

Terms of Reference

IDH Sustainable Trade Initiative

Southern Africa Food Systems Alliance: Benchmarking assessment, investment case scoping, and monitoring protocol

1. Introduction

Stichting IDH ("IDH") accelerates and up-scales sustainable trade by building impact-oriented coalitions of front running companies, civil society, governments, knowledge institutions and other stakeholders in several commodity sectors. We convene the interests, strengths and knowledge of public and private partners in sustainability commodity programs that aim to mainstream international and domestic commodity markets. We jointly formulate strategic intervention plans with public and private partners, and co-invest with partners in activities that generate public goods.

On basis of this Terms of Reference ("ToR") IDH aims to select a party to conduct a baseline assessment, scope potential investment needs, and develop a monitoring protocol for the Southern African Food Systems Alliance.

2. Background

In June 2023, IDH launched the Southern African Food Systems Transformation Alliance (the "Alliance"). The Alliance is a business-led collaboration of Southern African food companies that have jointly committed to increasing local sourcing of food products from within the Southern African Development Community ("SADC") region¹, and to invest in strengthening the food value chains in which they operate, socially and environmentally.

To join the Alliance, companies need to sign an Alliance Covenant commitment document (the "Covenant"), which includes an overarching ambition to source 80% of their total viable sourcing from within the SADC region by 2033 (see also the Covenant, attached hereto as Annex 1). The Alliance is open to organizations from across Southern African food value chains, from retailers to brands, processors, traders, aggregators, producers, and enabling actors (incl. financial institutions, and technology and inputs and services providers).

While the Covenant is centered on unlocking local and commercially viable sourcing at scale, strategic issues include building inclusion of small and emerging farmers, women, and youth;

¹The 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.



contributing to improved regional food and nutrition security; integrating climate-resilient and regenerative practices into production systems; and unlocking financing into small-and-medium-enterprises ("SMEs"), processors, and other supply chain intermediaries.

Together with the Alliance, IDH plans to establish an Investment Development Hub, which will include a grant financing facility coupled with a seed financing facility to develop and scale catalytic business cases in Sothern African food value chains. Technical support will be combined with grant and seed financing to develop early-stage business cases and link these to longer-term commercial financing.

IDH launched the Southern African Food Systems Transformation Alliance in Johannesburg, South Africa on the 21st of June 2023, in which 16 companies have joined the Alliance through signing the Covenant commitments. More details on the Alliance can be found <u>HERE</u>. An Alliance Steering Committee has recently been selected, and IDH manages the secretariat of the Alliance.

IDH will develop and implement its work under the Alliance in two phases: (1) The design and establishment of the Alliance and the Investment Development Hub, and (2) The implementation of the Alliance and the Investment Development Hub. This assignment falls within the current phase 1 of designing and establishing the Alliance.

3. Assignment

Objectives

The overall objective of this assignment is to support the establishment of the Alliance through the following key deliverables:

(1) **Baseline assessment** Members of the Alliance (hereinafter referred to as the "**Participating Partners**") sign the Covenant to join the Alliance, which includes the overarching ambition to source 80% of total viable sourcing from within the SADC region by 2033. All agricultural products are in scope, and by total viable, we refer to agricultural products that can be produced and sourced from within the SADC region on a commercially viable basis. As is outlined in the Covenant, there are a series of biannual sub-ambitions that lead up to this overarching ambition (see page 3 of the Covenant).

Under the baseline assessment, we need to establish the status of the Participating Partners' local sourcing against the overarching ambition (80% of total viable sourcing from within SADC by 2033).

The baseline assessment should be conducted under the following stages:

(i) **Define viable production and sourcing**. This should firstly be defined according to the required climatic and soil conditions for production, with secondary consideration for commercial viability (as this will vary according to existing infrastructure, the 'cost of doing business', end-market dynamics, and the business strategies of sourcing companies).



- (ii) Based on the definition of viable production and sourcing, **develop a list of agricultural products that can viably be produced and sourced from within the SADC region**. These can be agricultural products that feed into (fresh and processed) food or non-food manufacturing value chains and should include both large volume bulk traded products and smaller volume niche products. This list of agricultural products that can be viably produced and sourced from within the SADC region is important as it defines the product scope of the Alliance. The definition of viable production and sourcing and the list of agricultural products that can viably be produced and sourced from within the SADC region need to be reviewed by the Alliance Steering Committee prior to being finalised.
- (iii) For the product trading members of the Alliance (retailers, brands, processors, traders, and aggregators), conduct a baseline assessment of the Participating Partners' status of current sourcing against total viable product sourcing. As is outlined in the Covenant, this should be defined as:

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. All are based on the quantity of metric kilograms or tons, converted to raw material equivalent.

The baseline assessment should not be an exhaustive or exact audit of the Participating Partners' sourcing data as it relates to the scope of the Alliance but should be a pragmatic approach to evaluating where the Participating Partners stand relative to the overarching Alliance local sourcing ambitions. As an indication, the baseline assessment should be approached to yield baseline assessment results per Participating Partner and the Alliance as a whole for which there is at least 95% certainty. As such, the Service Provider will need to propose an approach to conducting the baseline assessment for the relevant Participating Partners (more details on the sourcing profile of the relevant Participating Partners is provided in section 5 below), prior to conducting the baseline assessment. The approach to the baseline assessment will be proposed to IDH for approval prior to the start of the baseline assessment.

The baseline assessment results should be calculated on a company-specific basis (to be shared with the respect company and with IDH only), and for all the Alliance members as a collective (to be shared by IDH with all Alliance members).

The baseline assessment will need to be conducted through working closely with the relevant Participating Partners; the IDH team will support with introductions to the relevant Participating Partners and in facilitating required meetings.



As of July 2023, there are four Participating Partners that are directly involved in the sourcing, trading, processing, or retail of agricultural products (however, we expect to bring additional companies into the Alliance within the duration of this assignment, the potential profiles of which have been included in Section 5 of the TORs, Proposal Requirements). These current four Participating Partners include Unilever South Africa, Dynamic Intertrade, Wema Foods, and Wild Coast Foods.

- (2) Define a set of priority products (referred to as 'Specific Value Chains' in the Covenant). As outlined in the Covenant, 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 to develop local sourcing under the overarching ambitions are otherwise insufficient. This set of priority products should reflect the collective interests of the Alliance members, should be identified based on a combination of the work under (ii) and (iii), and should include agricultural products that can be viably produced and sourced from within the SADC region, and for which there is a high degree of commercial potential (according to the Participating Partners), but which require collaborative efforts (off-take, technical support, and financing and investment) to unlock this commercial potential. This should be a list of 10 to 15 priority products, and the inclusion of each priority product should be accompanied with a detailed justification. The justification may include but not be limited to - high degree of production potential (climatic and soil conditions), production potential that is strongly complementary products that are already sourced by Participating Partners, installed processing capacity for the commodity that is underutilised, extent of import dependency, instability of imports from international markets (market dynamics, trade regulations, forex availability), prioritization in national or regional agricultural strategies, and/or strategic links to existing or planned infrastructure. This set of priority products will be proposed to the Alliance Steering Committee for validation, prior to being finalized.
- (3) **Scope potential investment cases**. In parallel to establishing the Alliance, IDH will setup an Investment Development Hub. The Investment Development Hub will be comprised of grant and seed financing facilities to develop business cases and facilitate investments for scaling. A list of potential investment cases needs to be compiled to support the development of an investment pipeline for the Investment Development Hub.

These should be based on the needs of the Participating Partners and need to be aligned with their commitments to 80% local sourcing from within the SADC region by 2033 and can either relate to investments in an individual company's supply chain, or joint investments with supply chain partners. Based on the objectives of the Alliance and the strategic issues outlined in the Covenant (page 5), the Consultant should propose an investment case prioritization framework, to be used to develop a shortlist of potential investment cases. Prioritization should be given to investment cases that can feed into multiple company supply chains.

In scoping these potential investment cases, information should be compiled on the following:



- (i) Company details
- (ii) Business strategy, including product market strategy and sourcing strategy, and organizational structure and capacity.
- (iii) Details of current physical operations, including processing and storage capacity, and/or relating to farming infrastructure and mechanization.
- (iv) Investment needs, in terms of capex and working capital, required financing timelines, and how these fit into the company's longer-term business strategy.
- (v) An explanation of why the company has not been able to access the required financing to date.
- (4) **Develop a monitoring protocol**. By signing the Covenant commitments, companies commit to the overarching ambition of sourcing 80% of total viable sourcing from within the SADC region by 2033, in addition to social and environmental sub-ambitions. Progress against these ambitions will be evaluated on an annual basis by a third-party, with the collective results of all Alliance members to be shared publicly. To support the Participating Members in the collection and reporting of relevant sourcing data, a monitoring protocol needs to be developed. While voluntary and market-access certification schemes can be used to an extent, these will be less relevant for food value chains that serve local and regional markets in Southern Africa (as opposed to export), in which case alternative definitions and monitoring mechanisms need to be developed. IDH has previously developed monitoring protocols for some of the sector platforms that it manages; although the context behind these is quite different, these can serve as useful guidance for what needs to be developed for the Alliance (please the monitoring protocol for the Sustainable Juice Covenant attached as Annex 2).

The monitoring protocol needs to take the following into consideration:

a. **Definition of social transformation criteria**. As outlined in the Covenant, the Participating Partners collectively commit to socially transforming food value chains in the SADC region to improve livelihoods by including emerging farmers, smallholder farmers, women, and youth in food value chains in Southern Africa.

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 2033². However, as the geographical scope

² This will be according to the Amended AgriBEE Sector Code (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 (published 11 October 2013), or in alignment with the most recently published relevant governmental guidelines.



of the Covenant includes the SADC region, a definition of social transformation criteria needs to be developed that can be applied to business activities in SADC countries outside of South Africa. For production activities, this should refer to the inclusion of smallholder farmers, and women and youth, and for value chain activities (downstream of production), this should refer to the employment of women and youth. The proposed definition should be specific, measurable, and relevant.

- b. **Definition of environmental transformation criteria**. As outlined in the Covenant, the Participating Partners collectively commit to environmentally transforming food value chains in the SADC region by integrating climate-resilient and regenerative production and supply chain practices into food value chains in Southern Africa. Based on this, a definition of environmental transformation criteria needs to be developed that relates to production and value chain activities. The proposed definition should be specific, measurable, and relevant.
- c. **Social and environmental transformation ambitions**. Based on the above definitions, social and environmental ambitions (or targets) need to be developed. These should be proposed as ambitions that sit within the overarching local sourcing ambitions. For example, for sourcing to qualify as local sourcing (against the proposed definition), a given percentage needs to also meet the social and environmental social transformation criteria. The proposed social and environmental ambitions need to achievable and time-bound (linked to the timelines for the overarching local sourcing ambitions). The social and environmental transformation criteria and associated ambitions need to be proposed to IDH and the Alliance Steering Committee prior to being finalized.
- d. Chain of custody and double counting. As the Alliance is a market-pull mechanism to stimulate increased investments, build inclusion, and strengthen climate resilience in agricultural value chains in Southern Africa, many of the Participating Partners sit further down the supply chain, in addition to their suppliers also being members of the Alliance. The monitoring protocol needs to provide a proposal of how chain of custody can be handled across the supply chains of the Alliance partners (so that volumes reported are specific to the supply chains of the Alliance members), in addition to avoiding double-counting of reported volumes between suppliers and buyers (where one company might supply to multiple buyers in the Alliance).



e. **Data collection and reporting framework**. The Alliance members will need to self-report against the Alliance ambitions (overarching and the social and environmental ambitions) to IDH and a selected third-party monitoring organization. A data collection and reporting framework that can be used by the reporting Participating Partners needs to be developed. This should be an Excelbased data collection and reporting framework (the possibility to convert this into an online platform can be explored at a later stage).

Deliverables

The deliverables of this assignment will be:

Deliverables of assignment	Deadline
Definition of viable production and sourcing and product list, and proposed approach to conducting the baseline assessment (see Objectives, Baseline Assessment)	15 September 2023
Baseline assessment against the Alliance overarching local sourcing ambitions (according to definition of viable production and sourcing and the product list)	6 October 2023
Define a set of priority products (see Objectives, Baseline Assessment)	6 October 2023
Develop investment case prioritization framework	6 October 2023
A list of potential investment cases	20 October 2023
Draft monitoring protocol	31 October 2023
Final monitoring protocol	17 November 2023

4. Selection Procedure

The procedure will be as follows:

- Publishing the tender and/or inviting services providers to submit a proposal based on this ToR.
- 2. Option to submit questions regarding the assignment and the ToR. Questions will be answered via an information notice that will be shared with all consultants that indicated their interest in the assignment or submitted questions.
- 3. Evaluation of the proposals by the evaluation committee. The evaluation committee will evaluate the proposals based on the selection criteria as published in this ToR.



- 4. Decision on selection of the service provider.
- 5. Inception meeting with the selected service provider.

The schedule below indicates the timelines for the tender procedure:

Tender process	Timeline
ToR published	7 August 2023
Closing date questions*	16 August 2023
Publication of information notice	18 August 2023
Deadline for submission of proposals**	23 August 2023
Team pitch***	TBD
Selection of Service provider	25 August 2023
Start of assignment	1 September 2023

^{*} Questions received by IDH after this date will not be answered.

After the deadline to submit a proposal has passed, the evaluation committee will evaluate the proposals.

The proposals will first be tested for completeness:

- The absence of the documents referred to in Section 6 of this document can lead to exclusion from further participation in the tender procedure. This is also the case when minimum requirements listed in this ToR are not met.
- If the proposal is complete, the selection committee will evaluate the proposal based on the criterion as mentioned in section 6.

The assignment will be awarded to the service provider with the most economically advantageous tender. This is determined based on the evaluation criteria price and quality.

IDH will reject the proposal if any illegal or corrupt practices have taken place in connection with the award or the tender procedure.

^{**} Proposals submitted after the deadline will be returned and will not be considered in the tender procedure.

^{***} IDH may request shortlisted service providers to a pitch session via video conference.



Questions

Questions regarding the assignment or the ToR can be submitted until 16 August 2023, 17:00 SAST by e-mail to Guilherme do Couto Justo at <u>justo@idhtrade.org</u>. With the express mention: "Questions tender SA Alliance baseline assessment & monitoring protocol".

Questions must be submitted in the English language and using the Template Question Form, attached to this ToR as annex 3.

The submitted questions will grouped, anonymized, and combined in an information notice. This notice will be sent to all consultants in a reply to the e-mail in which the questions where submitted.

The responsibility for the timely and accurate submission of the questions lies with the service provider. When IDH indicates that questions have not been received by IDH before the indicated deadline, the service provider must demonstrate that the questions were sent timely.

5. Proposal requirements

IDH is requesting the service providers to hand in a proposal of maximum [number] pages (excluding company biographies, CVs, sample work and references). The proposal must be handed in a MS Word or PowerPoint version next to a PDF submission to facilitate any copyand-pasting of content that we may need during evaluation.

The proposal must at least include:

Content:

- a. A succinct, well-documented approach addressing the requirements set out in this ToR. We request that the proposal structure match the selection criteria as closely as possible. The approach should clearly address each of the objectives and deliverables outlined in this ToR, and where relevant (particularly for the baseline assessment and the development of the monitoring protocol), the proposed approach should demonstrate structure in process and when and how IDH and the Alliance Steering Committee needs to be consulted for update and validation purposes. The service provider should also clearly explain how commercially sensitive data will be handled, and how incomplete datasets can be managed.
- b. Maximum of three client references and a sample of previous work relevant to the deliverables in this ToR.

Samples of previous work should demonstrate the service provider's track record in the following:

- i. Relevant consulting work in agricultural value chains in South(ern) Africa (also included as minimum criteria).
- ii. Working within the subject areas of social and environmental sustainability in the agricultural sector, relating to both farm-level and supply chain operations.



- iii. Designing monitoring frameworks and related data collection methodologies and tools, particularly relating to the collection of supply chain data.
- c. An overview of the project team, including the CVs of the project team members
- d. Budget presented in Euros (ex VAT) with a break-down of days/rate per project team member per deliverable.

For the baseline assessment, the budget should be developed according to the following eight company sourcing profiles (assuming that new companies will be recruited into the Alliance within the duration of the assignment):

- i. Two large companies with large volumes sourced across complex local (South Africa), regional (SADC), and international (imports) supply chains. Note that the baseline assessment will only relate to the products sourced that are within the defined product scope.
- ii. Three medium companies with smaller volumes sourced across less complex local (South Africa), regional (SADC) and international (imports) supply chains. As above, the baseline assessment will only relate to the products sourced that are within the defined product scope.
- iii. Three small companies with small volumes sourced across less complex local (South Africa) supply chains.
- e. Description of safeguarding approach³ (does the consultant have a safeguarding policy in place, and if not, are they able and committed to comply to and implement IDH's safeguarding policy (to be found here); steps (to be) taken to identify risks in relation to safeguarding in the project at hand and description of approach to mitigate these safeguarding risks (if any)).
- f. Statement on Ground for exclusion (see section 7 below)

Administrative:

- g. Completed detail request form (annex 4)
- h. Copy of most recent (audited) financial accounts
- i. Statement of acceptance draft contract (annex 7)

The proposal must be submitted to Guilherme do Couto Justo at <u>justo@idhtrade.org</u> before 23 August at 17:00 SAST.

³ IDH's safeguarding approach means taking all reasonable steps to identify and minimize the risk of harm caused by sexual exploitation, abuse, harassment ("**Harm**") to children and vulnerable adults arising from coming into contact with our staff, partners or our work. In addition, safeguarding means protecting our staff itself from such Harm. For more information, please find IDH's Safeguarding Policy here.



6. Testing and weighing

The assignment will be awarded to the service provider with the most economically advantageous tender. The most economically advantageous tender is determined on the basis of the evaluation criteria of price and quality.

Grounds for exclusion

- 1. Service providers shall be excluded from participation in this tender procedure if:
 - a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
 - b) they or persons having powers of representation, decision-making or control over them have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;
 - c) they have been guilty of grave professional misconduct proven by any means which the IDH can justify;
 - d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established, or with those of the Netherlands or those of the country where the contract is to be performed;
 - e) they or persons having powers of representation, decision making of control over them
 have been the subject of a judgment which has the force of res judicata for fraud,
 corruption, involvement in a criminal organization, money laundering or any other
 illegal activity.

Service providers must confirm in writing that they are not in one of the situations as listed above.

2. Service providers shall not make use of child labor or forced labor and/or practice discrimination and they shall respect the right to freedom of association and the right to organize and engage in collective bargaining, in accordance with the core conventions of the International Labor Organization (ILO).

Minimum criteria

Services providers or Proposals not fulfilling the minimum criteria will be excluded from the tender procedure and will not be assessed against the other criteria.



- 1 Service providers need to be based in South Africa, with a track record in South and Southern African agricultural value chains.
- 2 The Service Provider should provide a signed written declaration clearly stating (how they maintain) their independence from any commercial (or other) interests of the Participating Partners in the Alliance. The declaration should also demonstrate their understanding of the competition compliance related elements of the assignment and their compliance with all applicable competition and antitrust laws and regulations.
- 3 The Service Provider must demonstrate its ability to manage commercially sensitive data that is received from several competing partners at the same time and demonstrate which mitigating measures are taken as well as what structures or systems are in place to protect such data.

Scoring and weighing

The evaluation criteria are compared and weighed according to the procedure below. This concerns a general outline of the scoring methodology and an explanation of how the service provider can demonstrate compliance with the requirements.

Step 1 - Criterion Quality

Evaluation scores will be awarded for each of the components. The evaluation committee will score each component unanimously.

IDH values quality highly, therefore a minimum grade of 3 must be scored by the service provider on each component. If the service provider scores a grade of 3 or less on one of the components he will be excluded from the tender procedure and awarding the contract.

The proposal will be assessed based on the following selection criteria:

(Component	Criteria	Max. Grading
1	Proposal overall	The extent to which the proposal meets the requirements set out in Section 3 above and throughout this document. Can the Service provider deliver the required deliverables?	5



2	Design and Development process	The extent to which the Service provider demonstrates that a clear design and development process will be followed and IDH is adequately consulted for input during the design and development. The extent to which it is clear what is required of IDH in terms of human resources and other inputs to deliver the project.	5
3	Track record	The extent to which the Service provider presents the required level of expertise and knowledge to fulfil the requirements both at team member and company level (see Section 5). To extent to which the Service providers gives a clear description of the project team, relevant (delivering similar projects) experience of team members and time allocation per team member.	5

The evaluation committee will unanimously score each component by assigning scores from 1 to the maximum grading, with the maximum grading representing optimal performance on the component and 1 representing extremely poor performance on the respective component.

Step 2 - Criterion Price

A combined price in Euros (ex VAT) is to be presented. This is to be broken down by team member rate and hours.

The criterion of assessment is "the best price for the proposed level of quality" with a maximum grading of 5.

Step 3 - Weighting

The final score will be weighted 70% on Quality and 30% on Price.

If scores of service providers are equal, priority will be based on the total scores that were given for the Criterion Quality. The assignment will be awarded to the service provider that has received the highest score for the Criterion Quality. If the evaluation of the Criterion Quality does not lead to a distinction, the score for the component "Proposal overall" will be decisive. If this does not lead to a distinction, the ranking will be determined by the drawing of lots.



Award

Once IDH has decided to which Service provider it intends to award the assignment, a written notification thereof is sent to all Service providers participating in the tender procedure.

The Service provider is contracted via a letter of assignment, following IDH's template (Annex 5).

7. Communication and Confidentiality

The Service provider will ensure that all its contacts with IDH, with regards to the tender, during the tender procedure take place exclusively in writing by e-mail to Guilherme do Couto Justo at justo@idhtrade.org. The Service provider is thus explicitly prohibited, to prevent discrimination of the other Service providers and to ensure the diligence of the procedure, to have any contact whatsoever regarding the tender with any other persons of IDH than the person stated in the first sentence of this paragraph.

The documents provided by or on behalf of IDH will be handled confidentially. The Service provider will also impose a duty of confidentiality on any parties that it engages. Any breach of the duty of confidentiality by the Service provider or its engaged third parties will give IDH grounds for exclusion of the Service provider, without requiring any prior written or verbal warning.

All information, documents and other requested or provided data submitted by the Service providers will be handled with due care and confidentiality by IDH. The provided information will after evaluation by IDH be filed as confidential. The provided information will not be returned to the Service provider.

8. Disclaimer

IDH reserves the right to update, change, extend, postpone, withdraw, or suspend the ToR, this tender procedure, or any decision regarding the selection or contract award. IDH is not obliged in this tender procedure to make a contract award decision or to conclude a contract with a participant.

Participants in the tender procedure cannot claim compensation from IDH, any affiliated persons or entities, in any way, in case any of the afore-mentioned situations occur.

By handing in a proposal, participants accept all terms and reservations made in this ToR, and subsequent information and documentation in this tender procedure.



9. Annexes

Annex 1: Covenant for the Southern African Food Systems Alliance

Annex 2: Monitoring Protocol for the Sustainable Juice Covenant (example)

Annex 3: Template Question Form

Annex 4: Detail request form

Annex 5: Letter of Assignment template

Annex 6: IDH General Terms and Conditions for Services

Annex 7: Statement of acceptance draft contract