



# ABioSA PROGRAMME BENEFICIARY BASELINE SURVEY AND GRANT PROCUREMENT PROCESS EVALUATION

Project Report: Round 1 Grantees & Trained  
SMEs

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# 1. EXECUTIVE SUMMARY

## INTRODUCTION

The ABS Compliant Bio-trade in South(ern) Africa (ABioSA) programme is funded by Swiss State Secretariat for Economic Affairs (SECO) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, under the umbrella of the Access and Benefit Sharing (ABS) Capacity Development Initiative, a multi-donor funded programme.

The aim of the ABioSA programme is to create a high-growth jobs-rich and innovative biotrade sector that complies with international and domestic ABS regulations. It supports sustainable development goals and contributes to the livelihoods of rural people and the productive use of South(ern) Africa's plant biodiversity. It aims to create permanent and seasonal jobs in biotrade value chains, while substantially boosting the value generated from bio-trade products from the region.

Additionally, the programme aims to prepare Small Medium Enterprises (SMEs) to become investment ready to be able to access funds that will result in growth of their business and the sector, and support SMEs who want to export their products to overcome regulatory hurdles as they struggle to comply with international and national regulatory requirements, including ABS regulations.

## BASELINE SURVEY AND GRANT PROCUREMENT PROCESS EVALUATION

The purpose of this assignment was to support the ABioSA programme to conduct the following:

1. Desktop evaluation of the round 1 grant application and adjudication processes to inform the second round
2. Baseline Survey of the 10 Grant Trained SMEs and the 22 Capacity Development Programme Trained SMEs to obtain reliable and relevant data prior to any support offered looking at:
  - Number of jobs (seasonal and permanent, women, youth < 35)
  - Number of type of products (local and export)
  - Turnover
  - Educational status
  - Technologies, methodologies and management approaches used
  - Any other relevant indicators identified based on ABioSAs outcome and indicators
3. A Project Data Verification process whereby the Grantees and Trained SMEs need to verify the information included in their funding and technical assistance applications.

The grant procurement process evaluation was done during the first phase of the assignment and is captured in this report. The Baseline Survey and Project Data Verification processes were done simultaneously, and the outcomes have been described in depth in this report.

The SMEs involved in Phase 1 of the ABioSA programme received grant funding for specific project deliverables. These SMEs took part in the Baseline Survey and project data verification and included the 9 SME Grantees and 1 Laboratory Grantee. The participants involved Phase 2 and took part in the Baseline Survey and project data verification, were made up out of 22 SMEs and received capacity building support and technical advice.

The Baseline Survey aimed to obtain data reflecting the ABioSA programme's aims in terms of job creation within an innovative biotrade sector that complies with international and domestic ABS regulations. The survey also made provision for the achievement of sustainable development goals and the contribution to the livelihoods of rural people and the productive use of South(ern) Africa's plant biodiversity. The structure of the Baseline Survey followed the BioTrade Principles and Criteria as captured in the conceptual framework of the BioTrade Initiative of United Nations Conference on Trade and Development (UNCTAD); and has been aligned to the objectives and principles of the Convention on Biological Diversity (CBD). It is therefore recommended that the Mid-term Evaluation considers the same clusters as utilised during the Baseline Survey, in order to measure growth and development.

The categories used in the Baseline Survey and Project Data Verification included the annual turnover for local and export sales; the total permanent jobs created, with specific mention of BEE jobs, and jobs for women and the youth >35 years). The employment category further includes direct seasonal jobs and indirect harvesters' jobs. Next, the categories included the sectors served by the biotrade industry; the number of types of products in the local and export market; ABS and BEE compliancy. The next category was for the number of indigenous species used as raw material; the current and future hectares available for cultivation or harvesting; and whether the raw material is obtained from cooperatives or indigenous peoples and local communities (IPLC).

## 2. SURVEY DESIGN

### 3.1. SAMPLING STRATEGY

The ABioSA project aims to build a high-growth innovative biotrade sector in southern Africa that complies with international and domestic ABS regulations; whilst supporting the creation of jobs and the contribution to productive, sustainable use of the plant biodiversity in South Africa and the region (localisation of value-addition). The ABioSA Innovation Fund awarded grants to the 10 qualifying grantees who have met these objectives and has shown the possibility of growth in turnover, job creation and an increase in sustainable practices.

The non-proportional survey design was based on a two-phase sampling procedure, drawing on 100% of the Grantees and 100% of the Capacity Building Trained SMEs. The 100% sampling was chosen as the strata of the population differs greatly in terms of the natural ingredients involved, the size of the businesses and the time that the Grantees and the Capacity Building Trained SMEs have been commercially active.

While 30% of the ABioSA programme was earmarked for the region, only one regional application, from Zimbabwe, was received. However, two South African SMEs submitted applications with direct impact on the region. These applications were from Natural & Organic Formulations who sourced all its raw materials directly from Namibia; and Parceval Pharmaceuticals who sourced specific raw materials from Zimbabwe. These could be considered as regional, due to the impact it would have on the region.

Phase 1 sampling of the Grantees included all the 9 SME Grantees and the 1 Laboratory Grantee; and Phase 2 sampling of the 22 Capacity Building Trained SMEs included all the businesses chosen by the IC and ABioSA (for practical purposes, the term Grantees will be used to represent both the 9 SME Grantees and the 1 Laboratory Grantee; and the Capacity Building Trained SMEs will be referred to as "Trained SMEs").

The survey team contacted all 10 of the Grantees and all 22 of the Trained SMEs by email and telephonically. Nine of the Grantees agreed to participate in the Baseline Survey and the data verification process; and 16 of the Trained SMEs responded. In real terms, this relates to 90% representation of the Grantees as a population; and a 73% representation of the Trained SMEs.

## SAMPLING CHALLENGES EXPERIENCED

It must be noted that the contact details of a few of the Trained SMEs have changed or did not respond to any telephone calls and/or sms and/or emails and/or voice notes. Some indicated that they are not willing to participate in the Baseline Survey and the data verification process as they have completed their involvement with the project; while some noted that they do not see the necessity to participate as they did not receive any grants.

## 3.2. SURVEY INSTRUMENTS

The Baseline Survey was specifically designed to obtain data reflecting the ABioSA programme's aims in terms of job creation within an innovative biotrade sector that complies with international and domestic ABS regulations. The survey also made provision for the achievement of sustainable development goals and the contribution to the livelihoods of rural people and the productive use of South(ern) Africa's plant biodiversity. The Baseline Survey for both the Grantees and Trained SMEs consisted out of 2 sections:

- Section 1 dealt with the baseline assessment of aspects such as biodiversity, ABS agreements, socio-economic sustainability and compliance with legislative regulations.
- Section 2 dealt with the information included in the grant application, such as compliance with statutory & administrative requirements; in-kind contribution calculations; up-scaling and growth projection calculations; and succession and contingency plans.

Section 1 of the Baseline Survey for both the Grantees and the Trained SMEs included a questionnaire which served as a guide during the telephonic interviews; the questionnaire was structured in a baseline assessment forms which was sent to the Grantees and the Trained SMEs to complete. In most cases, the sample groups had to indicate "yes" or "no" in order to save time.

The structure of the Baseline Survey Section 1 questionnaire followed the BioTrade Principles and Criteria as captured in the conceptual framework of the BioTrade Initiative of United Nations Conference on Trade and Development (UNCTAD). This framework supports the conservation and sustainable use of biodiversity through the promotion of trade and investment in biotrade products and services; and is aligned to the objectives and principles of the Convention on Biological Diversity (CBD). Using the UNCTAD BioTrade Initiative's principles, the Baseline Survey questionnaire consisted out of the following clusters:

1. Conservation of biodiversity
2. Sustainable use of biodiversity
3. Fair and equitable sharing of benefits derived from the use of biodiversity
4. Productive, financial, market & socio-economic sustainability
5. Compliance with national and international legislation

In Section 1 (for both the Grantees and Trained SMEs), the first three clusters of the Baseline Survey questionnaire are based on the BioTrade Principles covering conservation and sustainable use of biodiversity, as well as fair and equitable sharing of benefits derived from the use of biodiversity. Within the M&E framework, clusters 1 – 3 also address the ABioSA module objective referring to the CBD and sustainable use of South(ern) Africa's plant biodiversity. More specifically, cluster 3 focuses on equitable benefit-sharing in biotrade and addresses criteria beyond the Nagoya Protocol and the utilisation of genetic resources to include the use of biodiversity more generally. Clusters 4 and 5 have been aligned to the value chain approach adopted by the UNCTAD BioTrade principles to purposefully involve the actors in the natural ingredients industry and all parts of the value chain working together to achieve sustainability in the biotrade sector. These two clusters also address the aspects of the ABioSA module objective of contributing to livelihoods of rural people; supporting sustainable development goals; and high-growth, jobs-rich, innovative biotrade sector compliant with national ABS regulations. See Table 1 for the alignment of Biotrade principles with the ABioSA project objectives.

Furthermore, the Baseline Survey questionnaire also included an adaptive management approach which allowed for the reporting on corrective measures adopted in support of the ongoing monitoring of impacts. Lastly, the Baseline Survey questionnaire has addressed the preferred holistic approach to ecological and social issues and the interactions and processes that make up production systems.

ALIGNMENT: BIOTRADE PRINCIPLES & ABIOSA OBJECTIVES		
BIOTRADE PRINCIPLES		ABIOSA OBJECTIVES
Clusters in M&E framework		Aligned with:
1	Conservation of biodiversity	<ul style="list-style-type: none"> <li>• Convention on Biological Diversity (CBD)</li> <li>• Sustainable use of South(ern) Africa's plant biodiversity</li> </ul>
2	Sustainable use of biodiversity	
3	Fair and equitable sharing of benefits derived from the use of biodiversity	
4	Productive, financial, market & socio-economic sustainability	<ul style="list-style-type: none"> <li>• Contributes to livelihoods of rural people</li> <li>• Supports sustainable development goals</li> <li>• High-growth, jobs-rich, innovative biotrade sector compliant with national ABS regulations</li> </ul>
5	Compliance with national and international legislation	
<p>Also covers the following BioTrade Principles:</p> <ul style="list-style-type: none"> <li>• Respect for the rights of actors involved in BioTrade activities</li> <li>• Clarity about land tenure, use and access to natural resources &amp; knowledge</li> </ul>		

Table 1: Alignment of Biotrade principles with the ABioSA project objectives



Section 2 addresses the Project Data Verification of the information included in the application process. Section 2 of the Grantees' Baseline Survey (Project Data Verification) questionnaire has requested information relating to the Grantees' compliance with statutory and administrative requirements; the calculations of the in-kind contributions of the co-funding; the costing for purchase equipment and/or machinery; the growth projections of how the planned up-scaling of the current business operations have been planned; and the succession plan for the business. Section 2 of the Trained SMEs' Baseline Survey (Project Data Verification) questionnaire also requested copies of the current personnel list of permanent, temporary and seasonal workers; a description of the current products ready for market and the in-process products and its proposed markets; a timeline for when these products will be market-ready; and the challenges currently preventing the products from progressing further; and an overview on the planning processes of the growth projections to an increase in jobs and turnover.

### 3.3. SURVEY IMPLEMENTATION

The survey was implemented through initial telephone and/or Skype contact with the Grantees and the Trained SMEs in order to explain the purpose of the Baseline Survey. Following the telephonic contact, the questionnaire was distributed to the Grantees and the Trained SMEs by email. Follow-up contact support was made weekly after the questionnaire was distributed by email. Such contact was made in the manner preferred to the Grantees and the Trained SMEs, which included telephone, Skype, Whatsapp, sms and email.

On receiving the completed questionnaires, the information was checked for gaps and the Grantees and the Trained SMEs were thanked for their participation.

## 4. BASELINE SURVEY RESULTS

The purpose of the baseline survey was to obtain reliable and relevant data prior to the support provided by the ABioSA initiative. This information will be used to track the growth and development of the 10 Grantees and the 22 Trained SMEs, in terms of ABioSAs outcome and indicators. The overall response rate for the Grantees was 90% (inclusive of the laboratory) and 73% for the Trained SMEs. The detailed sets of data generated by the survey have been captured on spreadsheets and can be viewed in support of this Baseline Assessment Report.

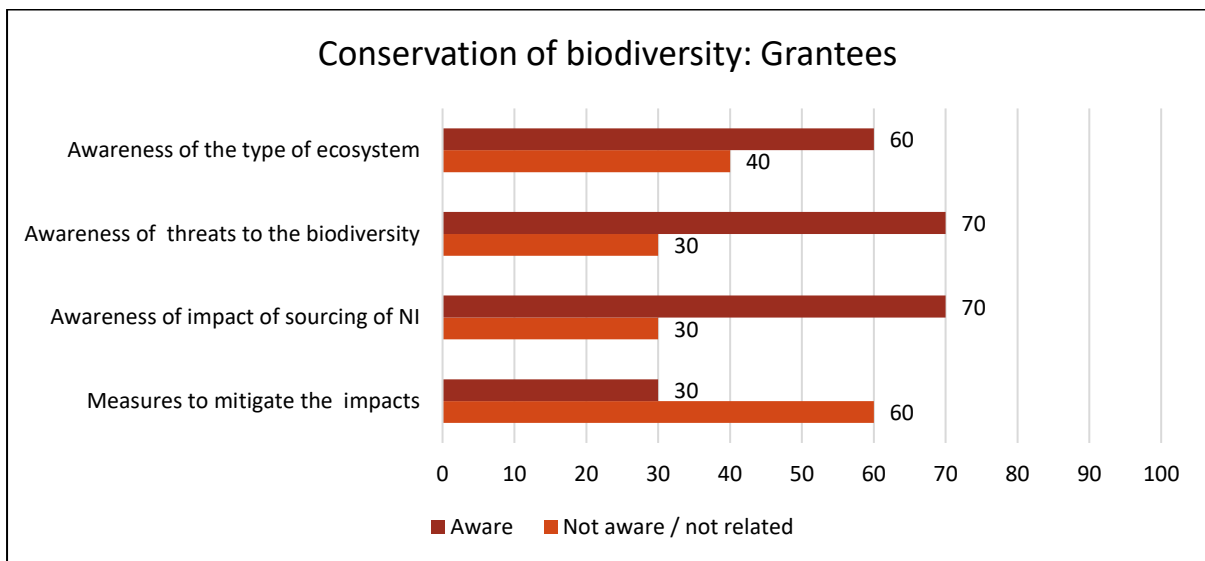
### 4.1. CONSERVATION OF BIODIVERSITY

This cluster focuses on the type of ecosystem in which the sourcing and collecting of natural ingredients are taking place; the impacts and/or type of threats to the conservation of biodiversity as a result of biotrade activities; and the measures undertaken to avoid or mitigate the identified impacts.

#### 4.1.1. GRANTEES

In Graph 1, 40% of the respondents are aware of the type of ecosystem where the sourcing and collecting of natural ingredients take place; while half of the grantees are not involved with it as they procure the natural ingredients from a third party. More than half (60%) of the respondents are aware of the type threats to the conservation of biodiversity in the ecosystems from where their natural ingredients originated, and of the possible impacts of the sourcing of

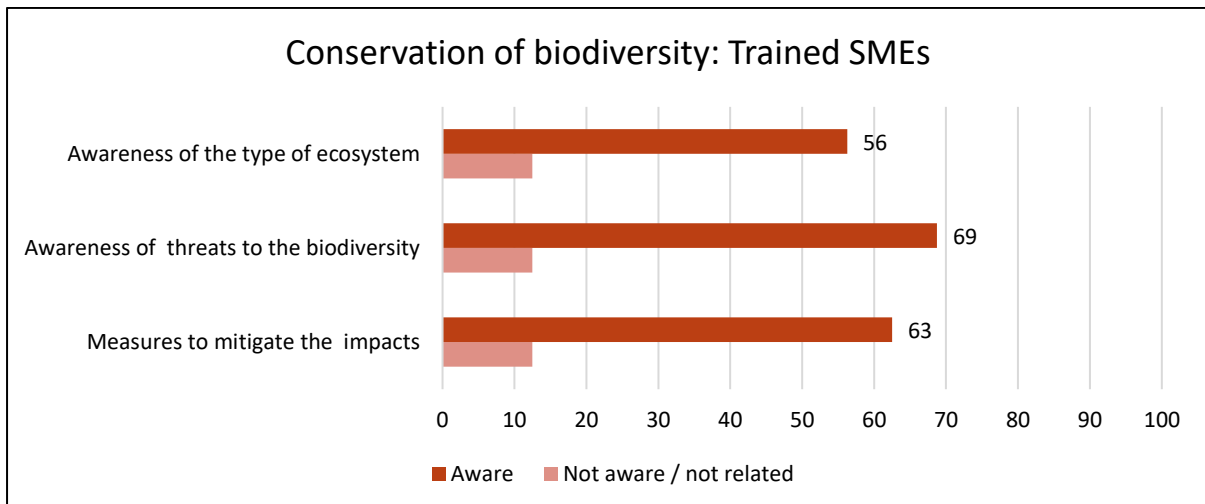
natural ingredients on the biodiversity in sourcing areas. Also, 70% of the respondents are not aware of any measures in place to avoid or mitigate the identified impacts.



Graph 1: Conservation of biodiversity: Grantees

#### 4.1.2. TRAINED SMES

In Graph 2, 56% of the respondents have been aware of the type of ecosystem where the sourcing and collecting of natural ingredients take place. Nearly 70% knew about the type threats to the conservation of biodiversity in these ecosystems; 63% of the respondents had knowledge of the possible impacts of the sourcing of natural ingredients on the biodiversity in sourcing areas.



Graph 2: Conservation of biodiversity: Trained SMEs

#### 4.2. SUSTAINABLE USE OF BIODIVERSITY

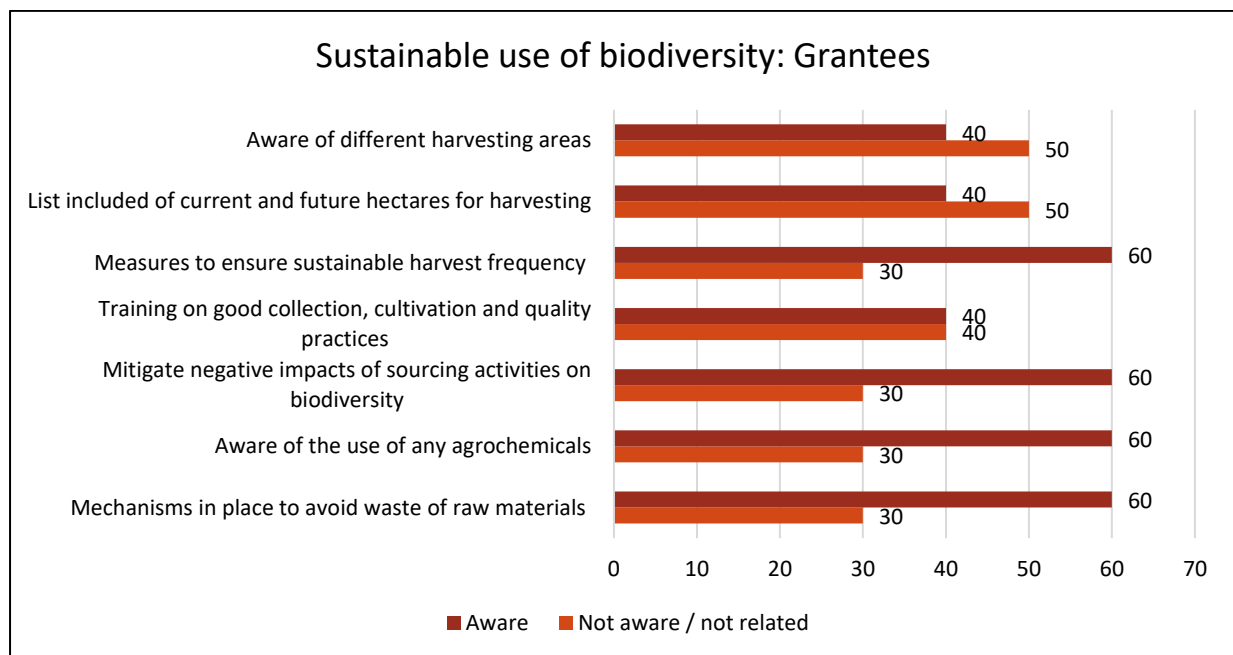
This cluster focuses on the different collection/harvesting and/or cultivation areas for each type of the natural ingredients; and the sustainable practices of and training initiatives for the

collectors and/or harvesters and/or producers. It also refers to the maintaining the quality of air, water and soil; and mechanisms in place to avoid and minimize the waste of raw materials.

#### 4.2.1. GRANTEES

In Graph 3, half of the respondents indicated that they are aware of the geographical areas where the natural ingredients are being harvested or collected or cultivated; and provided a list of the current and future hectares under cultivation or sourced for each of natural ingredients used. More than half (60%) of the respondents are unaware or not involved of any measures in place to ensure that the harvest frequency is sustainable in the long-term; and about half of the respondents are involved with training schemes for employees, suppliers and collectors aimed at the implementation of good collection, cultivation and quality assurance practices.

60% of the respondents are aware of the use (or absence of use) of any agrochemicals. More than half are aware of measures in place to prevent or mitigate any negative impacts of sourcing activities on water resources and soil quality and air quality and to avoid and minimize the waste of raw materials.

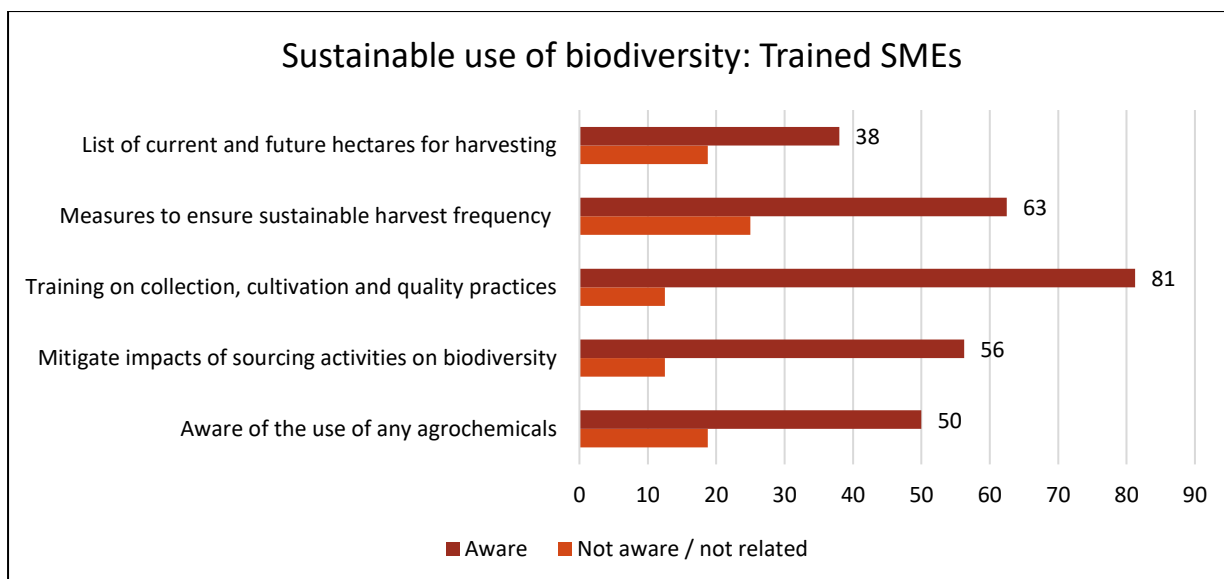


Graph 3: Sustainable use of biodiversity: Grantees

#### 4.2.2. TRAINED SMES

In Graph 4, less than 40% of the respondents have included the current and future hectares available for collection or harvesting or under cultivation for each type of the natural ingredients they utilise; and half of the respondents had measures in place to ensure that the harvest frequency is sustainable in the long-term.

44% of the respondents included the different training schemes for employees, suppliers and collectors aimed at the implementation of good collection, cultivation and quality assurance practices. Half of the respondents had insight into the use of any agrochemicals; and 56% have taken steps to prevent or mitigate any negative impacts of sourcing activities on water resources and soil quality and air quality.



Graph 4: Sustainable use of biodiversity: Trained SMEs

#### 4.3. FAIR AND EQUITABLE SHARING OF BENEFITS DERIVED FROM THE USE OF BIODIVERSITY

This cluster responds to the fair and equitable sharing of benefits arising from the use of genetic resources as based on prior informed consent and mutually agreed terms, which is a fundamental facet of the conservation and sustainable use of biodiversity under the Convention on Biological Diversity. It further includes steps taken to preserve and restore the traditional practices linked to the sourcing of species and ingredients that promote conservation and sustainable use of biodiversity.

##### 4.3.1. GRANTEES

In Graph 5, 40% of the respondents had measures in place to ensure that price and access and benefit sharing related negotiations include communities' circumstances and practices' awareness; or had an awareness of the traditional practices linked to the sourcing of species and natural ingredients. Similarly, less than half of the respondents had taken action to preserve and restore the traditional practices linked to the sourcing of species and ingredients that promote conservation and sustainable use of biodiversity.

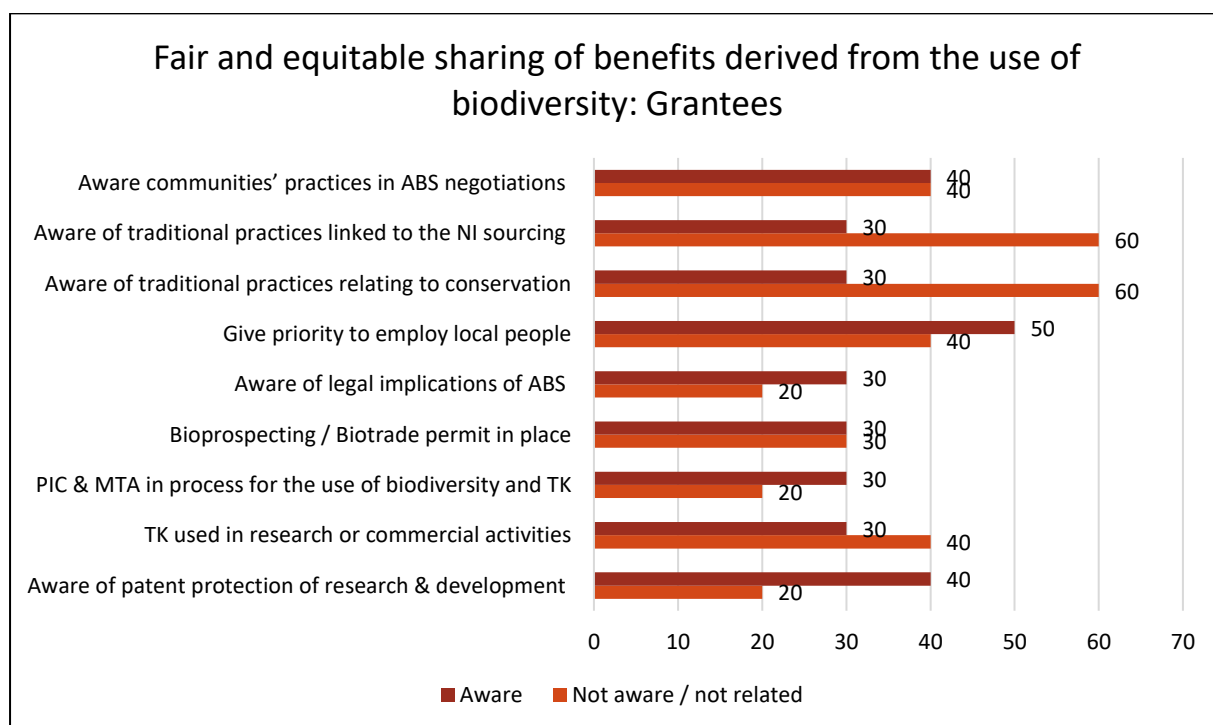
30% of the respondents indicated that they make use of traditional knowledge in their research and/or commercial activities; and are aware of the access and benefit sharing regulations and its possible legal implications for its activities. Also, 30% are in the process of obtaining or had already obtained bioprospecting permits for research and development purposes; and 30% are in the process of obtaining or had already obtained biotrade permits (or combined permits) for commercial purposes. Similarly, 30% of the respondents have obtained or are in the process of obtaining Prior Informed Consent (PIC) agreements and/or Material Transfer Agreements (MTA) and/or Benefit Sharing Agreement (BSA) with the natural ingredients' access provider or with the traditional knowledge holder.

40% of the respondents has some kind of awareness with regards to the use of patent protection of research & development on biodiversity and associated traditional knowledge.

Half of the respondents gave priority to employing local people in the sourcing areas; and 20% had capacity building initiatives in place with collectors/harvesters/producers and their local communities.

The Grantees follow a combination of practices in the procurement of raw materials, including third-party sourcing; cultivation on own land; purchasing from cooperatives and IPLCs; and own harvesting. 40% of the Grantees are not directly involved with the harvesting as they purchase their raw materials from a third-party supplier. For the remaining 60% of the Grantees, half of them procure of their raw material from cooperatives and/or Indigenous People and Local Communities (IPLCs); and the other half employs a combination of harvesting on own cultivated land; or making use of contracting harvesters.

60% of the Grantees currently have new products which are ready for commercialisation and to be exported. These Grantees require financial support with either the access and benefit sharing permits, or market-specific certification (see Table 9: Grantees: Grant funding utilisation) as stipulated in their grant funding applications.



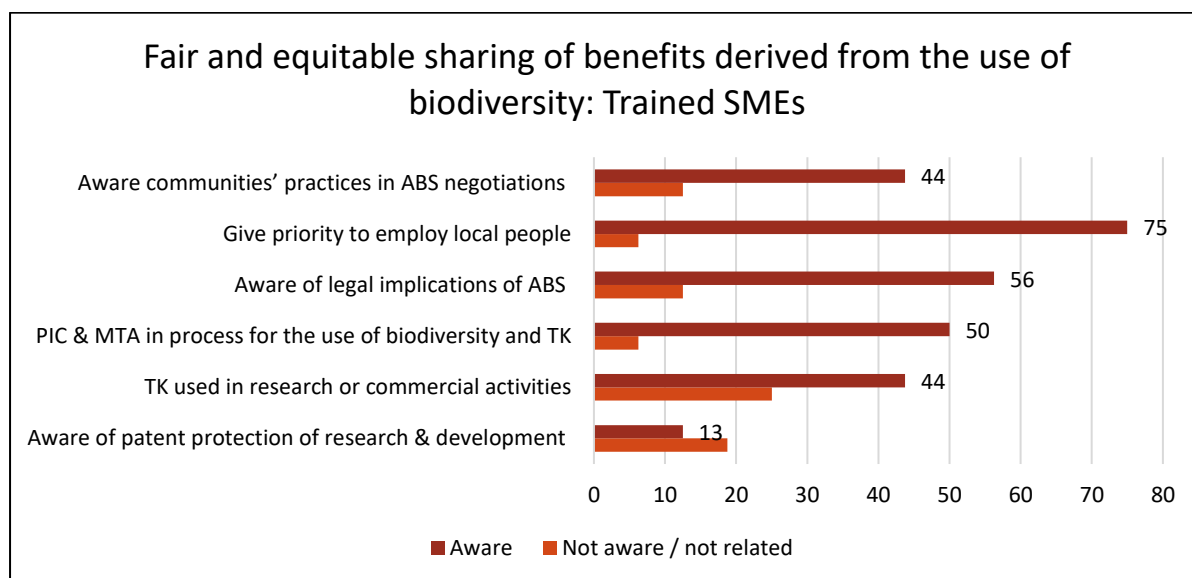
Graph 5: Fair and equitable sharing of benefits derived from the use of biodiversity: Grantees

#### 4.3.2. TRAINED SMES

In Graph 6, 44% of the respondents had measures in place to ensure that price and ABS negotiations include the communities' circumstances and had an awareness of the unique practices of the communities. 75% of the respondents have given priority to employing local people in the sourcing areas.

56% of the respondents have been aware of the access and benefit sharing and the possible legal implications for its activities; and 50% have Prior Informed Consent and/or Material Transfer Agreements in process for the use of the biodiversity and associated traditional knowledge. Less than half of the respondents make use of traditional knowledge is used in

research and/or commercial activities; and less than 20% have taken steps relating to patent protection on R&D based on biodiversity and associated traditional knowledge.



Graph 6: Fair and equitable sharing of benefits derived from the use of biodiversity: Trained SMEs

#### 4.4. PRODUCTIVE, FINANCIAL, MARKET & SOCIO-ECONOMIC SUSTAINABILITY

The cluster takes into account that to ensure sustainability, the biotrade products should have a market potential that is related to the existence of specific markets for those products and services. Also, the market creation needs to consider the specific needs that the target market might have for the product or service in terms of trade information, strategic partnerships and advertising. This cluster further recognises the necessity of obtaining long-term financial sustainability; and to have the ability to generate meaningful employment and contribute to the improvement of the standard of living for local communities providing the natural resources. To achieve such sustainability, these aspects have to be promoted throughout the supply chain by providing improvement support to suppliers and related communities, in order to enhance their commercial practices.

##### 4.4.1. GRANTEES

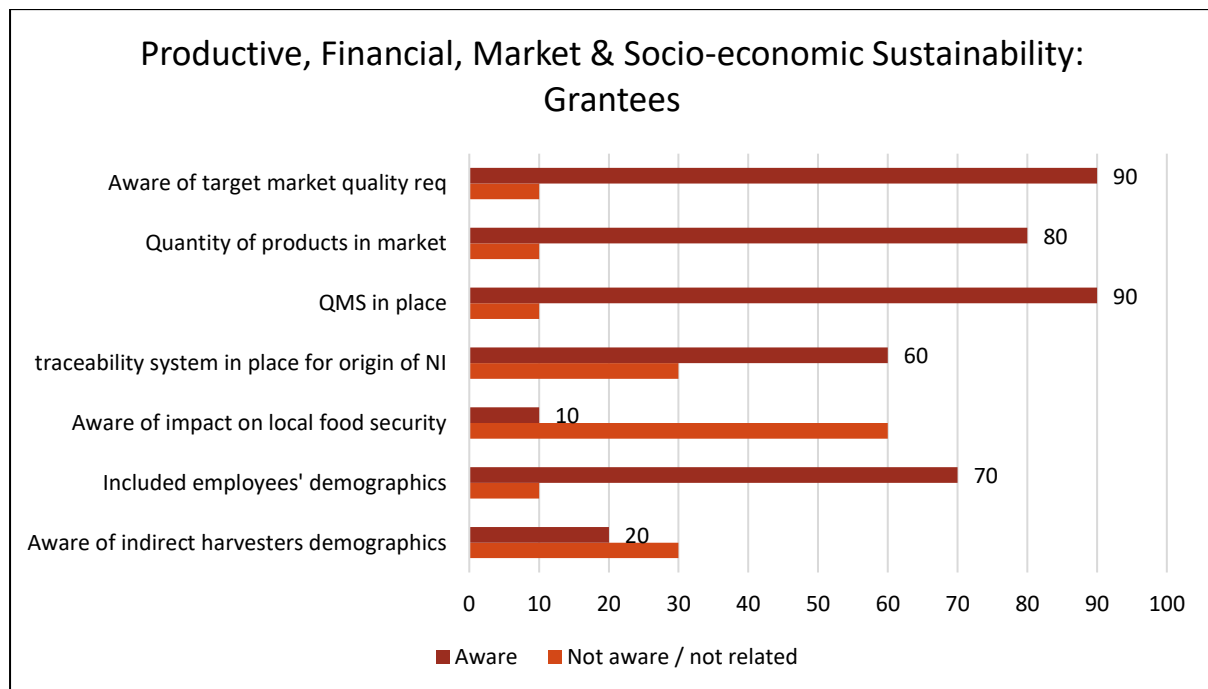
In Graph 7, 90% of the respondents are familiar with the quality requirements of their target markets; and 25% have listed their current and future products available on the domestic and international markets. Nearly all the respondents have a fully functioning quality management system in place and 50% have taken actions to improve the quality of their sourced natural ingredients.

Most of the Grantees do have educational programmes in place to train and develop their employees in various aspects of continuous quality improvement, harvesting techniques, good manufacturing practice, business skills, and financial matters.

60% of the respondents had a traceability system in place to identify the origin of the natural ingredients. Only a few had some awareness regarding the impact on local food security caused by sourcing and collecting activities. 70% of the respondents included information relating to the gender, age brackets and race of employees; and 20% indicated that they are

aware of or keep demographic record of how many harvesters and/or wild collectors are involved indirectly.

The Grantees made use of a variety of technologies, methodologies and management approaches; depending on the main focus of their operational structure. These operational structures include the entire spectrum of processing and producing products and services for the biotrade industry which ranges from cultivation, harvesting, to processing and packaging. Each of the Grantees are involved in one or more of the different sectors within the biotrade industry. These sectors include Pharmaceutical products, Nutraceutical products, Cosmetics, Beverage & natural botanical industries, Indigenous oil analysis, Raw material, Dried herbs, Oils, Body care and Baby care (see Table 5: Grantees: Product types per sector).



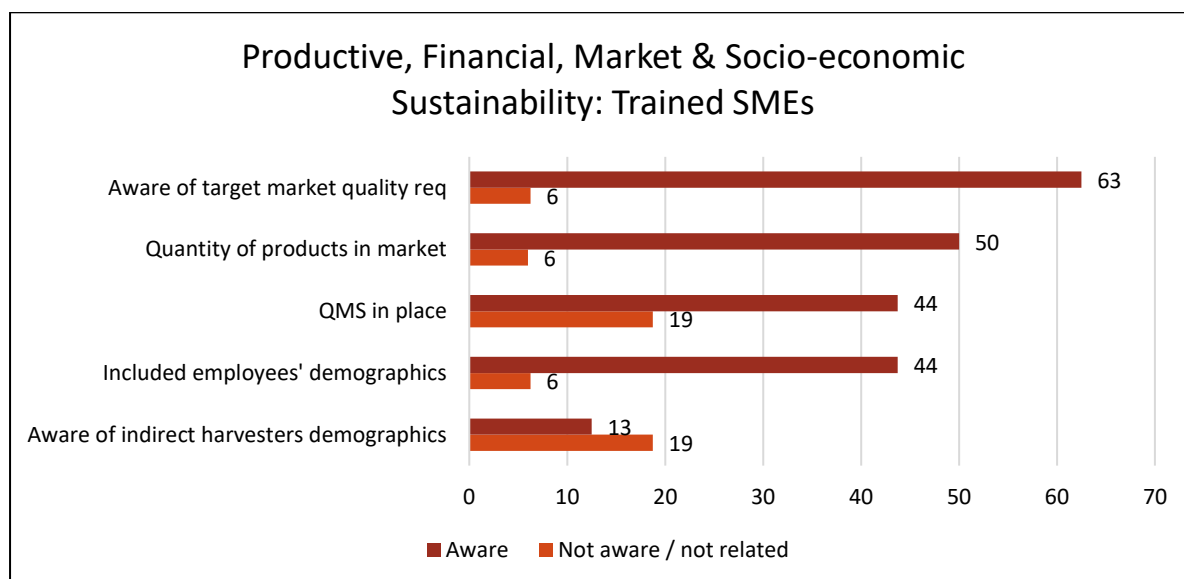
Graph 7: Productive, Financial, Market & Socio-economic Sustainability: Grantees

#### 4.4.2. TRAINED SMES

In Graph 8, 63% of the respondents are aware of the needs and quality requirements of their target markets; and 44% have a functioning Quality Management System in place. 50% of the respondents have been able to verify the quantity of products they currently have in local and international market; and 44% included a forecast on the quantity of products to be expected in local and international market. Less than half of the respondents have included the demographics of their companies' employees; and 13% are aware of the indirect harvesters or collectors involved in the supply chain of their companies. Some of the Trained SMEs do have training & development initiatives in for their employees in various aspects of continuous quality improvement, the preferred cultivation and harvesting techniques, good manufacturing practice, and conservation.

The Trained SMEs made use of a variety of technologies, methodologies and management approaches; depending on the main focus of their operational structure. Most of the Trained SMEs are involved in the harvesting plants / fruits / nuts to either process self/sell; the processing of plants / fruits / nuts into ingredients for the nutraceutical industry (incl. essential oils); and the formulation of personal care products with natural ingredients. Only a few of the

Trained SMEs are involved in the processing plants / fruits / nuts into ingredients for the traditional medicines industry (incl. essential oils); the formulation of food products with natural ingredients; and the producing of food products with natural ingredients even if outsourcing manufacturing (see Table 11: Trained SMEs: Production categories).



Graph 8: Productive, Financial, Market & Socio-economic Sustainability: Trained SMEs

#### 4.5. COMPLIANCE WITH NATIONAL AND INTERNATIONAL LEGISLATION

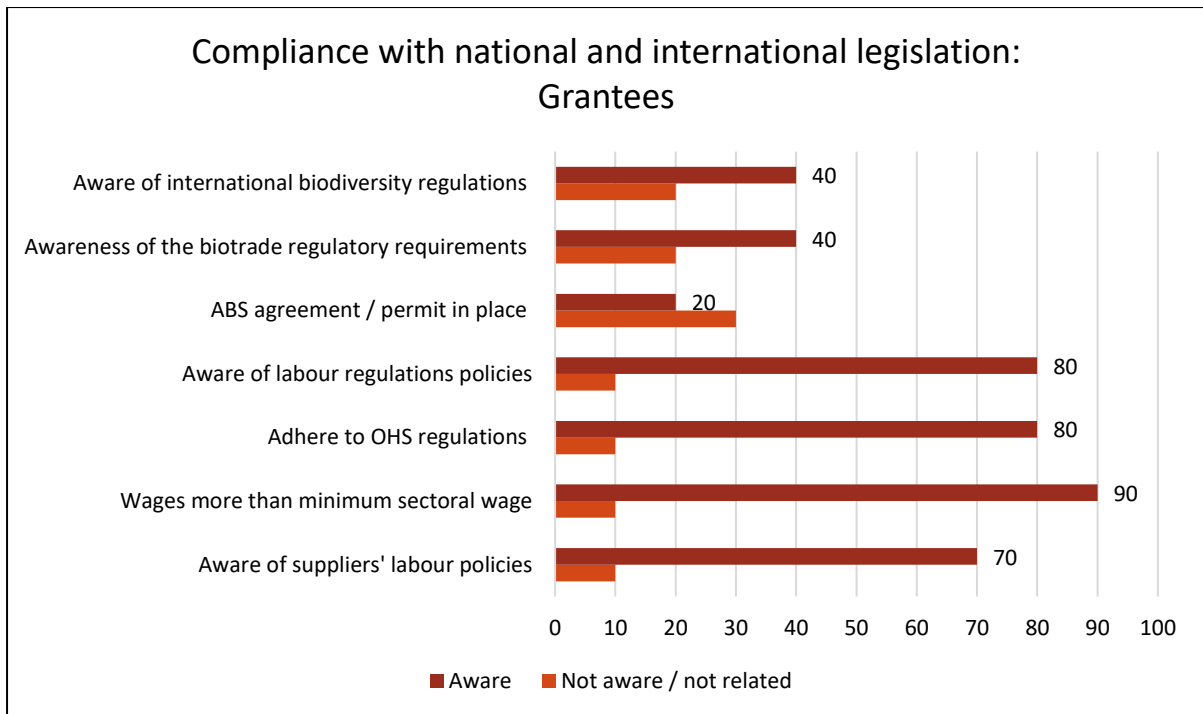
This cluster focuses on the compliancy of the Grantees with relevant international and domestic legislation and regulations in order to obtain market access for its products. This includes the labour legislation applicable, to each country; the Convention on Biological Diversity; the Convention on International Trade in Endangered Species of Wild Fauna and Flora; the conventions of the International Labour Organization; the rules of the World Trade Organization, and other regulations. Furthermore, the generating of social capital is one of the pillars of sustainable development; and includes the understanding that human rights are fundamental to the work of all those involved in the sustainable trade of biodiversity products. As important is the recognition of intellectual property rights and the value of traditional knowledge associated with the genetic resources utilised in the innovation processes.

##### 4.5.1. GRANTEES

In Graph 9, 40% of the respondents are aware of the international agreements related to biodiversity, particularly the CBD, the Nagoya Protocol and CITES and of the regulatory requirements related to the use and trade of natural ingredients; and 20% requested support.

The majority of the respondents are familiar with the labour regulations policies; adhere to the Occupational Safety and Health regulations and pay more in wages than the minimum sectoral wage. 70% of the respondents are aware of how their suppliers adhere to the labour regulations or have copies of the labour regulation policies of their suppliers.

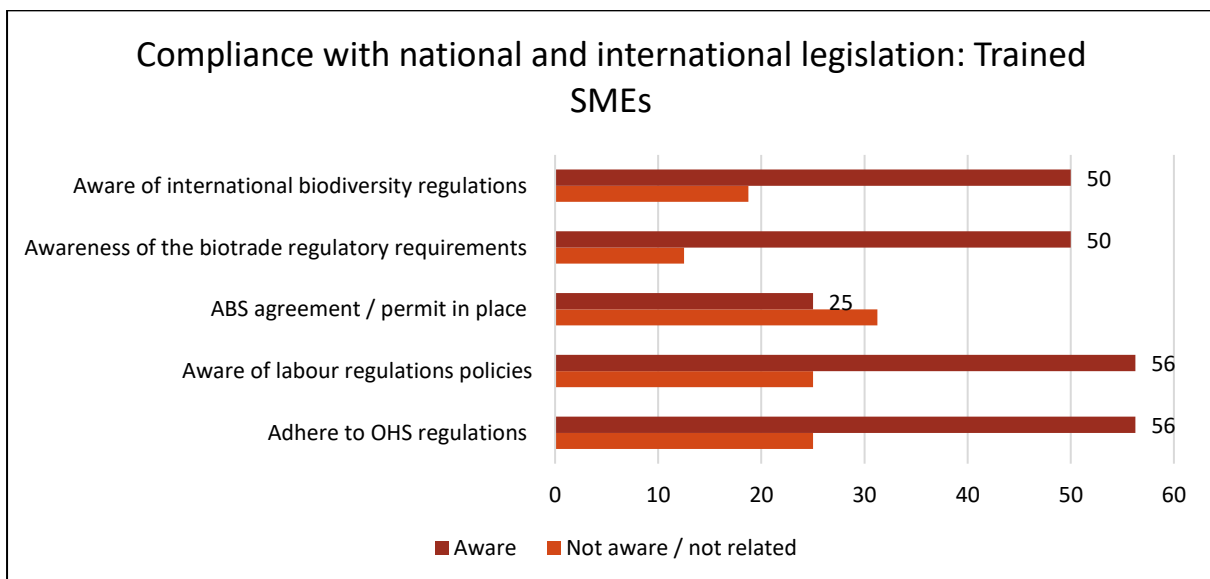




Graph 9: Compliance with national and international legislation: Grantees

#### 4.5.2. TRAINED SMES

In Table 11, 50% of the respondents have been aware of the international agreements related to biodiversity, particularly the CBD, the Nagoya Protocol and CITES; as well as of the regulatory requirements related to the use and trade of natural ingredients. 25% of the respondents have had the relevant ABS agreement(s) and/or permit(s) in place or are in process for each natural ingredient. 56% of the respondents are aware of labour regulations policies and have Occupational Safety and Health regulations in place.



Graph 10: Compliance with national and international legislation: Trained SMEs

## 4.6. GRANT & CAPACITY BUILDING SPECIFIC INFORMATION

### In-kind contributions

This section focuses on the verification of the information submitted by the Grantee in the funding application. More specifically, the Grantee had to submit the in-kind contributions calculations for staff time; office and communication costs; and equipment or services as specified in the funding application; as well as a copy of the quotation to purchase equipment and/or machinery if that was the case.

### Growth projections

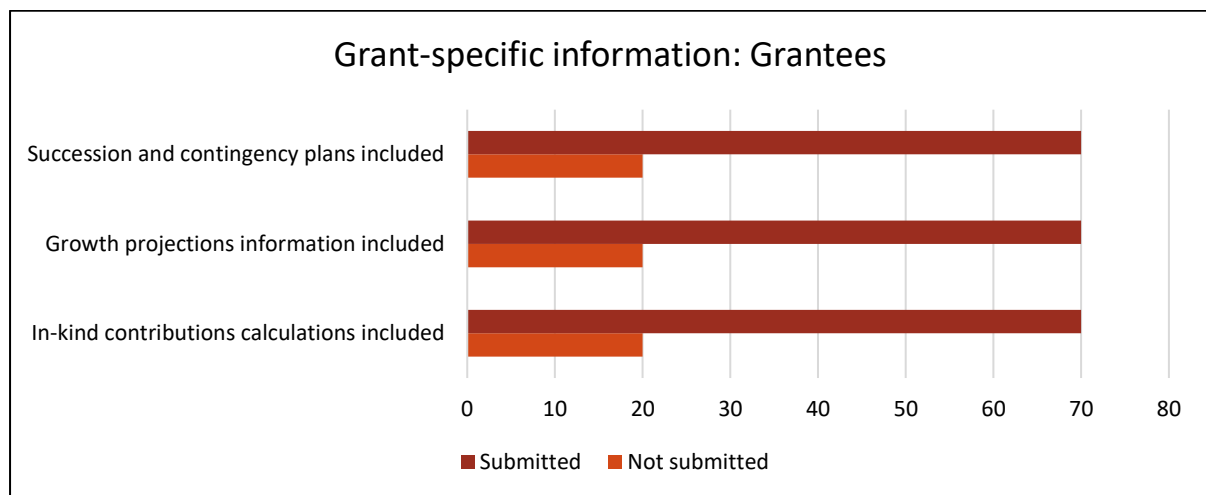
The Grantees indicated in the funding application the prospective growth projections as a result of the grant funding. To verify this information, the Grantees were requested to include the calculations used. Also, they were requested to include how the planned up-scaling of the current business operations have been planned, in order to achieve sustainability beyond the funding project's lifetime.

### Succession & contingency plans

This section focuses on the succession and contingency plans in place to ensure the sustainability of the project and the business in the event of key personnel resigning or becoming indisposed in such a way that will threaten the continuation of the planned performance delivery.

#### 4.6.1. GRANTEES

In Graph 11, 70% of the respondents submitted the in-kind contributions' calculations; the growth projections information of the planned up-scaling; and the succession and contingency plans to ensure the sustainability of the project.

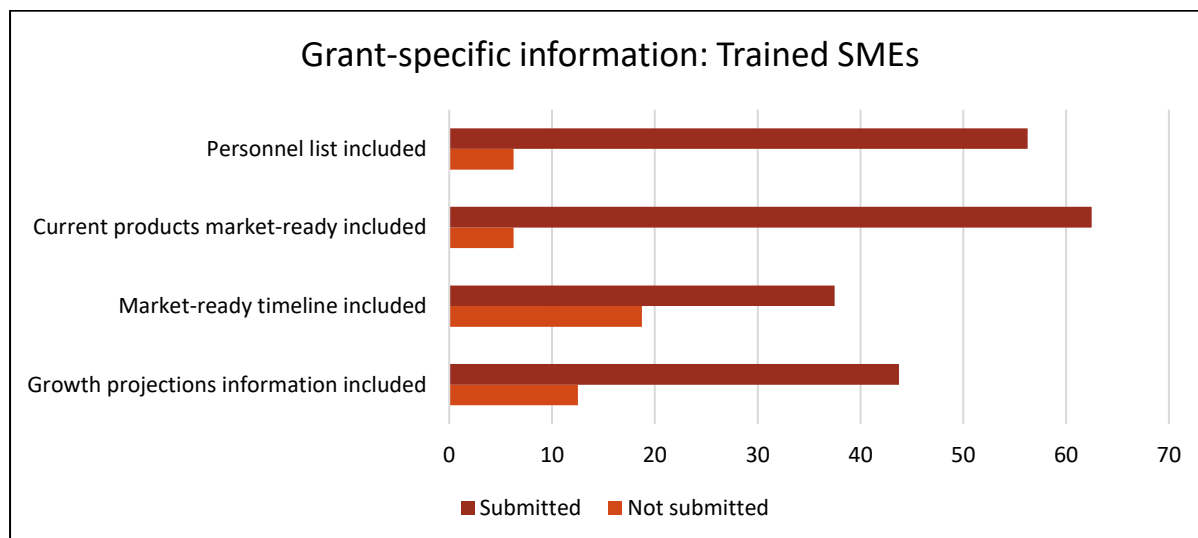


Graph 11: Grant-specific information: Grantees

#### 4.6.2. TRAINED SMES

In Graph 12, 56% of the respondents have included a personnel list of permanent, temporary and seasonal workers; and 63% provided a description of their current products that are ready for the market. Less than half of the respondents have included an overview of their future products and the market-ready timeline for the introduction of these products, as well as the

current challenges faced; and 44% of the respondents have included the growth projection on how the increase in jobs and turnover will most likely materialise.



Graph 12: Grant-specific information: Trained SMEs

## 5. LIMITATIONS

One limitation of the findings of the baseline survey and project data verification is the slow response rate. Quite a few of the respondents (both Grantees and Trained SMEs) expressed their concern that they have to provide the same information again, as the data submitted in the application has been verified by the previous office towards the end of 2018. Also, quite a few respondents were concerned about the time lapse between the beginning of the project and the baseline survey.

Some of the Trained SMEs' contact details have changed since December 2018, resulting in these Trained SMEs not being included in the baseline survey.

These methodological limitations may have constrained the ability to fully obtain a true baseline assessment, as some of the Grantees and Trained SMEs have made progress in terms of improving their skills set after submitting the application, but before the baseline assessment was done. Ideally, the baseline assessment needs to be conducted prior to any kind of intervention taking place.

## 6. BASELINE SURVEY DISCUSSIONS AND RECOMMENDATIONS

The purpose of the baseline survey was to obtain reliable and relevant data prior to the support provided by the ABioSA initiative. This information will be used to track the growth and development of the 10 Grantees and the 22 Trained SMEs, in terms of ABioSAs outcome and indicators. It is therefore recommended that the Mid-term Evaluation considers the same clusters as utilised during the Baseline Assessment, in order to measure growth and development.

## 6.1. CONSERVATION OF BIODIVERSITY

This cluster focuses on the type of ecosystem in which the sourcing and collecting of natural ingredients are taking place; the impacts and/or type of threats to the conservation of biodiversity as a result of biotrade activities; and the measures undertaken to avoid or mitigate the identified impacts.

The majority of the Grantees and Trained SMEs indicated that they have not been directly involved with the sourcing and collecting of natural ingredients, as they procure the raw materials from a third-party supplier. The Grantees and Trained SMEs interviewed noted that they mostly make use of organically certified suppliers.

Quite a number of the Grantees and Trained SMEs also cultivate some or all of their own natural ingredients for use in their onsite production facilities; or sell the produce to producers and other suppliers downstream. These companies indicated that they follow strict Good Agricultural and Collecting Practices (GACP), Hazard analysis and critical control points (HACCP) and other organically certification and quality regulations as prescribed by their buyers and/or consumers.

Some of the Grantees (and Trained SMEs are involved with the sourcing and collecting of natural ingredients and have taken active steps to mitigate threats and prevent damages. These measures include working closely with the communities who conduct the harvesting, by providing ongoing guidance on prevention of overharvesting; training on good practices; and environmental awareness meetings of communities. Other measures include the implementation of harvesting schedules and harvest quotas for the different natural ingredients and areas.

### RECOMMENDATIONS

By creating a shared responsibility as part of strengthening the natural ingredients value chain will greatly contribute towards facilitating good practices related to the sustainable use and conservation of biodiversity. This can be accomplished when every actor in the value chain shares the conservation of biodiversity responsibility with their suppliers one up and one down in the value chain. Such a reminder of good practices can go a long way in promoting the equitable sharing of environmental, social and economic benefits among value-chain actors.

The shared responsibility approach needs to include the following aspects:

- The natural environment utilised by the companies and its suppliers need to create a consciousness towards ecosystem to prevent species and its genetic variability from becoming threatened as a result of commercial exploitation.
- A mindfulness needs to be developed towards having a shared responsibility of maintaining the quality of air, water sources and soil in the areas and its surroundings where the natural ingredients are being sourced from.

It is further recommended that an improvement in the awareness of the possible impacts and/or type of threats to the conservation of biodiversity as a result of biotrade activities be achieved during the Mid-term Evaluation of approximately 10% of both the Grantees and Trained SMEs; and a further 15% at the Close-out Evaluation. The same improvement logic applies towards an increase in awareness and the measures undertaken to avoid or mitigate the identified impacts.

## 6.2. SUSTAINABLE USE OF BIODIVERSITY

This cluster focuses on the different collection/harvesting and/or cultivation areas for each type of the natural ingredients; and the sustainable practices of and training initiatives for the collectors and/or harvesters and/or producers. It also refers to the maintaining the quality of air, water and soil; and mechanisms in place to avoid and minimize the waste of raw materials.

The Grantees and Trained SMEs involved directly with the sourcing and collecting of natural ingredients have provided continuous training relating to sustainable harvesting practices; and extensive training programmes to their employees and seasonal collectors and/or harvesters on the criteria of organic certification, sustainable harvesting practices, hygiene and food safety handling, and quality management.

The companies of the Grantees and Trained SMEs employ innovative ways to reduce the waste produced from raw materials by turning it into compost to be used as organic fertiliser, or by using waste in secondary production processes. Those who do their own cultivation or have received organic certification for their cultivation and/or production processes, are all aware of making use of the approved agrochemicals which will prevent damage to the air, water and soil. The companies of the Grantees and Trained SMEs who procure their raw materials and/or oils from third-party suppliers seem to be unsure about any mitigating or prevention measures implemented by the suppliers, or of the monitoring of the sustainable use of biological resources during the harvesting and collecting activities carried out by third-party suppliers.

### RECOMMENDATIONS

An integrated ecosystem management approach across the value chain needs to be implemented which defines the necessary activities needed to ensure the sustainable use of biological resources and facilitating the monitoring of activities carried out and their impact. This includes measures that contribute positively and proactively to biodiversity conservation in sourcing areas. Such an approach needs to include all suppliers and processors of natural ingredients, irrespective of the operational function of these value chain actors.

It is further recommended that a body of knowledge relating to biotrade and biodiversity be developed and housed with the different industry associations. This body of knowledge needs to include information and documented best practices which can be used during regular training sessions with employees and seasonal collectors and/or harvesters on the criteria of organic certification, sustainable harvesting practices, hygiene and food safety handling, and quality management.

Such transfer of knowledge of best practise systems and tools can provide an opportunity for the producer to support the continuous quality improvement processes of its suppliers; and to address sourcing risks and improve the economic viability of companies and their products, so that the companies of the Grantees and Trained SMEs and their supply chains are sustainable in socioeconomic terms.

### 6.3. FAIR AND EQUITABLE SHARING OF BENEFITS DERIVED FROM THE USE OF BIODIVERSITY

This cluster responds to the fair and equitable sharing of benefits arising from the use of genetic resources as based on prior informed consent and mutually agreed terms, which is a fundamental facet of the conservation and sustainable use of biodiversity under the Convention on Biological Diversity. It further includes steps taken to preserve and restore the traditional practices linked to the sourcing of species and ingredients that promote conservation and sustainable use of biodiversity.

The Grantees and Trained SMEs based in South Africa seem to have an overall awareness of the ABS legislation and the permit regulations, yet there are quite a lot of uncertainty relating to the types of permits and the specific legal implications. The companies seem to be unsure regarding the requirements for each type of permit relating to collection, trade, processing, research, export and development of inputs, ingredients, products using South African biodiversity. Secondly, the companies find it rather challenging to obtain sufficient information relating to the specific requirements of the biotrade, bioprospecting, and integrated permits; as well as the correct contact details of government officials dealing with enquiries relating to these permits. Thirdly, the companies seem to experience great challenges in obtaining sufficient information on when it is necessary to obtain prior informed consent and/or material transfer agreements; and where to find information. Furthermore, a frequent query raised was relating to ABS-related permits when cultivating natural ingredients associated with traditional knowledge on the producer's own land. So far, only a few companies have managed to obtain the necessary agreements and permits.

For the negotiations relating to sourcing of natural ingredients and of pricing aspects, some Grantees make use of independent Non-governmental organisation (NGO) partners and Bio Innovation Zimbabwe to negotiate prices for the harvested products; and to provide the farmer groups with business management training on pricing structures. While other Grantees make use of the Department of Economic Development, Environment and Tourism Limpopo (LEDET) to engage with the communities and it seems that such practices can be recommended to other producers as well.

Some Grantees and Trained SMEs have measures in place to preserve and restore the traditional practices linked to the sourcing of species and ingredients that promote conservation and sustainable use of biodiversity. For some Grantees engage with local leadership before any harvesting is done in the example specific area. During these engagements, traditions and beliefs around collection, harvesting and utilisation of specific products are communicated to them. Through this practice, the Grantees ensures that such practices are respected throughout their relationship with the community. Also, only a few of the Grantees and Trained SMEs makes use of information on traditional practices linked to the sourcing of species and natural ingredients; or of traditional knowledge associated with the use of the species and natural ingredients.

There is a general awareness of the issues surrounding the use of patent protection and research & development on biodiversity and associated traditional knowledge, but the Grantees and Trained SMEs requested more information regarding the possible legal implications for its activities after the ABS agreements have been put in place.

As most of the Grantees and Trained SMEs' companies obtained organic certification in some way, they all have a functioning quality management system in place. Some have been

involved in capacity building initiatives for the collectors or harvesters or producers and their local communities in terms of natural resource management; setting up seedling nurseries; supporting schools with plants; and providing technical and commercial skills. These companies have indicated that they give priority to employing local people in the sourcing areas where harvesting takes place, as well as those companies focusing on production only.

## RECOMMENDATIONS

As discussed in 6.1, the concept of creating a shared responsibility as part of strengthening the natural ingredients value chain will further contribute towards creating an industry platform conducive to discussions on access and benefit sharing agreements; and to discussions on traditional knowledge associated with the use of the species and natural ingredients during bioprospecting and commercialisation initiatives. Furthermore, such access to information needs to circle out to the seasonal contractors and harvesters in pursuance of bringing the industry closer together and to create a better-informed value chain of actors, suppliers and stakeholders.

The initiative of involving an independent partner or industry body to conduct the negotiations with the relevant communities relating to pricing; material transfer agreements; the use of traditional knowledge; and access and benefit sharing agreements, needs to be further explored. Such a practice can relieve the producers and other commercial stakeholders from the negotiations processes in furtherance of focusing on production.

With reference to Graphs and 10, it is recommended that the current status of compliancy with both the Grantees be improved with 20% by the Mid-term Evaluation; and with 30% by the Close-out Evaluation. The current situation is rather troublesome as the majority of these companies seem to be trading in breach of the bioprospecting legislation. The status quo can only be amended through a concerted dedicated effort from the respective government departments and with the support of the ABioSA office.

Lastly, it will be of a great advantage to the bioprospecting and biotrade industry if a help desk can be established to assist the Grantees and Trained SMEs with their queries relating to all aspects of bioprospecting and biotrade permits. Ideally such a help desk needs to be established at an industry representing body or association who can tap into the industry-wide discussions on access and benefit sharing agreements and related matters. It is important that a well-informed and dedicated contact person manage this help desk, especially to reduce the current levels of confusion and to ensure that the correct advice and message are carried over.

## 6.4. PRODUCTIVE, FINANCIAL, MARKET & SOCIO-ECONOMIC SUSTAINABILITY

The cluster takes into account the achievement of sustainability through the connection between the biotrade product offerings, the market potential and needs of the target market, and the existence of specific markets for these products and services – in order to generate meaningful employment and contribute to the improvement of the standard of living for local communities providing the natural resources.

The Grantees' companies have a high level of awareness of how to position their products and service offerings in the market in a competitive way. All the Grantees have already been

exposed to market competition and is well equipped with the necessary trade tools, market information, strategic partnerships and advertising to sell their current product line. They all indicated that they are well aware of the quality requirements of the different target markets; and some will make use of the grant funding to improve their current quality status by obtaining further certification and product efficacy testing. These companies all seem to have high potential for long-term financial sustainability.

Quite a few of the Trained SMEs' companies are in a need to obtain support with proper market identification and marketing strategies. Some of these companies do have a product line ready for the domestic and/or international markets, but need market access support. Most of the Trained SMEs' companies are in need of support to improve their quality management systems so that it can be in compliance to their different target markets' requirements. With the appropriate support, these companies should be able to reach financial sustainability in future.

An area of concern is the absence of traceability systems at most of the Grantees' companies and nearly all the companies of the Trained SMEs. A few companies do have plans in place to improve the quality of the sourced natural ingredients, as well as functioning traceability system in place for identifying the origin of the natural ingredients. One of the grantees uses a labelling system on the harvesters' bags to ensure that batches are kept separately and that bags from the same areas collected at similar times are bulked to consist of batches.

As quite a few of the companies either cultivate their own raw materials or the procure it from other suppliers, their seem to be a vagueness on the necessity to have adequate information about the geographic origin of the raw materials; or the demographic profile of the indirect harvesters. Such traceability will ideally document the impact of the harvesting on the cultural practices and the environment, local food production and food security aspects. In addition, it is equally important for organizations to these companies to recognise the efforts of the communities that are responsible for or involved in the conservation and sustainable management of the natural resources these companies make use of.

None of the Grantees or the Trained SMEs have found that their harvesting processes had any impact on local food security caused by sourcing and collecting activities, as the natural ingredients are not grown in crop fields. Some noted that the sourcing of raw materials by some of the crop farmers resulted in a positive impact on local food security as these farmers were able to buy more food items in addition to the crops they cultivate.

All the Grantees and most of the Trained SMEs were able to verify their current and future employment profile, as well as their current and forecasted product lines in the domestic and international markets.

## RECOMMENDATIONS

Local development of the communities where the raw material derives from needs to increase as this is one of the focus areas within the access and benefit sharing context. Also, such local development should be seen as a platform from which the improvement of the standard of living for local communities providing the natural resources can be launched. Part of local development is the sharing of knowledge in order to improve the conservation and harvesting practices; and to enhance the commercial practices of the suppliers and harvesters to add as much value as possible to the supply chain.



It is advisable that for all companies taking part in biotrade to develop a traceability system as part of their quality management and risk-management tools. The 'one-step-back-one-step-forward' approach of traceability will provide the companies the ability to identify the origin of all of its different types raw material used in the production processes. Such traceability system also needs to include the conservation and restoration processes in the areas where the harvesting took place, as well as the harvesting techniques and the harvesters involved.

Companies need to become aware of the impact of using sourced raw materials. It is advisable that companies who source raw materials from wild harvesters to be aware of the trade-off that communities need to undertake when participating in wild harvesting. To this background, companies need to know if communities had to give up their daily tasks in securing food or tending to agricultural practices, in order to do wild harvesting; and whether the financial gain from participating in wild harvesting is more rewarding than their other sources of income; or of providing food security for the household (i.e. by tending to agricultural practices).

With reference to Tables 8 and 12, it is recommended that the progress made in terms of productive, financial, market & socio-economic sustainability be measured during the Mid-term Evaluation, with specific reference to the criteria identified by the Grantees for which they required the grant funding. Ideally the grant funding should be allocated to the categories as listed in their applications; and should such investments have resulted in a measurable increase in productive, financial, market & socio-economic sustainability on completion of the ABioSA project.

Lastly, it is recommended that companies have a management system in place to ensure ongoing productivity and income in the event of key personnel leaving the company or become incapacitated. Only a few of the Grantees' companies were able to indicate a succession plan, and it seems that most of the production and key management responsibilities are centred on one person. For this reason, it is necessary for companies to review their succession and contingency plans to ensure ongoing productivity and achieve returns on the financial and other investments.

## 6.5. COMPLIANCE WITH NATIONAL AND INTERNATIONAL LEGISLATION

This cluster focuses on the compliancy of the Grantees with relevant international and domestic legislation and regulations in order to obtain market access for its products. This includes the labour legislation applicable, to each country; as well as legislation governing biotrade and bioprospecting.

Most of the Grantees' companies have a working knowledge of the international agreements related to biodiversity, particularly the CBD, the Nagoya Protocol and CITES. They have policies and procedures in place to ensure adherence to the different labour regulations, including to the Basic Conditions of Employment Act and the Occupational Safety and Health regulations; and pay more than the prescribed minimum sectoral wage. Some indicated that they need guidance with the relevant regulatory requirements related to the use and trade of natural ingredients, especially with relevant the access and benefit sharing agreements and/or permits for the collection and/or harvesting for each type of natural ingredient. Only a few of the Grantees' companies monitor the abovementioned adherence to labour legislation and regulations in its supply chain, including seasonal contractors and their workers.

Some of the Trained SMEs' companies experience a need for support relating to the policies and procedures required in South Africa, as some seem uncertain to when the legislation will

be applicable to them. Also, they've expressed their concern relating to becoming compliant with the bioprospecting legislation, as they have found it difficult to obtain support from governmental structures.

## RECOMMENDATIONS

As suggested in 6.3, a helpdesk as part of an industry representing body or association will be advantageous to the bioprospecting and biotrade industry to assist the Grantees and Trained SMEs with their queries relating to all aspects of bioprospecting and biotrade permits. This helpdesk can become the vehicle to create a shared responsibility as part of strengthening the natural ingredients value chain; and to provide support with legislation compliance and other practices to enhance sustainability.

Furthermore, it is recommended that a code of good practice be established to guide Grantees and Trained SMEs throughout the process of becoming a successful and sustainable participant in the biotrade industry. Such a code of good practice needs to address all aspects relating to the development of a high-growth jobs-rich and innovative biotrade sector that complies with international and domestic ABS regulations; as well as to support sustainable development goals and contributes to the livelihoods of rural people; and to create permanent and seasonal jobs in biotrade value chains.

## 6.6. PROJECTION DATA VERIFICATION

The grant funding application requested the applicants to include information in specific categories; which correlates with the progress dashboard developed by the ABioSA team to quantitatively monitor the progress of the Grantees.

These categories include the annual turnover for local and export sales; the total permanent jobs created, with specific mention of BEE jobs, and jobs for women and the youth >35 years). The employment category further includes direct seasonal jobs and indirect harvesters' jobs. Next, the categories include the sectors served by the biotrade industry, the number of types of products in the local and export market; ABS and BEE compliancy. The next category is for the number of indigenous species used as raw material; the current and future hectares available for cultivation or harvesting; and whether the raw material is obtained from cooperatives or indigenous peoples and local communities (IPLC). Lastly, the dashboard included categories for commercialisation and export readiness of new products.

## OVERVIEW ON PROJECT DATA VERIFICATION

The responses from the Grantees and Trained SMEs were inconsistent and did not correlate with the information included in the applications. The general feedback from the Grantees and Trained SMEs were that they completed the application too long ago and can therefore not remember what information they have used; and that they have already verified the information in the application with the previous ABioSA office and see no need to repeat the verification process so long after being granted the funding; or attended the capacity building sessions. Grantees and Trained SMEs were also reluctant to provide financial information relating to turnover; quantities sold in different markets; and hectares available for cultivation and/or wild harvesting.

Some of the Grantees and Trained SMEs did submit detailed growth projections to explain the expected increase in jobs and turnover; and a few of the Grantees provided detailed calculations of in-kind contributions as included in the grant funding applications. The details of both the Grantees and Trained SMEs companies' employment figures were received from those who completed the survey and the current employment figures included on the spreadsheet.

## DATA SUMMARY TABLES

The following tables have been developed to summarise the data gathered during the Baseline Survey and Projection Verification process:

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## 7. GRANT FUNDING & CAPACITY BUILDING SUPPORT UTILISATION

The Grantees indicated in the application what it is that they require the funding for; and the Trained SMEs indicated the type of capacity building they require. This information provides a benchmark against which the utilisation of the funding can be measured against. It is recommended that this utilisation be tracked during the Mid-term Evaluation and the Close-out.

Table 9 provides an overview of the baseline relating the type of testing, certification, marketing & supply chain, and production related support requested by the Grantees with the grant funding. Table 10 provides an overview of the baseline on the type of capacity building required by the Trained SMEs; and Table 11 provides an overview of the current and planned production by the Trained SMEs.

CURRENT DIRECT PERMANENT JOBS								
GRANTEES	TOTAL		BEE JOBS		WOMEN		YOUTH	
	Verified data	Application data	Verified data	Application data	Verified data	Application data	Verified data	Application data
Company A	29	23	16	19	11	10	16	6
Company B	42	47	37	45	26	35	14	21
Company C	21	21	5	3	9	10	12	2
Company D	24	14	12	14	6	6	1	3
Company E	16	25	14	20	11	13	14	17
Company F	47	48	25	37	22	34	17	15
Company G	6	4	1	2	4	7	1	2
Company H	18	0	9	9	9	12	4	9
Company I	3		1		2	3		
Company J	18	63	14	n/a	7	5	6	2
Total	224		134		107		85	

Table 2: Grantees: Current direct permanent jobs

CURRENT DIRECT SEASONAL JOBS				
GRANTEES	TOTAL	BEE JOBS	WOMEN	YOUTH
	Verified data	Verified data	Verified data	Verified data
Company A	13	5	7	12
Company B	16	7	9	9
Company C	12	4	9	2
Company D	9	2	7	2
Company E	4	1	1	1
Company F	11	3	4	2
Company G	2	1	0	1
Company H	7	1	2	1
Company I	0	0		
Company J	19	19	8	7
Total	93	43	47	37

Table 3: Grantees: Current direct seasonal jobs

CURRENT INDIRECT SEASONAL JOBS				
GRANTEES	TOTAL	BEE JOBS	WOMEN	YOUTH
	Verified data	Verified data	Verified data	Verified data
Company A	16	10	16	3
Company B	260	174	243	23
Company C	16	11	7	4
Company D	28	10	17	0
Company E	0	0	0	0
Company F	123	89	97	88
Company G	0	0	0	0
Company H	0	0	0	0
Company I	0	0	0	0
Company J	262	262	228	61
Total	705	556	608	179

Table 4: Grantees: Current indirect seasonal jobs

CURRENT INDIRECT WILD HARVESTERS JOBS				
GRANTEES	TOTAL	BEE JOBS	WOMEN	YOUTH
	Verified data	Verified data	Verified data	Verified data
Company A	0	0	0	0
Company B	1140	1130	849	98
Company C	0	0	0	0
Company D	0	0	0	0
Company E	0	0	0	0
Company F	0	0	0	0
Company G	0	0	0	0
Company H	0	0	0	0
Company I	0	0	0	0
Company J	356	726	647	12
Total	1496	1856	1496	110

Table 5: Grantees: Current indirect wild harvesters jobs

CURRENT DIRECT PERMANENT JOBS								
TRAINED SMES	TOTAL		BEE JOBS		WOMEN		YOUTH	
	Verified data	Application data	Verified data	Application data	Verified data	Application data	Verified data	Application data
Company K	18		18		2		4	2
Company L	1				1			
Company M	27		27		3		4	5
Company N	16		16		4		2	2
Company O	13	2	13		3		2	2
Company P	11		11		2			
Company Q	16		16		3		1	0
Company R	19		19		2		2	2
Company S	19		19		3		2	1
Company T	27		27		2		2	2
Company U	0							
Company V	0							
Company W	13		13		2		3	3
Company X	3							
Company Y	4	3	4					
Company Z	8		8					
Company AA	3		3		2			
Company BB	13		13		2			
Company CC	11		11		3		1	2
Company DD	2				1			
Company EE	2		1		1			
Company FF	39		39		1		15	17
Total	265		258		37		38	

Table 6: Trained SMEs: Current direct permanent jobs



TYPES OF PRODUCTS IN THE MARKET								
GRANTEES	CURRENT TYPES PRODUCTS				PLANNED TYPES PRODUCTS			
	LOCAL MARKET		EXPORT MARKET		LOCAL MARKET		EXPORT MARKET	
	Verified data	Application data	Verified data	Application data	Verified data	Application data	Verified data	Application data
Company A	20	8	10	3	20	25	10	25
Company B	3	2	2	0	2	5	1	0
Company C	3	5	3	15	5	5	5	15
Company D	Not submitted	4	Not submitted	5	Not submitted	11	Not submitted	9
Company E	80	220	80	189	86	349	86	280
Company F	6	9	3	3	8	9	5	3
Company G	16	29	16	28	21	31	21	30
Company H	86	79	84	76	16	16	16	16
Company I	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Company J	15	10	13	12	24	10	22	13

Table 7: Grantees: Types of products in the local and export market

PRODUCT TYPES PER SECTOR			
SECTORS SERVED	TYPE OF PRODUCTS	SECTORS SERVED	TYPE OF PRODUCTS
Pharmaceutical products	3	Raw material	2
Nutraceutical products	2	Dried herbs	1
Cosmetics	6	Oils	5
Beverage & natural botanical industries	6	Body care	2
Indigenous oil analysis	1	Baby care	1

Table 8: Grantees: Product types per sector

TYPES OF PRODUCTS IN THE MARKET		
TRAINED SMES	CURRENT	
	LOCAL MARKET	EXPORT MARKET
Company K	7	6
Company L	1	0
Company M	7	5
Company N	4	0
Company O	8	0
Company P	<i>Not included</i>	
Company Q	<i>Not included</i>	
Company R		
Company S	<i>Not included</i>	
Company T	<i>Not included</i>	
Company U	<i>Not included</i>	
Company V	<i>Not included</i>	
Company W	6	2
Company X	<i>Not included</i>	
Company Y	1	1
Company Z	<i>Not included</i>	
Company AA	<i>Not included</i>	
Company BB	1	1
Company CC	<i>Not included</i>	
Company DD	33	21
Company EE	3	3
Company FF	2	2

Table 9: Trained SMEs: Types of products in the local and export market

ABS COMPLIANCY							
GRANTEES	Biotrade permit	Bioprospecting permit	Integrated permit	DEFF permit	Not needed	Own cultivation	Need support
Company A			Yes			Yes	
Company B	Yes	Yes					
Company C							Yes
Company D					Yes		
Company E		Yes					Yes
Company F	Yes	Yes	Yes			Yes	
Company G							Yes
Company H							Yes
Company I					Yes		
Company J					Yes		
<i>Total (%)</i>	20%	30%	20%	0%	30%	20%	40%

Table 10: Grantees: ABS compliancy

ABS COMPLIANCY							
TRAINED SMES	Biotrade permit	Bioprospecting permit	Integrated permit	DEFF permit	Not needed	Own cultivation	Need support
Company K							Yes
Company L							Yes
Company M							Yes
Company N							Yes
Company O							Yes
Company P		Yes					
Company Q							Yes
Company R							Yes
Company S							Yes
Company T							Yes
Company U							Yes
Company V							Yes
Company W							Yes
Company X							Yes
Company Y							Yes
Company Z	Yes					Yes	
Company AA	Yes					Yes	
Company BB							Yes
Company CC					Yes		
Company DD					Yes		
Company EE					Yes		
Company FF					Yes		
<i>Total (%)</i>	9%	5%	0%	0%	18%	9%	68%

Table 11: Trained SMEs: ABS compliancy

GRANT FUNDING UTILISATION					
CATEGORY	QUANTITY	CATEGORY	QUANTITY	CATEGORY	QUANTITY
<b>TESTING</b>		<b>MARKETING &amp; SUPPLY CHAIN</b>		<b>PRODUCTION RELATED</b>	
Efficacy testing	4	Trademark registration	3	Production protocols & scale-up	2
Toxicity	1	TA, train producers	2	Production	1
Derma testing	2	Marketing	8	Develop new range	1
<b>TYPE OF CERTIFICATION</b>		Samples	2	Bottling moulds	2
Pesticide residue	1	Setup supply chain	1	Equipment	2
Nutritional value	1	Trade exhibition	5	Nursery	1
INCI, CAS, EINECS listing	1	EIA	1	Cold press	1
GMP	1	ABS	5	Drying facility	2
GlobalGap	1	Product dossier	1	Machinery	2
COSMOS	1	Lab analysis & characterisation	1	Plant raw material	1
Quality certification	3				
HACCP	2				
Kosher	1				
Halaal	1				
Organic	1				
EU Regulatory	3				

Abbreviations used:

INCI	International Nomenclature of Cosmetic Ingredients
CAS	Chemical Abstracts Service numbering
EINECS	European List of Notified Chemical Substances
GMP	Good Manufacturing Practice
COSMOS	International standard for organic and natural cosmetics
HACCP	Hazard Analysis & Critical Control Points
TA	Traditional Authority
EIA	Environment Impact Assessment
GlobalGap	International set of farm standards dedicated to Good Agricultural Practices

Table 12: Grantees: Grant funding utilisation

CAPACITY BUILDING UTILISATION						
TRAINED SMES	BUSINESS & FINANCIAL SKILLS	COMPLIANCE & REGULATORY ISSUES	INTELLECTUAL PROPERTY	MARKETS	COMPUTER SKILLS	SOFT SKILLS
Company K	yes	yes	yes	yes	yes	yes
Company L	yes	yes	yes	yes	yes	yes
Company M						
Company N	yes	yes	yes	yes	yes	yes
Company O						
Company P	yes			yes		
Company Q						
Company R						
Company S	yes	yes	yes	yes	yes	yes
Company T						
Company U	yes	yes	yes	yes	yes	yes
Company V	yes	yes		yes		yes
Company W						
Company X	yes	yes		yes	yes	
Company Y	yes	yes		yes	yes	yes
Company Z						
Company AA						
Company BB		yes	yes		yes	yes
Company CC						
Company DD		yes		yes		yes
Company EE						yes
Company FF	yes	yes	yes	yes		yes

Table 13: Trained SMEs: Capacity building utilisation

PRODUCTION CATEGORIES										
TRAINED SMES	Harvesting plants/fruits/nuts to either process self/sell		Process plants/fruits/nuts into ingredients for the cosmetic industry		Process plants/fruits/nuts into ingredients for the food industry		Process plants/fruits/nuts into ingredients for the nutraceutical industry		Process plants/fruits/nuts into ingredients for the pharmaceutical industry	
	Current	Planned	Current	Planned	Current	Planned	Current	Planned	Current	Planned
Company K		yes		yes						
Company L		yes		yes			yes			
Company M						yes				
Company N	yes	Yes		Yes	yes	Yes	yes	yes	yes	yes
Company O										
Company P		yes		yes						
Company Q		yes		yes		yes		yes		
Company R	yes	yes	yes	Yes	yes	yes	yes	yes	yes	yes
Company S	yes	yes		yes	yes	yes				yes
Company T	yes			yes	yes			yes		yes
Company U	yes	yes	yes	yes	yes	Yes	yes	yes	yes	yes
Company V	yes	yes		yes	yes			yes		
Company W										
Company X	yes		yes			yes		yes		yes
Company Y	yes	yes	yes	yes				yes	yes	yes
Company Z	yes	yes	yes	yes			yes	yes	yes	
Company AA	yes	yes	yes	yes	yes	yes	yes	yes		yes
Company BB			yes		yes			yes		
Company CC	yes	Yes		yes	yes	yes		yes		
Company DD										
Company EE										
Company FF		yes			yes		yes		yes	yes

TRAINED SMES	Process plants/fruits/nuts into ingredients for the traditional medicines industry		Formulate personal care products with natural ingredients		Formulate food products with natural ingredients		Produce personal care products with natural ingredients		Produce food products with natural ingredients	
	Current	Planned	Current	Planned	Current	Planned	Current	Planned	Current	Planned
Company K		yes		yes				yes		
Company L			yes				yes	yes		
Company M					yes				yes	
Company N	yes	Yes		yes	yes	yes		yes	yes	yes
Company O			yes	yes			yes	yes		
Company P		yes	yes	yes		yes	yes	yes		
Company Q		Yes		yes		Yes		yes		
Company R	yes	yes	yes	yes	yes	Yes		yes		yes
Company S		yes	yes	yes		Yes		yes	yes	yes
Company T		yes	yes	yes	yes			yes		
Company U		yes	yes	yes			yes	yes		yes
Company V										
Company W										
Company X		Yes		yes						
Company Y										
Company Z	yes	yes	yes	Yes	yes	yes				
Company AA	yes	yes								
Company BB				yes		yes		yes		yes
Company CC				yes		yes			yes	yes
Company DD			yes	yes			yes	yes		
Company EE			yes	yes			yes	yes		
Company FF	yes			yes		yes		yes		yes

Table 14: Trained SMEs: Production categories



## 8. EVALUATION OF GRANT APPLICATION AND ADJUDICATION PROCESSES

The Investment Committee (IC) was established with the purpose to assess the recommendations made by Project Management about the grant funding applications received and to approve or decline these applications. The IC consisted out of seven members with more than 10 years' experience in the following fields: SME environment; community environment; business and finance management; expertise of the public sector; natural products sector; an expertise of IP in the natural products sector.

The IC made use of the Innovation Fund Flow Chart in the *Innovation Facility Operations Manual* of the ABioSA programme which provided an outline of the selection and decision-making processes for the two rounds of awarding grants.

### 8.1. CALL FOR GRANT APPLICATIONS

The call for proposals for grant funding aimed at SMEs and business support organisations (BSO) in the biotrade sector was circulated on 5 October 2018 to various industry stakeholders, as well as published in the Mail & Guardian and Sunday Times. The deadline for submission was 31 October 2018.

Thirty applications were received from SMEs and BSOs, as well as from government entities and/or agencies at which the grant was not aimed. This resulted in the evaluation of sixteen applications consisting out of twelve SMEs, two BSOs, one incubator and one laboratory.

During the first round of evaluation, a concern was raised regarding the high percentage required as own contribution excluding in-kind. It was suggested that it needs to be revised to include in-kind of 50%. After deliberation, the IC, Project Steering Committee and ABioSA team concluded that the total combined co-funding of 50% that would be required can be made up out of an own cash contribution *plus* in-kind *plus* co-funding. This amendment will apply to both Round 1 and Round 2 grantees.

### 8.2. ASSESSMENT PROCESS OF THE APPLICATIONS

Two evaluation tools were developed and implemented by the project's management structures. The first tool which included a separate scorecard for SMEs and BSOs and/or laboratories, was used to evaluate the applications received and to arrive at a shortlist, after which the second tool was used to refine the evaluation. The scorecard focused mostly on aspects such as economic, ABS, BBBEE (only applicable to South Africa), rural development and plant species, as well as the existing and future situation.

The scorecard took into account criteria inclusive of the following aspects:

- The current business performance in terms of turnover, shareholders' funds and total assets
- Access and benefit sharing agreements in place
- BBBEE compliancy and rural development in terms of women ownership and employment, youth and BBBEE employment
- The level of experience in using of indigenous plants
- Business information regarding its vision and mission; as well as financial information

- The ability of the SME and/or BSO to contribute towards the project
- The estimated turnover growth and growth in jobs (including that of indirect employees)
- How many products currently in the market and how many planned to be exported
- The environmental impact and the sustainability of the project
- The geographical area of where the project is based
- The use of new technologies, methodology and management approaches to solve existing problems in the value chain
- Hectares of natural resources

The second tool consisted out of a list of criteria which was used during the interview and capacity building initiative to determine or observe certain aspects of the applicants. These aspects included commitment; efficiency; implementing capacity; suitability; innovation and scaling-up; relevance and impact; and sustainability. On completion of the interview and capacity building initiatives, the Project Management ranked the candidates by considering aspects as above mentioned and prepared the documents to be submitted to the Investment Committee.

See Annexures A, B and C for a more detailed outline of the different scorecards; the second evaluation tool used; and the description the approved Grantees respectively.

### 8.3. RECOMMENDATIONS FOR PHASE 1

#### 8.3.1. ALLOCATED TIME FOR APPLICATION PROCESS

##### Concern

- The time that was provided to the applicants to get their application documentation together, seemed a bit too short, as the call for proposals was released during the first week of October 2018 and the application deadline was 31 October 2018.

##### Recommendations

- The time allowed for the applicants to develop their proposals and gather the supportive documentation should rather be 6 weeks minimum.

#### 8.3.2. SUPPORTIVE DOCUMENTATION

##### Concern

- The terms of reference specified that the SMEs or BSOs and/or laboratories must have administrative systems in place that support good governance and be in full compliance with statutory and administrative requirements in the relevant country, yet no proof of such administrative systems was required as part of the submission.

##### Recommendations

- It will be good practice to request the supervisors and/or contractors of the SMEs involved with the recruitment and management of the wild harvesters and/or seasonal workers to have full written details of the people involved. These details and processes should adhere to the Basic Conditions of Employment Act for South African businesses; and the respective employment legislation of the other southern African countries.

- The lists portraying the demographic details of the wild harvesters and/or seasonal workers will provide a better indication of the growth in job creation, especially as one of the indicators of this project is to create employment opportunities for predominantly marginalised people.
- As required by the SA employment regulations, the SMEs or BSOs and/or laboratories need to have operating procedures in place relating to Occupational Health & Safety of all employees; and be registered for Compensation for Occupational Injuries and Diseases. Also, it will be good practice to request the supervisors and/or contractors of the SMEs involved with the recruitment and management of the wild harvesters and/or seasonal workers to provide a copy of their Occupation Health & Safety procedures and relevant registration documents in place.

### 8.3.3. CALCULATION OF IN-KIND CONTRIBUTIONS AND EQUIPMENT COSTS

#### Concern

- The grant funding model is based on a combination of co-funding of 50% that would be required can be made up out of an own cash contribution *plus* in-kind *plus* co-funding. The calculations of the in-kind contributions of the SMEs or BSOs and/or laboratories seem to not be part in the application documents.

#### Recommendations

- Applicants need to make use of the *Definition of in-kind* table on page 6 of the Round 1 Application Form to indicate how the staff time; office and communication costs; and equipment or services have been calculated. This information will provide an accurate overview of how the SMEs or BSOs and/or laboratories envision their own growth; and will provide a baseline to measure the growth of the high-growth jobs-rich and innovative biotrade sector against.
- Applicants need to support their proposals with the relevant quotations should they plan to purchase any equipment with the grant.

### 8.3.4. CALCULATION OF GROWTH

#### Concern

Both evaluation tools refer to the growth in turnover, employment, up-scaling, and increased sustainability as indicators of success; but no documentation have been requested to indicate how the intended growth has been planned or calculated.

#### Recommendations

- Applicants need to submit detailed calculations of growth projections as a result of the grant funding. These calculations need to clearly indicate how the grant funding will be applied in order to foresee the anticipated growth. This is especially relevant in the case of up-scaling the current business operations in order to achieve sustainability beyond the funding project's lifetime.

### 8.3.5. SUCCESSION AND CONTINGENCY PLANS

#### Concern

The grants approved for the Trained SMEs are based on specific business ideas which also intend to have a wide-reaching impact on the surrounding communities, natural environment and biotrade industry. For this reason, the succession and contingency planning are lacking in the applications of the SMEs or BSOs and/or laboratories in order to ensure the sustainability of their businesses.

### Recommendations

The Trained SMEs of the grant need to develop a succession plan which is based on a risk assessment of their key personnel to ensure the sustainability of the project and the business, in the event of key personnel resigning or becoming indisposed in such a way that will threaten the continuation of the planned performance delivery. The risk assessment and contingency planning are also needed for the capital expenditure and related assets of the different SMEs or BSOs and/or laboratories.

## 8.4. RECOMMENDATIONS FOR PHASE 2

The second round of the call for expression of interest technical assistance / capacity building is aimed at less developed SMEs (programme Trained SMEs) who either have a product on the market but needs support to overcome regulatory hurdles; or have a developed product but cannot enter the local or export market due to a lack of skills, or as a result of regulatory hurdles.

The technical assistance / capacity building initiative is aimed at SMEs and cooperatives in Southern Africa with existing products who are either already ABS compliant or on target to become ABS compliant within the project lifetime. The programme Trained SMEs are all active in one of the high-impact value chains which have been preselected by the project. The technical assistance / capacity building initiative further aims to prepare these SMEs and cooperatives to become investment ready and to be able to access funding and not for grant funding. The technical assistance / capacity building initiative will include workshops on regulatory compliance, finance and technical business writing to the programme Trained SMEs. Furthermore, the Industrial Development Corporation (IDC) will be involved in these workshops to provide support to the programme Trained SMEs with the development of their funding proposals and assistance to understand the financial requirements.

This round of grant funding will consist out of two phases, where Phase 1 will focus on providing technical assistance/capacity building in support of Phase 2. The call for grant funding in Phase 2 is an open call for proposals, meaning that all interested parties to apply, as well as those SMEs who have successfully completed phase 1. It is noted that the Trained SMEs of the technical assistance/capacity building initiative will not automatically qualify for a grant during Phase 2. The following recommendations are suggested to be included in the applications of Phase 1:

### PHASE 1: PREPARATORY PHASE

This phase is applicable to SMEs who are interested to apply for grant funding during Round 2, but are in need to receive technical assistance/capacity building well ahead of the call for proposals for Round 2. The recommended requirements for the Phase 1 applications include the following:

#### Product

1. Provide an overview of the product which is ready-for-market, preferably with photographs
2. Explain why this product is needed in the market by referring to the product's competitive advantage and value proposition
3. Provide an overview of the product's most possible competitors by referring to product offering, availability, service and price

#### Technical assistance required

1. Explain the process undertaken so far to find out about complying with export regulations
2. Provide an overview of how the SME plans to access or grow new markets
3. Does the SME require assistance and/or support in the following areas:
  - a. Consult a local or international specialist with knowledge about export regulations for the SME's type of product and/or market
  - b. Business skills training in terms of exporting i.e. finance, labelling & packaging, export administration,
  - c. Technical data relating to export requirements of the SME's specific product
  - d. Skills training i.e. business administration and management, policy and standard operating instructions development, personnel capacity building
  - e. Quality management system

#### Business administration

1. Provide financial statements of a minimum anticipated turnover of ZAR 100,000 during last full calendar year before the application process (2017 or 2018 – whichever is the latest)
2. Include a copy of the business' lease contract
3. Include a copy of the ID(s) of the business owner and/or partners

#### Human resources

1. Include a detailed list of current fulltime and part-time and/or seasonal employees, as well as their job descriptions
2. Indicate the key personnel responsible for the product (i.e. without these people the product and its introduction to the market will not be able to materialise; or it will take long to train up someone with such specific skills)
3. Explain how the SME plans to create more employment in the next five years

#### Capacity building required

1. Use the list with the employees and indicate who will need more capacity building, i.e. training, in order to support the new growth anticipated in the business (as a result of the product going to market)

### PHASE 2: FUNDING PHASE

A call for proposals relating to the second round of grant funding, will be released a year after the start of the preparatory phase of round 2. The SMEs who successfully completed phase 1 and other interested parties will be invited to submit a proposal for phase 2. The evaluation process of the applications will follow the scorecard used for the SMEs during Round 1, but will include the approved amendments.

The existing scorecard took into account criteria inclusive of the following aspects:

1. The current business performance in terms of turnover, shareholders' funds and total assets

2. Access and benefit sharing agreements in place
3. BBBEE compliancy and rural development in terms of women ownership and employment, youth and BBBEE employment
4. The level of experience in using of indigenous plants
5. Business information regarding its vision and mission; as well as financial information
6. The ability of the SME and/or BSO to contribute towards the project
7. The estimated turnover growth and growth in jobs (including that of indirect employees)
8. How many products currently in the market and how many planned to be exported
9. The environmental impact and the sustainability of the project
10. The geographical area of where the project is based
11. The use of new technologies, methodology and management approaches to solve existing problems in the value chain

The recommendations explained in the interim report on the Grant Round 1 Procurement Process Evaluation included the following requirements, as listed in the summary below:

- The time allowed for the applicants to develop their proposals and gather the supportive documentation should rather be 6 weeks minimum.
- Proof of compliancy with statutory and administrative requirements in the relevant country
- Documentation on and details of the wild harvesters and/or seasonal workers (in terms of the BCEA)
- Occupational Health & Safety and Compensation for Occupational Injuries and Diseases compliancy
- Provide an overview of how the in-kind contributions have been calculated
- Include relevant quotations for the purchasing of equipment or other services
- Provide detailed calculations of growth projections as a result of the grant funding
- Provide a risk assessment of capital expenditure and related assets and contingency planning key personnel to ensure the sustainability of the project and the business