities), this will be guided by the principles in the Amended Codes of Good Practice<sup>13</sup> (published 11 October 2013), or in alignment with the most recently published relevant governmental guidelines.

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<sup>12</sup> South African Department of Trade and Industry (DTI), 2017. Codes of Good Practice on Broad-Based Black Economic Empowerment: Amended AgriBEE Sector Code.

<sup>13</sup> Republic of South Africa Government Gazette (2013). Broad-Based Black Economic Empowerment Act (53/2003): Issue of Codes of Good Practice.



## Enabling mechanisms

The following enabling mechanisms will be established and leveraged to work towards the targets defined under 'the purpose of the Covenant':

- (1) Projects: voluntary projects can be established to support the development of supply chains and the inclusion of emerging suppliers (SMEs and smallholder farmers). Where possible, these will be structured as joint projects that can: (1) unlock commercial value for multiple Participating Partners, and (2) generate pre-competitive learnings of value to the broader Alliance. Projects will be selected in line with the strategic issues detailed below. Guidelines outlining the approach to selecting, designing, and providing financial support to projects will be developed by IDH and will be reviewed by the Steering Committee once program funding has been secured. IDH is actively engaged in raising funds from external donors to establish a structured food system transformation program under the Alliance, a component of which will include the development and grant co-financing of projects with Participating Partners and preparing SMEs for commercial investments (investment development). Funding will be deemed to be secured once there is a signed funding commitment from a program donor.
- (2) The Agri-BEE Sector Code: the procurement scorecard under the Agri-BEE Sector Code incentives procurement from SMEs that have a majority black shareholding and from emerging/new generation farmers in South Africa.
- (3) Enterprise and Supplier Development (ESD) Funds: ESD funds can be strategically allocated on a joint basis to address systemic constraints and create value pre-competitively, with higher potential returns than if allocated by Participating Partners individually. Opportunities for joint ESD fund allocations can be identified through the Alliance.
- (4) Commercial financing: a flexible commercial financing facility will be established to finance the replication and scaling of proven business models.
- (5) Pre-competitive learning agenda: a structured monitoring and evaluation (M&E) framework and a pre-competitive learning agenda will be established to effectively track progress and ensure that activities under the Alliance add value to Participating Partners on a pre-competitive basis and support the investment case for proven business models.

## Strategic Issues

In addition to increasing local sourcing (as outlined in 'the purpose of the Covenant' and 'local sourcing criteria'), the following strategic issues will be focused on under the Alliance:

- (1) Establishing commercially viable and inclusive sourcing models, making use of available land, water, and infrastructure resources. Inclusive refers to the inclusion of small and emerging farmers, women, and youth.
- (2) Establishing commercially viable supply chain models that include women and youth.



- (3) Developing value addition and processing business models in partnership with selected SMEs that will support the growth of food industries and next-generation farmers in the Southern African region.
- (4) Integrating climate resilience into production systems, including the adoption of regenerative farming practices and the use of technology to improve adaptation.
- (5) Support the improvement of regional food and nutrition security.
- (6) The adoption of technology-based innovative sourcing, service delivery, and financial services models.
- (7) Establishing catalytic partnerships between governmental agencies, traditional leaders, and commercial farmers to drive change and scale influence.

Projects that are selected for support under the Alliance will need to address at least one of these strategic issues. These strategic issues will also frame the Alliance pre-competitive learning agenda.

#### **The Participating Partners' commitments:**

1. Working towards the ambitions, as described in the purpose of the Covenant, the local sourcing criteria, and the transformation criteria.
2. Identifying joint sourcing opportunities to take advantage of economies of scale and to attract needed commercial financing.
3. Co-developing projects in line with the strategic issues together with other Alliance partners on a pre-competitive basis. Pre-competitive projects can include developing production and supply chain models that can be replicated in multiple regions and crops; combining ESD Funds to unlock shared and systemic value chain constraints; combining off-take and investment to develop shared (processing) supply chain intermediaries.
4. Introducing existing projects or programs to the Alliance that can be grown or expanded to supply the greater alliance network. This can, for example, include underutilised factories and infrastructure.
5. To co-finance project costs against IDH's contributions on at least a 1:2 basis (1 IDH : 2 private co-financing). This can include the pooling of ESD funds for private co-financing, as referred to in 3 above, or the separate investment of ESD funds for co-financing on a project basis.
6. Providing bankable, off-take agreements that can be used to raise commercial financing.
7. Availing technical in-company capacity available to support the development of selected suppliers, and to accelerate progress towards the Alliance targets.
8. Supporting the implementation of the objectives and approach and bring the advantages of the Covenant to the attention of their producers/farmers, traders, processors, brands, and retailers.
9. Encouraging producers/farmers, traders, processors, brands, and retailers to initiate and support the desired supply chain initiatives/projects.
10. Contributing – based on observations from Participating Partners, and other producers/farmers, traders, and processors that are not a party to the Covenant – to drafting a research agenda relating to localizing production and sourcing and in alignment with the strategic issues.





## **Contribution (financial)**

1. The Participating Partners contribute through an annual membership fee based on a budget approved by the General Assembly to cover the costs of managing the Covenant, annual verification activities, and carrying out pre-competitive activities. The annual membership fees will be levied according to categories of company annual turnover. The proposed membership fee structure can be found in Annex C, which can be subject to change following evaluation by the Alliance Steering Committee, following the launch of the Alliance.
2. The Participating Partners agree to pay the membership fee prior to the end of the first quarter of each calendar year.
3. The cost of annual verification activities will be dependent on the yearly daily rate of the consultant contracted to do the verification, combined with the level of complexity of the organizations which are being verified.

## **Steering Committee**

A Steering Committee consisting of representatives of the Participating Partners to the Covenant will be established.

1. If the number of Participating Partners is less than 10, all Participating Partners will automatically be members of the Steering Committee. When the number of Participating Partners exceeds 10, the Steering Committee will be made up as follows under point 2.
2. The Steering Committee consists of 7 people (1 person representing processors with own farms, 2 persons representing trade, processors, or brands without own farms, 1 person representing retail, 1 person representing financial institutions<sup>14</sup>, 1 person representing civil society organizations (CSOs), and 1 person representing sector organizations). The CSO and sector organization seats are also open for small and/or emerging farmer representation.
3. The Steering Committee will take on both a guiding and advising role with respect to the governance and progress of the Alliance in-line with its mission, targets, and deliverables.
4. The Steering Committee will meet at least 2 times a year, but preferably 3-4 times a year in person and/or via conference calls.
5. The election of Steering Committee members is on majority vote by the Participating Partners per representative category. Each company represented in the Alliance has one vote.
6. Steering Committee members are elected for a 3-year term. Steering committee members can be re-elected.
7. Steering Committee elections are on person elections, not on Participating Partner elections. However, only one person per Participating Partner can be nominated as a candidate for a seat in the Steering Committee.
8. In electing new Steering Committee members, this should be approached with the intention of maintaining continuity within the Steering Committee. As such, a maximum of three new

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<sup>14</sup> Broadly defined as businesses that provide services for different types of financial monetary transactions.



members can be elected to join the Steering Committee at any point in time. Following this, a minimum period of six months should be followed prior to any subsequent re-elections.

9. The Steering Committee can invite organizations to participate in its meetings with observer status. Other interested parties, who later wish to join the Alliance, will make their request hereto to the Steering Committee, with a motivation of their contribution to the Alliance. The final decision on the accession of new parties is taken by the Steering Committee.
10. The independent chair of the Steering Committee is a non-voting position and will be selected by the Steering Committee. By independent, the chair must act independently of any outside interests (commercial or other) and facilitate a balanced discussion between other Steering Committee members.
11. Ideally, the independent chair is selected from outside the Steering Committee. However, if selected from within the Steering Committee, the previous representative voting position will need to be filled.
12. IDH is available to serve as the independent chair for the first term of the Steering Committee.

### **Secretariat**

The secretariat manages the activities of the Covenant. The Steering Committee appoints an organization to act as the secretariat of the Covenant. For the first five years of the Alliance, IDH will serve as the secretariat of the Covenant. The secretariat shall have the following responsibilities:

1. Manage and report on implementation of activities as directed by the Steering Committee.
2. Coordinate the collaboration between Participating Partners and key stakeholders.
3. Organize meetings of the Steering Committee and General Assembly.
4. Manage and report on the budget to the Steering Committee.

### **General Assembly**

13. The General Assembly includes all Participating Partners. The General Assembly will meet on at least an annual basis, in which key updates from the Steering Committee and structured pre-competitive learnings and insights generated through activities under the Alliance will be shared.
14. The General Assembly will vote on Steering Committee representatives and will approve annual budgets and expenses. A two-thirds majority vote is required to take decisions by the General Assembly. A quorum is met when at least two-thirds of all Participating Partners are present or represented at the General Assembly.

### **Monitoring and evaluation**



15. All Participating Partners will report yearly in the period from 2024 to 2033 about the progress on achieving the targets set in the Covenant according to the guidelines, processes and timelines agreed in the Monitoring Protocol (to be developed by a third-party consultant, and guided by the Steering Committee once the Alliance has been established). The progress is reported to IDH and to the General Assembly. Information about private sector parties will be treated confidential and shared with IDH only at an aggregated level. Additionally, the measurement in 2024 on 2023 data will serve as a trail monitoring process.
16. A third-party consultant will be assigned to carry out the evaluation of progress and monitoring according to the Covenant targets, to be selected by the Steering Committee through a tender procedure.
17. A research agenda will be proposed by the General Assembly to the Steering Committee, of research-related questions concerning the development of local supply chains and associated business cases, in line with the Strategic Issues. This will focus mostly on general pre-competitive questions that Participating Parties may have (this will be further specified by the Participating Partners).

### **Role of Participating Partners**

18. IDH supports the Participating Partners in achieving the objectives specified in the Covenant by means of:
  - a. Coordinating the implementation of the Covenant towards the achievement of the Covenant ambitions. This includes leading the process, managing the Secretariat of the Alliance, and expanding the Alliance membership.
  - b. Raising awareness in key producing countries, this is done by the involvement and the search for support by and partnerships with relevant local authorities, ministries and embassies;
  - c. Develop a project portfolio as well as ensure the monitoring and evaluation of these projects.
  - d. Co-financing projects in relation to the investment from the private sector Participating Parties (as outlined under Enabling Mechanisms and in alignment with the Strategic Issues). These projects should directly contribute to achieving the Covenant ambitions. IDH will only co-finance projects that are selected against the project financing criteria (to be developed, as outlined under Enabling Mechanisms), with funds that are secured for Southern Africa. Participating Parties cannot be forced to join projects.
  - e. Develop a Monitoring, Evaluation and Learning (MEL) framework and research agenda to support the objectives of the Covenant.
19. By signing the Covenant, Civil Society Organizations (CSOs) and government agencies commit to supporting the Participating Partners in achieving the objectives specified in the Covenant by means of one or more of the following:
  - a. Providing budget and technical assistance to develop proposals for support projects;
  - b. Developing plans and implementation of projects with Participating Partners and other chain partners in different regions to increase sustainability in selected subsectors;



- c. Contributing to clarifying the effects of interventions by playing a role in monitoring and evaluation;
  - d. Actively contributing in the field of communication to bring this industry-wide initiative in general and best practices in particular to the attention of a broad audience.
20. By signing the Covenant, Financial Institutions commit to supporting the Participating Partners in achieving the objectives specified in the Covenant by means of one or more of the following:
- a. Supporting the establishment of a financing facility that will enable access to affordable commercial financing to finance the development, scaling, and replication of proven business cases, farmers, SMEs, and processing operations. Access to affordable commercial financing will be a necessary enabler for Participating Partners to work towards the Covenant targets.
  - b. Support alignment between financing/investment criteria, and the role that the Participating Partners and the Alliance can play in meeting these criteria – specifically relating to how business cases are developed and how project support to farmers and SMEs is structured.

### **Resignation and exclusion**

Participating Parties are free to leave the Covenant at all times by giving written notice to the Steering Committee (this can be by email or registered mail), and receipt needs to be acknowledged. The resignation shall be effective on the date on which the written notice has been sent. Members leaving after the 1<sup>st</sup> of April are still required to pay the full membership fee of that calendar year.

The Steering Committee can consider exclusion of a Participating Partner from the Covenant if said Partner:

- i. is not progressing against the Covenant ambitions or demonstrably not taking efforts to work towards the Covenant ambitions, or
- ii. does not pay all its membership fees on time,
- iii. is in a situation where there is reasonable suspicion about the lawfulness of the Participating Partner's activities, including but not limited to allegations of slave labour, fraud, corruption, involvement in a criminal organization or money laundering.
- iv. is in a situation of judicial administration, bankruptcy, judicial reorganisation, dissolution, or liquidation, or is subject to insolvency proceedings of a similar nature under the laws of any jurisdiction, including but not limited to business rescue proceedings, or
- v. has substantially modified its activities.

Before excluding a Participating Partner, the Secretariat, on behalf of the Steering Committee, shall provide the concerned Participating Partner with the relevant details in writing (this can be by email or registered mail) thirty (30) calendar days in advance of the proposed exclusion date. Receipt needs to be acknowledged. The concerned Participating Partner has then time to remedy the consequences of the breach or breaches having led to the proposal of exclusion of



the concerned Participating Partner. After thirty (30) calendar days, the Steering Committee shall assess whether sufficient efforts have been made to remedy the breach within reasonable time. The Steering Committee may then decide to exclude a Participating Partner, provided that the concerned Participating Partner is invited at the meeting and has received the possibility to defend its position during the meeting of the Steering Committee and prior to the voting on the exclusion.

The decisions of the Steering Committee regarding the exclusion of a Participating Partner are final, sovereign and must be motivated. All membership rights of the Participating Partner concerned by the abovementioned exclusion procedure shall be suspended until the decision of the Steering Committee has been taken. The Steering Committee will vote on the exclusion of a Participating Partner with a two-thirds majority. If the concerned Participating Partner is part of the Steering Committee, the Participating Partner concerned will step out of the vote. In case this leads to a tied vote, the Chair of the Steering Committee will have an additional vote to conclude the matter.

A Participating Partner which, in whatever way and for whatever reason, ceases to be a Participating Partner of the Covenant shall:

- i. remain liable for its obligations towards the Covenant, including for the payment of the membership fees, up to the end of the financial year in which the termination of its membership became effective,
- ii. have no claims for compensation on the Covenant or for its assets, and
- iii. forthwith cease to hold itself out as a Participating Partner of the Covenant in any manner.

### **Policies and procedures**

The Participating Partners are expected to have safeguarding policies and procedures in place: This should include, at minimum, the following:

- i. Anti-corruption and anti-bribery policy
- ii. Human rights policy, including provisions on the prohibition of child and slave labour.

Prior to becoming a Participating Partner, the interested party must share their policies with the Secretariat of the Alliance.

### **Communication and non-disclosure**

The following will be adhered to by the Participating Partners:

- Only aggregate, anonymized monitoring results will be shared between Participating Parties and can be shared publicly. No commercially sensitive information will be shared between Participating Partners and/or publicly.
- Participating Partners can communicate publicly on the Covenant, goals, and structure, and their company's strategy to reaching the Covenant targets, but not the strategies of other Participating Partners without prior written consent.

**SIGNATURE PAGE FOLLOWS The Participating Partners commit to the above-mentioned goals.**



**For:** .....

**For:** IDH

Signature

Signature

**Represented by:**

**Represented by:**

.....

Mr Daan Wensing

**Position:**

**Position:**

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CEO

**Date:**

**Date:**

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## Annex A – South African Competition Commission Guidelines

All Participating Partners of the Alliance are committed to working collaboratively to localise sourcing within South Africa and the SADC region. The South African Competition Compliance Commission has identified localization initiatives as being a key driver of economic growth, with the potential to lead to “greater economies of scale for local producers, greater investment locally and, ultimately, improved competitiveness in export markets in the longer term”. The Competition Commission has developed the '[Guidelines on collaboration between competitors on localization Initiatives](#)' (published 18 March 2022), which provides clear guidelines for how collaboration initiatives can be structured and definitions of prohibited activities. These include the following:

1. The guidelines set out the parameters and conditions under which collaboration between competing entities will be supported by the Competition Commission
2. The following activities are prohibited:
  - a. Price fixing
  - b. Dividing markets
  - c. Collusive tendering
3. The following elements are open for collaboration:
  - a. Identification of opportunities
  - b. Setting industry targets
  - c. Setting individual company targets
  - d. Demand forecasting
4. Collaborative activities need to be facilitated by an appointed independent third-party, under the following roles:
  - a. To frame the program & monitor the progress
  - b. Keep minutes and records, and report on these to the Competition Commission
  - c. Only provide aggregated information to the Participating Partners
  - d. Facilitate disputes.

Under the Alliance, we will operate within the Competition Commission '[Guidelines on collaboration between competitors on localization Initiatives](#)', and have invited close oversight from the Competition Commission in conducting associated discussions. The focus will be to develop local production and sourcing; unlock systemic supply chain constraints; and secure flexible and tailored financing solutions. No discussions around pricing and/or commercial agreements will be permitted within the Alliance.



## Annex B – AAMP: Department of Agriculture Master Plan

The strategic objectives (included for reference and demonstration of alignment)

1. Increase food security in South Africa;
2. Promote sustainable transformation in the agriculture and agro-processing sectors;
3. Improve access to local and export markets, which will require constant upgrades in the quality of supply to bolster South Africa's competitiveness;
4. Enhance competitiveness and entrepreneurship opportunities through technological innovation, infrastructure construction and digitalization;
5. Create an effective farmer support system and agro-processing incentives;
6. Create decent, growing and inclusive employment, in addition to improving working conditions and fair wages in the sector;
7. Improve the safety of the farming community and reduce stock and crop thefts and farm attacks;
8. Create a capable state and enabling policy environment; and
9. Enhance resilience to the effects of climate change and promote sustainable management of natural resources and principles of just energy transition.

2033 strategy includes raising R9,6bn, appointing 10,000 extension officers, unlocking R7bn agri-financing and allocating 3% of FMCG and retailers' net profits as their BBBEE contribution.

Envisaged AAMP outcomes by 2033:

The following outcomes can be achieved if the proposed interventions and goals are implemented effectively.

1. To achieve R32 billion real growth in agriculture value added above the Business-As-Usual baseline;
2. Maintaining 865 000 primary and 263 000 secondary agriculture jobs and creating 72 000 new decent jobs;
3. To expand the commercial production area by 65 000 hectares of cropland, 19 550 hectares of irrigation and 1.5 million hectares of pastures using PLAS farms and commercial farms;
4. To enhance food security and support 303 000 livelihoods;
5. To increase the share of black farmers in overall production to 20% by 2033 to stimulate meaningful transformation.

Note: in some industries, the share will be lower due to structural constraints, capital requirements and the long-term cyclical nature of the product.





## **Annex C – Membership fee structure**

As referred to under the Contribution (financial) section of the Covenant, Participating Partners will be required to pay a financial contribution to join the Alliance, under the following categories:

Directly operating in agricultural value chains in the sourcing of agricultural products:

- Large (> ZAR 1 billion annual turnover): ZAR 50,000 per year.
- Medium (ZAR 100 million to EUR 1 billion annual turnover): ZAR 30,000 per year
- Small (< ZAR 100 million annual turnover): ZAR 15,000 per year

Not directly involved in the sourcing of agricultural products (including financial institutions; civil society organizations; sector organizations; inputs, services, and technology providers; and other value chain players).

- Associate partner: ZAR 6,000 per year