# A business guide to access and benefitsharing (ABS)



Compliance with South Africa's biotrade and bioprospecting legal framework

Section 5

Material Transfer and Benefit-Sharing Agreements



forestry, fisheries & the environment Department: Forestry, Fisheries and the Environment REFUBLIC OF SOUTH AFRICA







Implemented by: **Giz** Deutsche Gesetlischaft für Internationale Zusammenarbeit (6/2) 6mbH This document is part of a series of knowledge products produced by the BioInnovation Africa (<u>BIA</u>) project in South Africa. Other BIA knowledge products and biotrade resources can be found on the joint <u>website</u> of BIA, ABioSA and the ABS Capacity Development Initiative.

Kruger Swart As<mark>soci</mark>ates (<u>KSA</u>) was commissioned to develop and publish this knowledge product in collaboration with BIA's South African partner, the Department for Forestry, Fisheries and the Environment (<u>DFFE</u>). This knowledge product is endorsed by the DFFE.

The BIA project is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. Although every effort has been made to provide complete and accurate information, KSA and GIZ make no representations or warranties, express or implied, as to its accuracy at the time of use.

#### Adrie El Mohamadi

Component Manager - South Africa

BioInnovation Africa (BIA)

GIZ Center for Cooperation with the Private Sector (CCPS)

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Adrie.elmohamadi@giz.de

Bioinnovationafrica@giz.de

www.giz.de www.abs-biotrade.info

## Introduction

This is **section five** of a six-part step-by-step guide for businesses working with biodiversity or engaging with bioprospecting and/or biotrade. It aims to ensure compliance with South African laws and regulations, in line with access and benefit-sharing principles and industry best practices.

**Section four** covered the steps which must be completed when applying for a Biotrade, Bioprospecting or an Integrated Biotrade and Bioprospecting Permit, and the procedure followed by bodies such as the DFFE and the Bioprospecting Advisory Committee. **Section five** guides companies on the content of Material Transfer Agreements (MTA) and Benefit-Sharing Agreements (BSA), which are both required in order to successfully obtain the sought-after permit. It covers the processes and agreements supporting the application for a Biotrade, Bioprospecting or an Integrated Biotrade and Bioprospecting Permit, and explains the differences between MTAs and BSAs.

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## Glossary

Term	Definition
ABS	Access and benefit-sharing
ABSCH	ABS Clearing House
BABS	Bioprospecting, access and benefit-sharing
BAC	Bioprospecting Advisory Committee
BSA	Benefit-Sharing Agreement
Bioprospecting	Bioprospecting in relation to indigenous biological resources, means any research on, or development or application of, indigenous biological resources for commercial or industrial exploitation, and includes (a) the systematic search, collection or gathering of such resources or making extractions from such resources for purposes of such research, development or application; (b) the utilisation for purposes of such research or development of any information regarding any traditional uses of indigenous biological resources by indigenous communities; or (c) research on, or the application, development or modification of, any such traditional uses, for commercial or industrial exploitation; or (d) the trading in and exporting of indigenous biological/genetic resources in order to develop and produce, such as medicines, industrial enzymes, food flavours, fragrances, cosmetics, colours, extracts and essential oils
Biotrade	The buying and selling of milled, powdered, dried, sliced or extracts of indigenous genetic and biological resources for commercial exploitation
CBD	Convention on Biological Diversity
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
DFFE	Department of Forestry, Fisheries and the Environment
DSI	Department of Science and Innovation
dtic	Department of Trade, Industry and Competition
IK	Indigenous knowledge means knowledge which has been developed within an indigenous community and has been assimilated into the cultural and social identity of that community, and includes (a) knowledge of a functional nature; (b) knowledge of natural resources; and (c) indigenous cultural expressions
IKS Act	Protection, Promotion, Development and Management of Indigenous Knowledge Act (Act 6 of 2019)
IRCC	Internationally-recognised certificates of compliance
MAT	Mutually agreed terms
MTA	Material Transfer Agreement
NEMBA	National Environmental Management: Biodiversity Act (Act 10 of 2004)
Organisations	An organised group of people with a particular and defined purpose, such as organisations representing traditional knowledge holders, organisations representing sectors, organisations who support sector development, etc.
Organised group of traditional knowledge holders	Group of traditional knowledge (TK) holders mandated to present a wider group of TK holders who are organised and recognised by other TK holders such as the National Khoi and San Council of SA or the SA San Council
PIC	Prior informed consent
SANBI	South African National Biodiversity Institute
TCE	Traditional cultural expressions are more tangible than the informal oral traditions relating to traditional knowledge, and include artefacts, folklore, myths, songs, poems, performances and handicrafts
ТК	Traditional knowledge refers to the customary utilisation or knowledge of indigenous genetic and biological resources by an indigenous community or specific individual, in accordance with written or unwritten rules, usages, customs or practices traditionally observed, accepted and recognised by them, and include discoveries about the relevant indigenous genetic and biological resources by that community or individual
TOPS	Threatened or protected species

### Material Transfer Agreement with the provider of the resource

- The MTA is completed on the prescribed form from the DFFE, Annexure 11, as referenced in <u>section 6</u>.
- The MTA must be completed with every access provider that you procure a resource from and must be co-signed with the access provider.
- The MTA is always with one party down the value chain, i.e. the party you procure the resource from/your direct supplier. If for example you are buying prepared oil from a supplier, you would need to prepare MTAs and BSAs with them, as they are seen as the access provider.

# What is the purpose of the MTA?

An MTA is an agreement between the permit applicant and the party providing access to the indigenous biological resource, i.e. the access provider. This assists the DFFE in not only knowing where the resource is bound for, as detailed above in <u>section 4</u>, 'Key concepts', but also to know the origins of the resource. It is a requirement for obtaining a Discovery Phase Export Permit, Biotrade, Bioprospecting or an Integrated Biotrade and Bioprospecting Permit. There is a specific form in the BABS Regulations that must be used for this purpose; it includes terms and conditions. Below, we look at the different provisions of the template for an MTA with the provider of the resource

### What is included in the MTA?

Template element	Explanation
	<ul> <li>This section includes details on access to the resource, both on the part of the access provider and the permit applicant/recipient.</li> </ul>
	<ul> <li>For the access provider, details on the following are required:</li> </ul>
	- The type of access to the resource, i.e. is it collected, harvested, cultivated, etc.
	- The parts of the resource that are collected or harvested, e.g. leaves, roots, stems, etc.
Access and prior	<ul> <li>This section includes details on access to the resource, both on the part of the access provider and the permit applicant/recipient.</li> <li>For the access provider, details on the following are required: <ul> <li>The type of access to the resource, i.e. is it collected, harvested, cultivated, etc.</li> <li>The parts of the resource that are collected or harvested, e.g. leaves, roots, stems, etc.</li> <li>The exact location where the parts of the resource are harvested</li> </ul> </li> <li>For the permit applicant/recipient, details on the following are required: <ul> <li>The parts of the resource that will be received, e.g. leaves, roots, stems, etc.</li> </ul> </li> <li>How the resource will be used, i.e. product development and/or product manufacturing, or for resale to other parties</li> <li>The purpose for which the resource is accessed, e.g. to distil oil and sell on the export market</li> </ul> <li>The MTA must be concluded between permit applicant/s and the provider/s of the biological resources.</li> <li>Under South African law, the applicant must be a registered company or natural person.</li>
informed consent	<ul> <li>For the permit applicant/recipient, details on the following are required:</li> </ul>
	- The parts of the resource that will be received, e.g. leaves, roots, stems, etc.
	<ul> <li>The MTA must be concluded between permit applicant/s and the provider/s of the biological resources.</li> </ul>
Permit applicant	<ul> <li>The permit applicant/s is also sometimes referred to as the 'recipient/s' of indigenous biological resources.</li> </ul>
	• Under South African law, the applicant must be a registered company or natural person.
	Relevant details include name, address and identification or registration information.

## Material Transfer Agreement with the provider of the resource

Template element	Explanation
Access provider/s	<ul> <li>The provider/s of the biological resources is the natural person, government agency, legal entity or indigenous community that is supplying the samples of biological resources or their derivatives, and is the legal owner of the land where these resources are cultivated or collected.</li> </ul>
	Relevant details include name, address and identification or registration information.
	• This details the form in which the permit applicant/recipient will receive the resource.
The indigenous biological resource	<ul> <li>It also states that the agreement covers other indigenous genetic and biological resources that may have been transferred, and any molecules or compounds naturally occurring in the resource.</li> </ul>
	• This section states the exact purpose for which the transferred resource will be used.
Rights and duties	<ul> <li>This includes the specific conditions under which patents can be claimed on the resource.</li> </ul>
	<ul> <li>It further states that research can only be conducted on the transferred resource if prior informed consent has been granted.</li> </ul>
Third party transfer	<ul> <li>The MTA also includes some conditions for the use of biological resource/s. Namely, in the case where the resource is transferred to a third party, it must be with the assurance that the third party recipient is also bound by the terms and conditions of the MTA.</li> </ul>
Resources provided	• The MTA must supply information on the specific resource provided. For example, dried leaves of rooibos ( <i>Aspalathus linearis</i> ), or essential oil from the whole plant of the bourbon geranium ( <i>Pelargonium graveolens l.</i> ). That is why the template refers to "genetic and biological resources".
	<ul> <li>The part or state of the resource to be collected or used must be detailed, as well as the scientific and common names, the quantity required and the coordinates of the location where the material will be sourced.</li> </ul>
Purpose of access	• This must specifically state how the recipient will utilise the resource.
Breach and termination	• If any of the parties to the MTA do not comply with its provisions, the other must provide written notice requiring compliance within 30 days. If there is still no compliance 30 days after receiving the written notice, the aggrieved party may sue for compliance or provide written notice of cancellation and terminate the agreement.
Signatures	<ul> <li>The MTA must be signed by the access provider/s (with the endorsement of the relevant traditional authority or legal entity, if applicable), and the permit applicant/ recipient. Their capacity in signing the agreement must be noted.</li> </ul>

## Benefit-Sharing Agreement with access providers



- The Benefit-Sharing Agreement (BSA) with access providers is completed on the prescribed form from the DFFE, Annexure 12, as referenced in <u>section 6</u>.
- The BSA with access providers must be completed with every access provider that you procure a resource from, and must be co-signed with the access provider.

#### What is the purpose of the BSA with access providers?

Under South African regulations on access and benefit-sharing, and in line with international agreements such as the Convention on Biodiversity and the Nagoya Protocol, authorisation to access biological resources for bioprospecting or biotrade activities is subject to an agreement with providers for the fair and equitable sharing of benefits. That is, the applicant must agree with providers on how they will share benefits such as skills, technologies, research results, and potential profits derived from the proposed activities.

This is called a Benefit-Sharing Agreement. Securing a BSA with the provider of the biological resources and another with the provider of the associated traditional/indigenous knowledge (TK/IK), if applicable - is a requirement for securing a Discovery Phase Export Permit or Biotrade, Bioprospecting or Integrated Biotrade and Bioprospecting Permit. Additionally, the Minister of the DFFE must be satisfied that the BSA is fair and equitable before the relevant permit is granted.

What is fair and equitable can only be defined on a case-by-case basis. Nevertheless, it is important to note that 'fair and equitable' covers both the process and the outcome. That is, BSAs must be developed through comprehensive consultation and transparent negotiations between stakeholders, as well as full disclosure of relevant information, such as research to be conducted, entities involved, risks and investments related to the project, expected results, their potential commercial utilisation, and the applicant's business model moving forward (including projected income modelling, etc.).

Additionally, the standard form provided in the BABS Regulations must be used, which includes certain terms and conditions. Below, we look at the different provisions of the template for a BSA with the provider of biological resources.

	Template element	Explanation
		<ul> <li>The BSA must be concluded between the permit applicant/s and the provider/s of the biological resources.</li> </ul>
	Permit applicant	<ul> <li>The permit applicant is also sometimes referred to as the 'recipient/s' of indigenous biological resources.</li> </ul>
		<ul> <li>Under South African law, at least one of the applicants must be a registered company or natural person. However, co-applicants - and therefore other recipients of biological sources - may be foreign nationals or legal entities established abroad.</li> </ul>
		Relevant details include name, address and identification or registration information.
	entity or indigenous community that is supplying the samples of biological resou	• The provider/s of the biological resource/s is the natural person, government agency, legal entity or indigenous community that is supplying the samples of biological resources or their derivatives, and is the owner of the land where these resources are cultivated or collected.
		Relevant details include name, address and identification or registration information.

#### What is included in the BSA with the access provider/s?

## Benefit-Sharing Agreement with access providers

Template element	Explanation
Resources provided	<ul> <li>The BSA must provide information on the specific samples provided. For example, microorganisms, dried leaves of rooibos (<i>Aspalathus linearis</i>), or essential oil from the whole plant of the bourbon geranium (<i>Pelargonium graveolens</i>). That is why the template refers to "genetic and biological resources."</li> </ul>
	<ul> <li>The part or state of the resource to be collected or used must be detailed, as well as the scientific and common names, the quantity required and the coordinates of the location where the material will be sourced.</li> </ul>
	<ul> <li>It is recognised that benefits will vary considerably from case to case, depending on the nature of the project. However, the template includes a list of potential monetary and non-monetary benefits to guide discussions; each benefit to be provided must be marked, with further information provided in an addendum. There is the possibility of agreeing on benefits that are not mentioned.</li> </ul>
	<ul> <li>Potential non-monetary benefits mentioned include:</li> </ul>
	- Acknowledgement of providers
	- Deposit of specimens with national institutions
	- Sharing of research results
	- Participation of South Africans in research
Sharing of bonofits	- Training and capacity building
Sharing of benefits	- Community development
	- Conservation projects
	<ul> <li>Potential monetary benefits mentioned include:</li> </ul>
	- Fees
	- Royalties
	- Upfront payments
	- Equipment and infrastructure
	- Milestone payments
	<ul> <li>In the case of non-monetary benefits, a clear plan on how the non-monetary benefits will be delivered is required.</li> </ul>
Payment of benefits	• A clause that clarifies that any monetary benefits arising out of the BSA, even if intended directly for the access provider - with the exception of direct payments of fees or charges to the beneficiaries - must be paid into the bioprospecting trust fund. This is an important element to monitor and ensure compliance with.
Review of agreement	• Parties can choose the timeframe against which benefit-sharing arrangements will be reviewed. This is particularly important for projects in which there is still uncertainty as to outcomes, or value chains where market requirements or conditions may have changed.
agreement	<ul> <li>It is required that one month prior to every review, the permit holder must share any new material information to enable stakeholders to participate in the review from an informed perspective.</li> </ul>

# Benefit-Sharing Agreement with access providers

Template element	Explanation
Third party transfer	• The benefit-sharing also includes some conditions for the use of biological resources. Namely, the permit applicant must commit to not transferring those resources to third parties without written authorisation. This is to ensure that providers' rights to benefits resulting from the proposed activities are respected by all users.
Other matters	• The BSA may also include other conditions related to the use of the biological resources or the sharing of resulting benefits.
Breach and termination	• If either of the parties to the BSA do not comply with its provisions, the other must provide written notice requiring compliance within 30 days. If there is still no compliance 30 days after receiving the written notice, the aggrieved party may sue for compliance or provide written notice of cancellation and terminate the agreement.
Signatures	• The BSA must be signed by the access provider (with the endorsement of the traditional authority or legal entity, if applicable) and the permit applicant. Their capacity in signing the agreement must be noted.
	<ul> <li>Additionally, prior to issuing the relevant permit, the Minister of the DFFE signs the agreement to signal official approval.</li> </ul>

# Benefit-Sharing Agreement with traditional/indigenous knowledge holders



- The BSA with TK/IK holders is completed on the prescribed form from the DFFE, Annexure 12, as referenced in <u>section 6</u>.
- The BSA with TK/IK holders must be completed with the recognised TK/IK holders of the resource, or alternatively, with parties identified through the process set out in <u>section 2</u>, 'Traditional and indigenous knowledge holders'.

#### What is the purpose of the BSA with TK/IK holders?

Access to biological resources for the purposes of biotrade or bioprospecting may also involve access to TK/IK on the properties and uses of those resources. TK/IK often contributes to biotrade and bioprospecting activities, guiding companies or other entities in identifying potential biological activity, and ways of using plants or other resources for food, medicinal or other purposes. As a result, South African law requires that - if there is TK/IK associated with the biological resource - a BSA must be concluded and signed with the holders of such knowledge. In <u>section 2</u>, there is further information on how TK/IK and TK/IK holders may be identified.

Concluding a BSA with the providers of the TK/IK associated with the biological sources - if indeed such knowledge exists - is a requirement for obtaining a Discovery Phase Export Permit, Biotrade, Bioprospecting or an Integrated Biotrade and Bioprospecting Permit. There is a specific form in the BABS Regulations that must be used, which includes certain terms and conditions. Below, we look at the different provisions of the template for a BSA with the holder of TK/IK.

What is included in the BSA with TK holders?

Template element	Explanation
	• The BSA must be concluded between the permit applicant/s and the TK holders in this instance, or as referred to below, the provider/s of the TK/IK.
Permit applicant	<ul> <li>The permit applicant is also referred to in the form as the "user of traditional knowledge associated with indigenous genetic and biological resources." It should be understood that a BSA is required even where a company is not actively considering or referring to TK/IK. It is sufficient for TK/IK to exist in relation to the proposed uses of the biological resource/s.</li> </ul>
	<ul> <li>Under South African law, at least one of the applicants must be a registered company or natural person. However, co-applicants - and therefore other recipients of biological sources - may be foreign nationals or legal entities established abroad.</li> </ul>
	Relevant details include name, address and identification or registration information.
	<ul> <li>The provider/s of the TK/IK may be a natural person or an indigenous community that has been recognised as holding the TK/IK.</li> </ul>
TK/IK holder/s	<ul> <li>If the provider is an indigenous community, additional information is required to ensure the appropriate representatives have been consulted and are involved in this agreement.</li> </ul>
	<ul> <li>Relevant details include name/s, address/es and identification or registration information.</li> </ul>

# Benefit-Sharing Agreement with traditional/indigenous knowledge holders

Template element	Explanation
Resources provided	<ul> <li>The BSA on TK/IK must also include the information on the specific samples of biological resources involved.</li> </ul>
Traditional uses	• For each of the biological resources involved, information on the associated traditional uses must be provided. Again, this is needed even if such traditional uses are not considered or referred to in proposed activities of the permit applicant.
	<ul> <li>It is recognised that benefits will vary considerably from case to case, depending on the nature of the project. However, the template includes a list of potential monetary and non-monetary benefits to guide discussions. Each benefit to be provided must be marked, with further information provided in an addendum. There is the possibility of agreeing on benefits that are not mentioned.</li> </ul>
	<ul> <li>Potential non-monetary benefits mentioned include:</li> </ul>
	- Ongoing communication of activities
	<ul> <li>Recognition and promotion of traditional knowledge</li> </ul>
	- Co-authorship of publications
Sharing of benefits	- Inclusion in activities
Sharing of Deneritis	- Training and capacity building
	<ul> <li>Potential monetary benefits mentioned include:</li> </ul>
	- Fees
	- Royalties
	- Upfront payments
	- Equipment and infrastructure
	- Milestone payments
	<ul> <li>In a situation wherein non-monetary benefits have been selected, a clear outline of the implementation plan should also be provided.</li> </ul>
Payment of benefits	<ul> <li>A clause must be included which clarifies that any monetary benefits arising out of the BSA - even if intended directly for the TK/IK holder - must be paid into the Bioprospecting Trust Fund of the DFFE. This is an important element to monitor and ensure compliance</li> </ul>
Review of agreement	• Parties can choose the timeframe against which benefit-sharing arrangements will be reviewed. This is particularly important for projects in which there is still uncertainty as to outcomes, or value chains where market requirements or conditions may have changed.
	<ul> <li>It is required that one month prior to every review, the permit holder must share any new material information to enable stakeholders to participate in the review from an informed perspective.</li> </ul>
Third Party transfer	• The benefit-sharing also includes some conditions for the transfer of TK/IK. Namely, the permit applicant must commit to not transferring those resources to third parties without written authorisation. This is to ensure that holders' rights to benefits resulting from the proposed activities are respected by all users.

# Benefit-Sharing Agreement with traditional/indigenous knowledge holders

Template element	Explanation
Other matters	<ul> <li>The BSA may also include other conditions related to the use of the TK/IK/biological resources, or the sharing of resulting benefits.</li> </ul>
Breach and termination	<ul> <li>If either of the parties to the BSA fails to comply with its provisions, the other must provide written notice requiring compliance within 30 days. If there is still no compliance 30 days after receiving the written notice, the aggrieved party may sue for compliance or provide written notice of cancellation and terminate the agreement.</li> </ul>
Signatures	<ul> <li>The BSA must be signed by the TK holder (with the endorsement of the traditional authority or legal entity, if applicable) and the permit applicant. Their capacity in signing the agreement must be noted.</li> </ul>
	<ul> <li>Additionally, prior to issuing the relevant permit, the Minister of the DFFE signs the agreement to signal official approval.</li> </ul>

It is the normal practice for Benefit-Sharing Agreements to be concluded between individual companies and TK/IK holders, but there is also the option to conclude a Benefit-Sharing Agreement on an industry level. This option has additional requirements, and thus has only been implemented for the Rooibos industry to date.

For more information and guidance on how collective industry-wide BSAs can be approached, please refer to the ABioSA ABS knowledge product included in <u>section 6</u> under 'Resources'.

## **Community Resolution**

The Community Resolution is completed on the prescribed form from the DFFE, Annexure 13, as referenced in <u>section 6</u>.

The Community Resolution must be completed with communities who are collective holders of TK/IK and providers of the access to the indigenous biological resource to illustrate understanding and consent.

Community Resolutions may be supported by minutes of the meeting where the details regarding the bioprospecting project were shared and/or discussed.

#### What is the purpose of a Community Resolution?

The Community Resolution is a resolution adopted by the indigenous community who holds TK/IK on the resource, or who owns the land where the indigenous biological resource will be collected. It indicates that the community has full knowledge of the intended use of the resource/s in biotrade or bioprospecting activities.

#### What is included in the Community Resolution?

The Community Resolution includes reference to the following six points:

- Stating the name of the community, and confirming TK/IK and the resource this is held on.
- Confirming awareness of the bioprospecting, biotrade project or activities, the purpose of the activities, the permit applicant who will implement these activities, and the manner of use of TK/IK in those activities.
- Agreement to share the indigenous biological resource and associated TK/IK with the permit applicant.
- Authorisation of a community representative to represent the community as necessary in the implementation of the bioprospecting or biotrade project, or related activities.
- A statement that the agreement with the permit applicant is only for the resource/s as included in the agreement and for no other resource/s that the community has access to and/or is associated with TK/IK applicable to a specific natural ingredient.
- An indication of the names and identity numbers of community members who are signatories to the resolution.

There is always the risk that community consultation and the development of Community Resolutions can be an ad-hoc process not completely understood by the community members. In the review of the permit application, both the DFFE and the Bioprospecting Advisory Committee would want to see evidence that the Community Resolution was reached through an inclusive process based on good community consultation practices. It is recommended that such evidence is attached to the application along with the Community Resolution.