



environmental affairs

Department:
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ABioSA

ABS Compliant Biotrade in South(ern) Africa

Building a high-growth innovative biotrade sector that create jobs and contributes to sustainable use of biodiversity in South Africa and the region

Stakeholder Meeting
19 February 2019

Joretha Després

funded by



Federal Ministry
for Economic Cooperation
and Development



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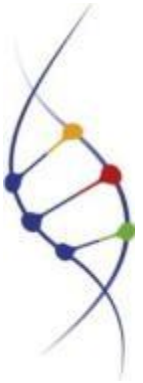
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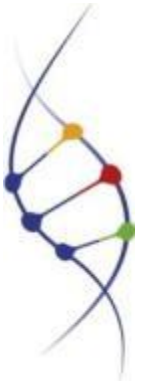


Content



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 - Average turnover
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 - Nr of advanced SMEs/turnover category
 - Size of funding required
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Content (continue)



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- Difficulties
- Species
- What are the needs?
- Training required

Profile of applicants: less advanced

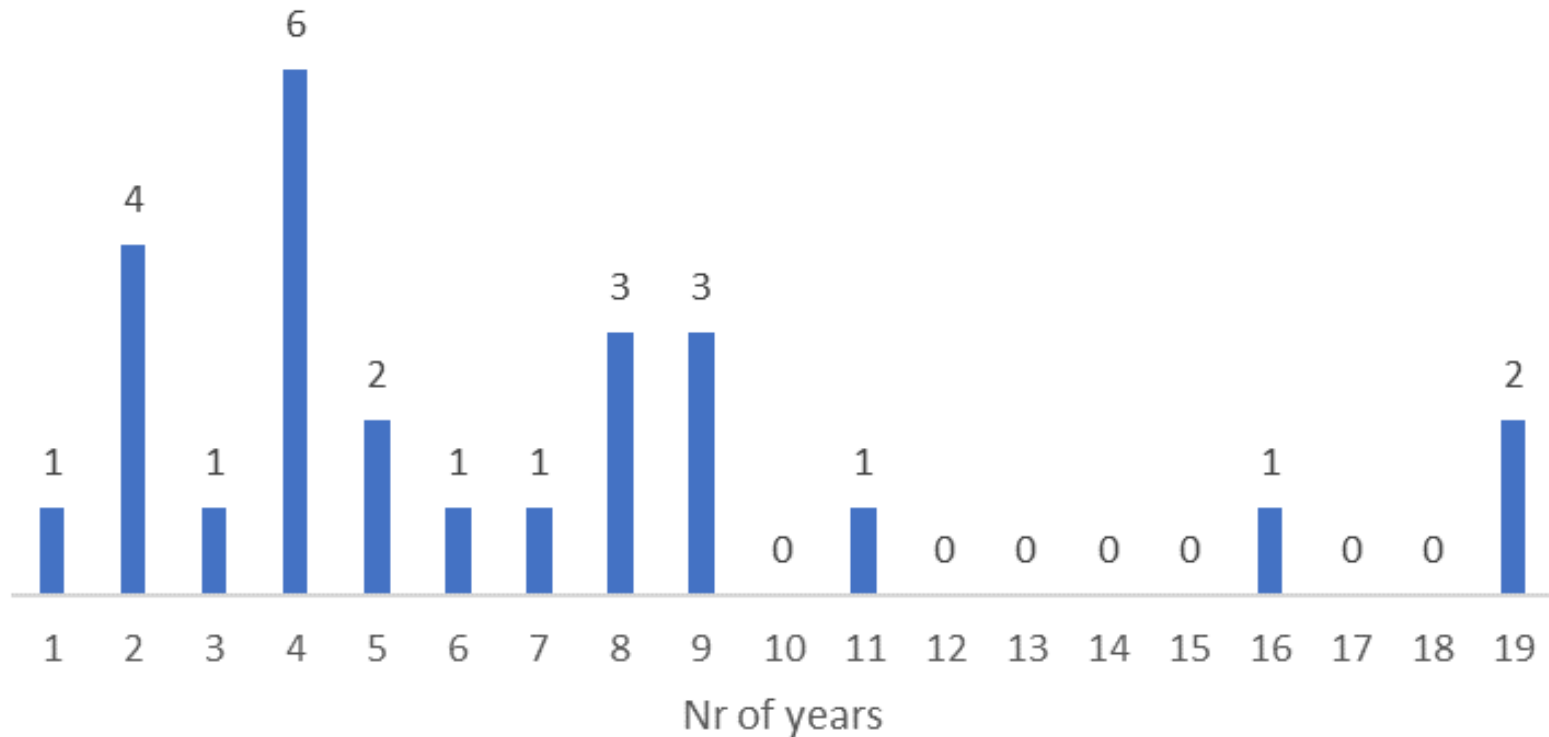


- Community-based enterprises, one-man bands or family enterprises
- 81% with 100% BEE ownership, 4% > 50% BEE ownership
- Start-up to 19 years operational
- 59% received assistance from several departments/institutions
- Only 25% of those who have received assistance indicated the amount: >R20m (their combined 2018 t/o: R1 529 120)
- Assistance to be revised/coordinated
- Turnover decrease from 2017 to 2018

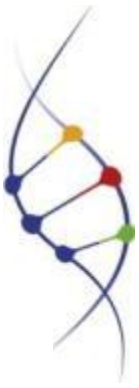
Profile of applicants: less advanced



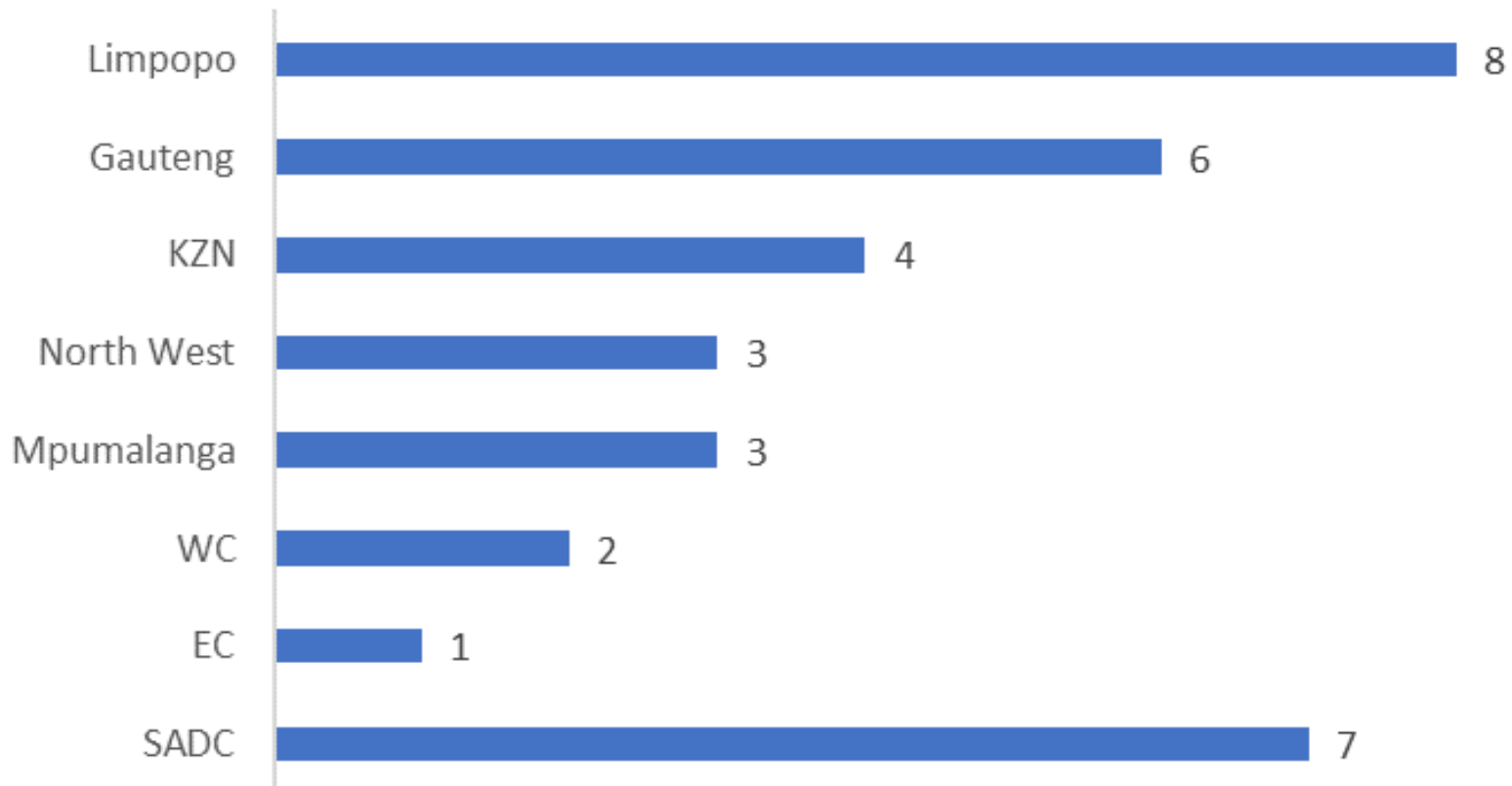
Nr of years in operation



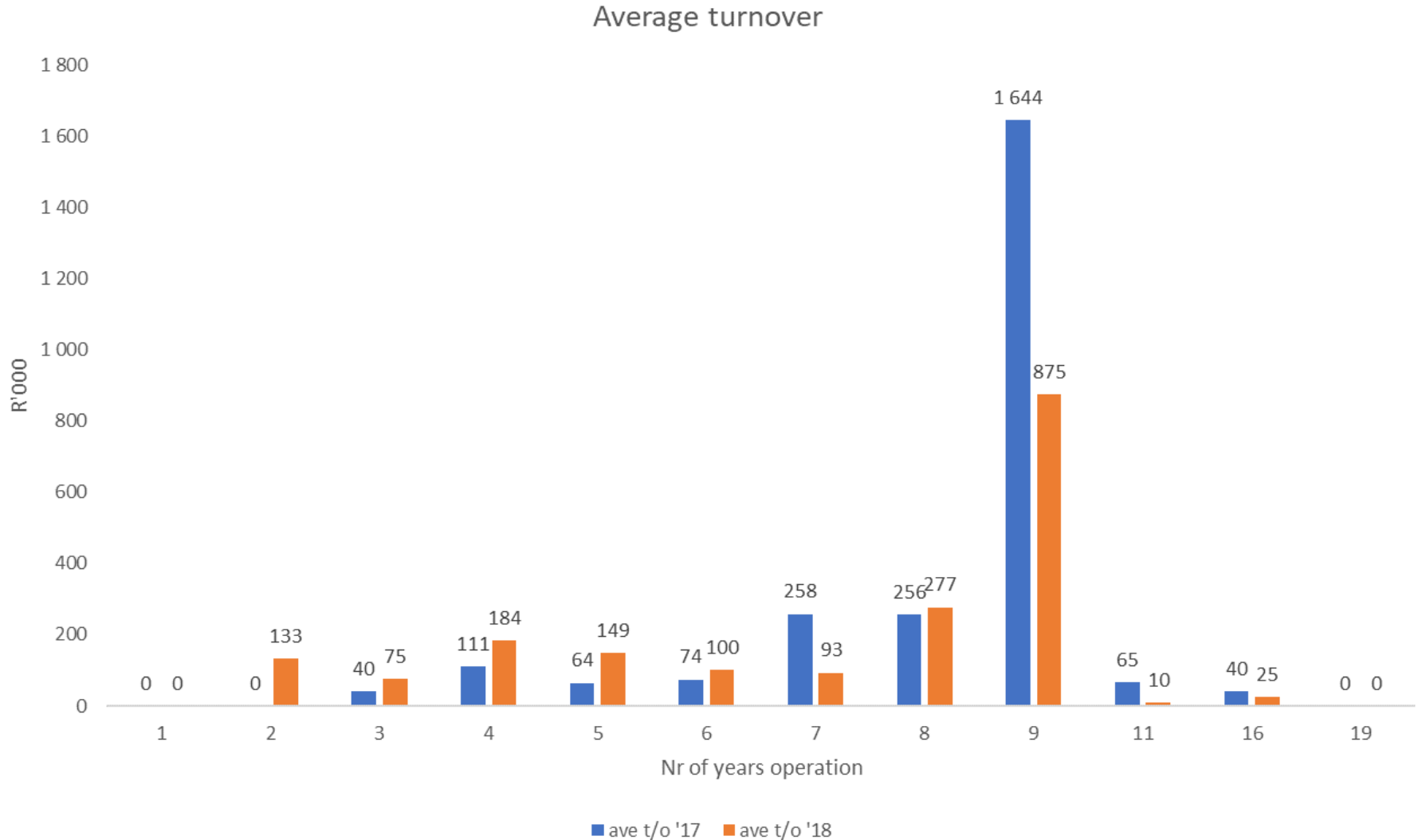
Profile of applicants: less advanced



Geographic distribution of applications



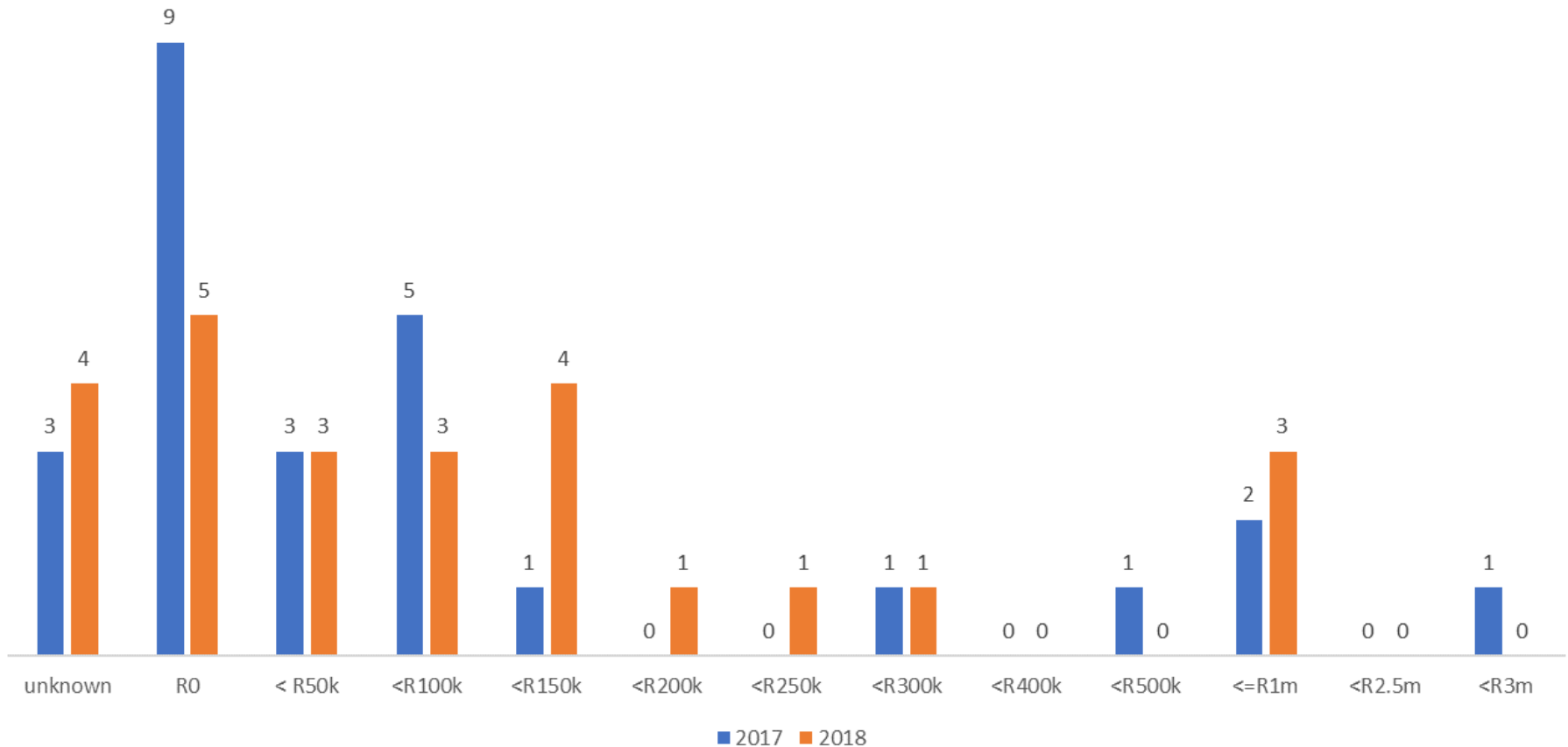
Profile of applicants: less advanced



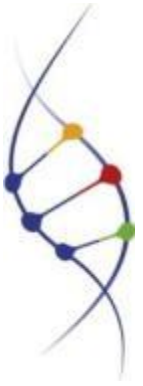
Profile of applicants: less advanced



Nr of SMEs/turnover category



Profile of applicants: more advanced

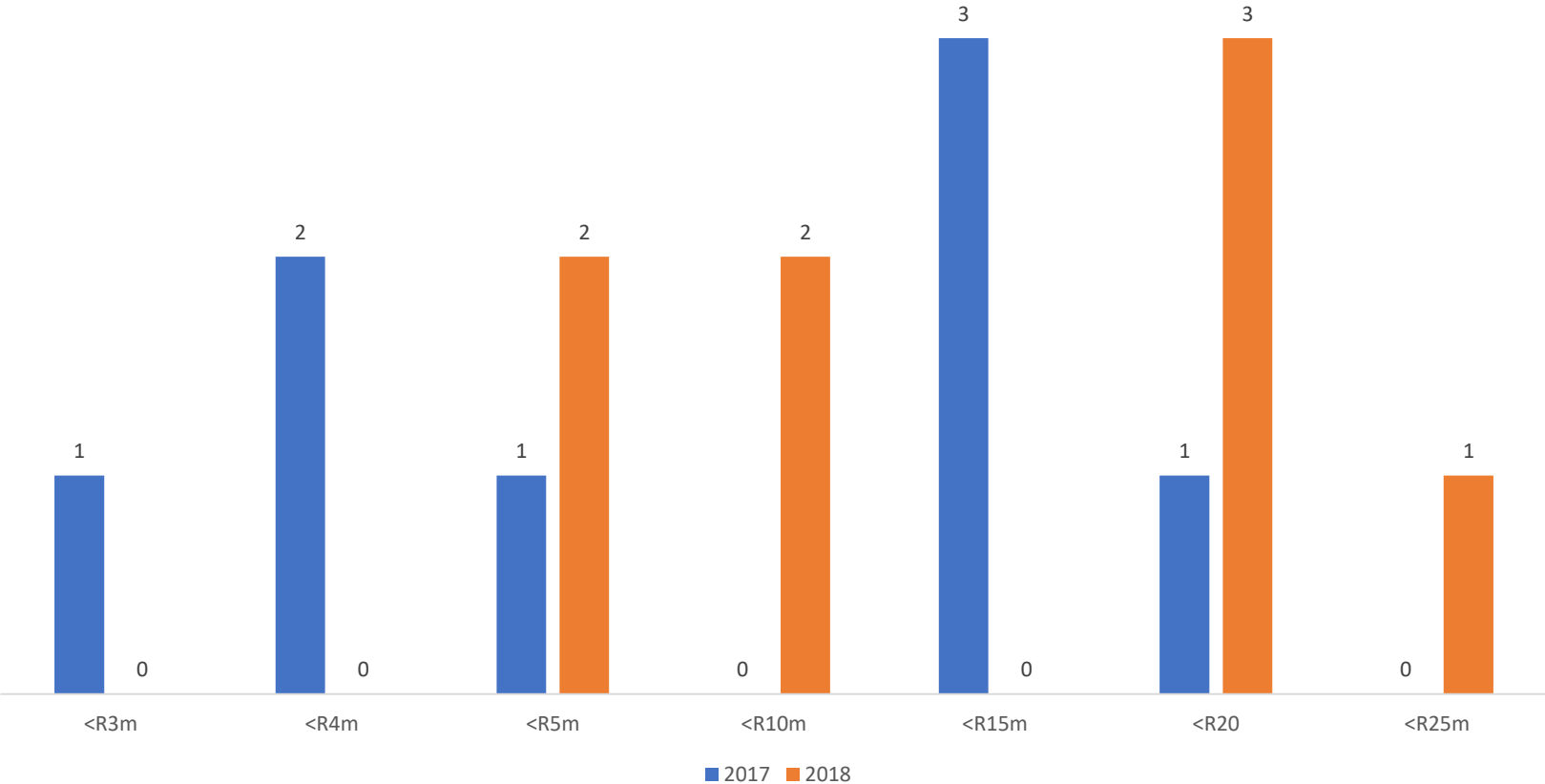


- Family-owned enterprises or one-man bands
- As a result, no transformation in ownership
- However, involved in capacity building (gardeners, cleaners upskilled to work in factory), outgrowers projects, social projects
- Mainly based in impoverished rural areas, important job creators
- Several applicants participated in the CBI programme
- National and global awards for products
- Enterprises operational $\geq 10y$ (until 27y), still marginal

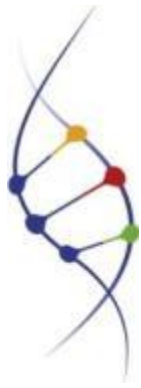
Profile of applicants: more advanced



Nr of advanced SMEs/turnover category



Size of funding required



Nr of SMEs	2017 t/o	2018 t/o	Funding requ	Ave. t/o	Ave. fundi
31%	274 602	449 133	36 366 000	40 830	3 306 000
46%	11 185 381	7 226 381	127 476 342	451 649	7 967 271
23%	71 283 720	98 086 201	40 000 000	12 260 775	5 000 000

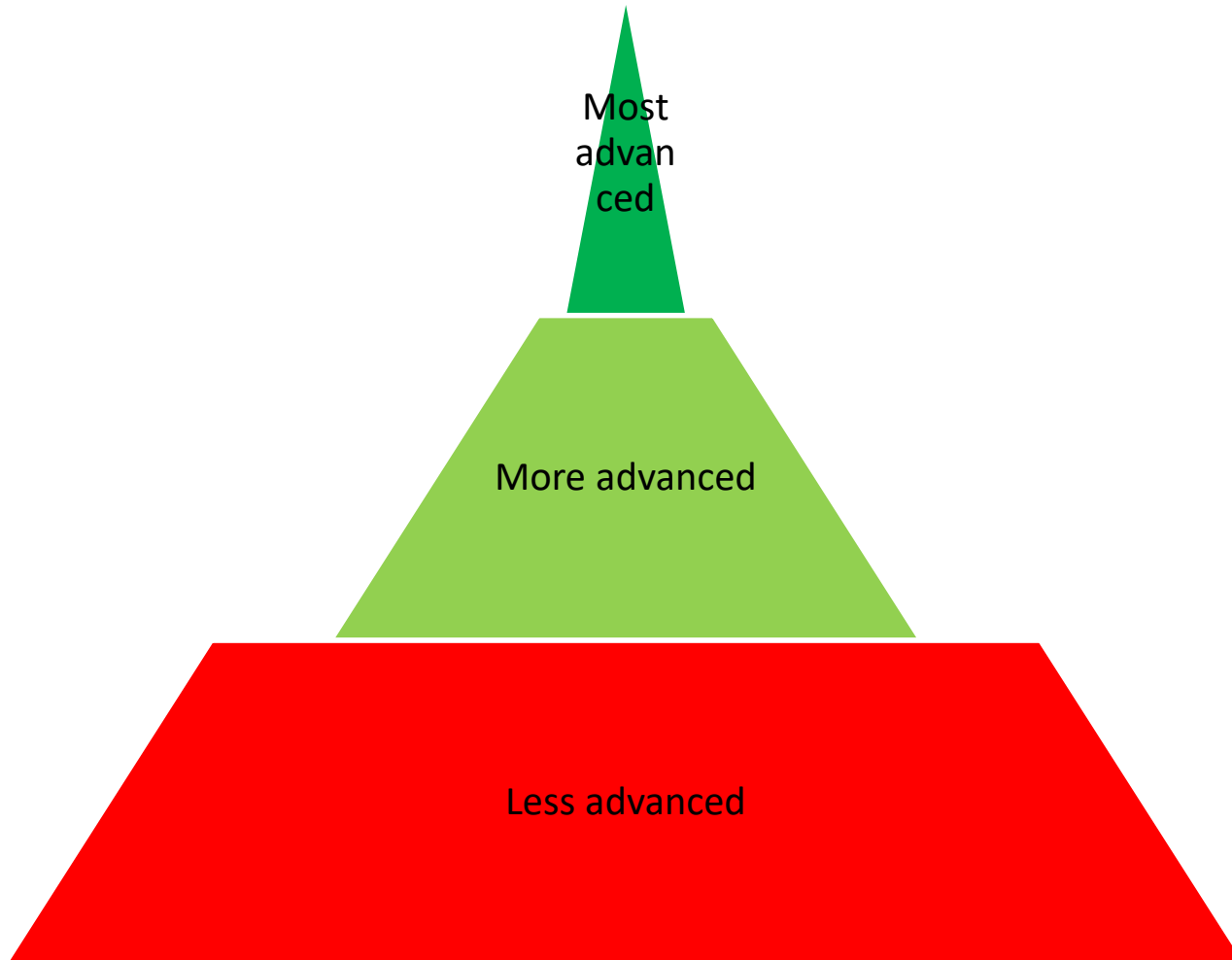
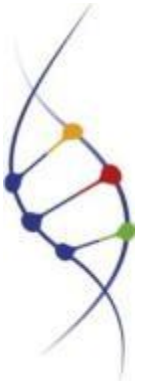
- First group: select true entrepreneurs, right jockeys, communities with the right dynamics. Ensure agricultural units are viable units. Equip them with right technical and financial skills, mainly grants. Eliminate losers.
- Second group: select companies with growth potential, right jockeys, very soft loans combined with grants
- Third group: proven jockeys, soft loans and grants for certain aspects (efficacy tests, R&D, product development, marketing)

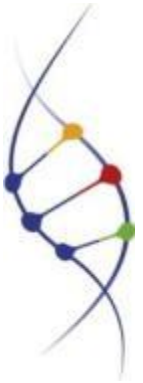
Comparison less vs more advanced



	Less advanced	More advanced
Nr of years operational	0-19	10-27
Min. turnover	0	R2 289k
Max. turnover	R2 800k	R23 108k
Change in to 2017-2018	(R3 784k)	R26 802k
Ownership	100% BEE: 81% 65% BEE: 4% Community-based, individuals, family-owned	0% BEE Individuals, family-owned
Main distribution	Limpopo, Gauteng, KZN	Limpopo, KZN, WC

Profile distribution





Questions before continuing?

ABioSA Component 1.1



Targeted non-tariff barriers are addressed in a way that enables multiple SMEs to access new global markets for key biotrade products.

- 4 VC workshops (marula, Aloe ferox, seed oil, essential oil); marula: June 2019, seed oil, essential oil, aloe ferox March 2020
- Develop sector plans (to be finalised by end July 2020, Marula by end March 2020)
- Establish methodology to establish the baseline of resource capacity (resource assessments, geographic distribution, yield, health of plants, etc) and other elements to build biodiversity management plans. The execution of this to be done in collaboration with regional stakeholders and other programmes.
- Identify and contract regulatory experts to prepare market access dossiers, present the dossiers to the relevant regulatory authority, address any concerns or data requests until approval is attained
- Organise workshops on regulatory issues

ABioSA Component 1.2



Selected IPLCs are supported with technical assistance to assert their participation in agreed biotrade value chains.

- Identify the training materials for IPLCs that exist already
- Identify IPLCs to include in workshops and training (focus marula)
- Identify the gaps that they need to be trained on
- Identify and contract experts to prepare materials and strategies that will address existing gaps, and deliver through workshops and training meetings
- Implement negotiation and contract trainings for relevant stakeholders including elaboration of patent assessments of relevance to the selected value chains and IPLCs
- Identify and financially support NGOs and other partners for competence promotion of IPLCs and assist in drafting ABS agreements
- Conceptualise, implement and finance workshops and trainings for IPLC representatives

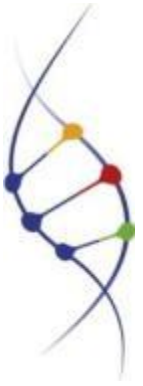
ABioSA Component 1.3

Selected SMEs in the biotrade sector are supported by technical assistance for investment readiness.

- Identify service providers
- Organise and finance workshops, webinars
- Ten business plans/proposals/strategies developed



Component 2 – Round 1



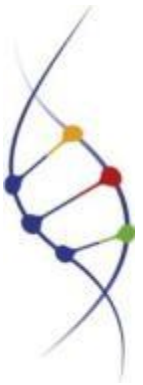
- For SMEs with a turnover between ZAR 3 million and ZAR 100 million and for BSOs (including laboratories) with no limitations on min/max turnover on the latter.
- Total budget ca. 50-60% of 800k euros (ca. R12 million)
- SA 70%, Region 30% (only 1 regional application received)
- To shortlist 20 SMEs for the second round of evaluations (12)

Difficulties



- Sector still very weak, majority of SMEs t/o < R3m
- Low number of applications received, incomplete, low quality
- BSOs extremely weak
- Projects readjusted
- Calendar year vs FY and seasonal jobs
- SMEs do not read the rules properly, apply despite not being compliant.
- SMEs (and their consultants) have difficulty to apply for a grant application, and to have an optimum strategy for the business.
- Despite being the more advanced group of SMEs in the sector, they still have a long way to go.
- Registration of international trademarks

Species



- Baobab
- Bulbine
- Moringa
- Ximenia
- Kalahari Melon
- Mafura
- Lippia javanica
- Myrothamnus flabellifolia (resurrection bush)
- Artemesia Afra
- Helichrysum odoratissimum
- Eriocephalis Africana
- Internationally accredited lab specialising in indigenous seed oil: equipment (tocopherols and sterols), train 12 SMEs

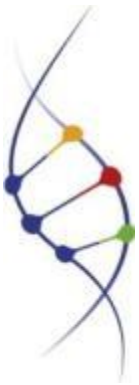
What are the needs?

- Cultivation:
 - Technical skills to improve yields, seed selection
 - Choose right plants for region (drought/frost resistant, poor soil) for which market demand exist and regulatory hurdles could be overcome within short period of time (novel food registration, INCI names)
 - Determine size of viable unit
 - Require farming equipment, vehicles
- Production
 - Lack of sustainable supply of plants (identify cultivation opportunities, choose drought-resistant plants)
 - Lack of quality of oils (lack of harvesting techniques / equipment/ technology)
 - Chemical analysis of RM
 - Long delays, out of stock, because of contract manufacturer (lack of planning by SME??)
 - SME not having control over quality of RM sourced by contract manufacturer

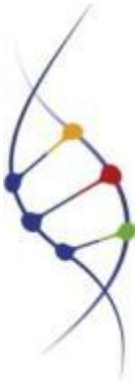


What are the needs? (continue)

- Certifications and regulatory requirements:
 - Organic, GlobalGap, HACCP, Kosher, Halaal, FSC, ISO, PIFs, Quality Management systems, etc.
- Efficacy tests of our indigenous plants
- Adulteration of novel and rare oils. Expand the developed model to include indigenous oils so that determination of authenticity can be guaranteed up to 96% for indigenous oils
- Cost of quality tests
- Securing of IP, registration of trademarks (local and international)
- Long lead time to generate sales (ingredient in international product)
- High cost of clinical trials with no guaranteed positive results
- Process optimisation for different types of extracts
- Product stabilisation and standardisation (consistent chemical profile across batches, despite neutral variations in botanical material)



What are the needs? (continue)



- Cost, time delay to obtain permits
- Identification of TK holders
- Upskilling of staff, incl. training in agro-processing, organic farming, ABS, biotrade sector, business & finance, marketing training, how to transform RM into value-added products
- Capex (buildings, plant and equipment, in-house purification / filtration, distillation units)
- Affordable finance for capex, incl. transport, opex, incl. staff, MOQs, marketing, working capital, to test oil/products, R&D
- Product development, formulation
- Branding
- Market research
- Require knowledge regarding export and international product regulations (incl. process), labeling requirements, as well as environmental regulations
- Soft skills

What are the needs? (continue)

- Novel food registration marula fruit
- Understanding distribution of marula male and female trees
- Access to info, modern technology
- Access to standardised indigenous materials (eg KM, marula oil, etc) from an ISO9001 approved manufacturing facility sometimes a challenge, forcing one to change RM.
- Even basic microbial and shelve tests for products costly and slows down the pace with which products could be introduced to the market.

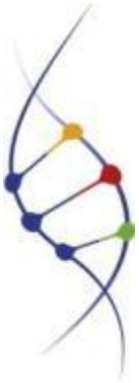


What are the needs? (continue)



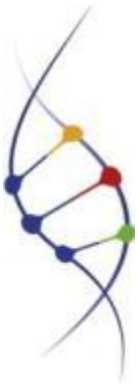
- Lack of adequate traditional medicinal plants' cultivation and sustainability programmes that are community based to support biotrade
- Inadequate skills to support research, proposal writing, outreach, plant cultivation, propagation, agro-processing, products commercialisation, information collection and documentation.
- Lack of supportive laws and policies to accelerate traditional medicine business dev and delivery.
- Lack of political will from legislatures to implement traditional medicine programmes and the poor coordination and collaboration of government dpts and funding agencies to facilitate innovation and traditional medicine ind dev.
- Local and international funding agencies not willing to work with traditional health practitioner associations as promoters for product dev to grow traditional medicine industry.
- Limited capabilities to employ skilled staff to run specific programmes and deliver quality work.
- There is a need for building the org's leadership and management capabilities to take decisions that would accelerate sector and industry growth.

What are the needs? (continue)



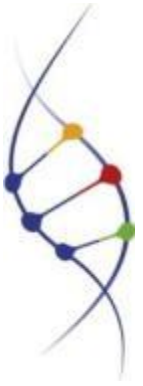
- Lack of skills to perform information collection, research and documentation work. THO needs to document stories of members via print, videography and photography but have limited skills to do so.
- Lack of skills to protect recipes from being stolen by external groups and institutions.
- Soft and other skills: presentation, fin management, facilitation and training in ABS and programme management and administration skills, marketing and computer skills. IP, trademarks, patents.
- Lack of data to support member traditional health claims.
- High levels of illiteracy.
- ABS laws and policies (permitting).
- Wrong codification and reg of traditional medicine delays industry development and growth.
- Medicine politics slow progression of sector.
- Access to funding due to policies of funding inst.

Verification of authenticity of indigenous oils



- Novel and rare oils (expensive) are frequently adulterated with inexpensive and abundant oils
- Fatty acids, the macro-components of fats and oils, used internationally to determine authenticity (up to 65% accuracy)
- Accuracy could be increased to 96% if micro-components are included
- Model incl. macro- and micro-components developed for conventional oils, but does not exist for our indigenous oils
- Grant funded laboratory with equipment required to test for these micro-components.
- The lab is willing to supply equipment and staff to analyse the indigenous oils to develop the statistical model for our indigenous oils, if plant material and running cost of analysis could be covered by another funder
- Plant material should be sourced from various regions at the beginning and the end of the season, ideally min. 3 years
- This will allow South Africa to have a reliable statistical model for our indigenous oils
- Project over nr of years (6?) – ca. R6m
- The model requires regular update to capture data with climate variation

How do we address the needs?



- The needs are throughout value chain
- Simplified, much of it could be addressed through training and funding

Training required



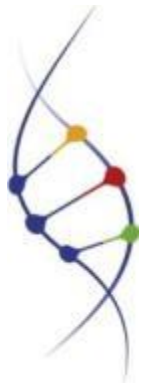
Training/Technical Assistance	Total SME	start up t/o: R0	t/o: <R50k	t/o: <R100k	t/o: >R100k
Business and Financial:					
Understanding what funders require and how to prepare the right information	28	12	2	5	9
Understanding the impact of seasonality on cash flow and how to manage it	28	13	2	4	9
Understanding how to cost and price your products	28	13	2	4	9
How to interpret financial statements	27	12	2	4	9
Corporate governance	28	12	2	4	10
How to build a compelling business case	21	11	2	2	6
Compliance and Regulatory Issues:					
Understanding what the requirements are to access local and/or export markets and how to comply	26	11	3	4	9
Knowing how to interpret laboratory results	26	10	3	3	10
Understanding quality issues	23	10	1	3	8
Intellectual Property:	23	7	3	5	8
Understanding intellectual property, including company and brand names					

Training required (continued)



Training/Technical Assistance	Total SME	start up t/o: R0	t/o: <R50k	t/o: <R100k	t/o: >R100k
Markets:					
Understanding what a CRM (customer relationship management) system is and its advantages	27	12	3	5	7
Understanding local and international distribution	27	12	3	5	7
Understanding how to do market research	27	12	3	5	7
Effective branding	27	12	3	5	7
Internet visibility	27	12	3	5	7
Effective websites	27	12	3	5	7
Media communication	27	12	3	5	7
Be informed on key markets and how to communicate with these markets	27	12	3	5	7
How to access markets	30	12	3	6	9
Computer skills					
Understanding the risks and improving cybersecurity of enterprise	22	11	3	3	5
Excel/word/powerpoint	22	11	3	3	5
The potential impact of the digital revolution on the industry and your business	22	11	3	3	5

Training required (continued)



Training/Technical Assistance	Total SME	start up t/o: R0	t/o: <R50k	t/o: <R100k	t/o: >R100k
Other skills (called soft skills but not so soft at all)	14	5	3	1	5
Mastering business protocol (incl. business meeting, business card and business language protocol and boardroom etiquette and protocol) and social etiquette, business dining etiquette, communication protocol	8	2	1		5
How to influence customers', customer care intelligence (position your brand through your team, shape the face of your brand, customer facing protocol, personal perception management tools, tools to establish trust and credibility with customers),	5	1	1		3
International protocol	5		1		4
Negotiation skills	6		1		5
Conflict management	4		1		3
How to get the most out of your employees	3		1		2
Presentation skills	4	1	1		2

Training required (continued)



Training/Technical Assistance	Total SME	start up t/o: R0	t/o: <R50k	t/o: <R100k	t/o: >R100k
Other skills					
Implementation of ISO 9001:2015 Quality Management System	4	2			2
Marula specific technical skills	3	3			
Knowledge of international regulations (EU, US and UK) regarding export of oils and products	2				2
Manufacturing and Production skills	5			1	4
Harvesting and farming skills	5	3		1	1
Processing of plant oils	1			1	
Formulation and testing products	2			1	1
Marketing and sales online	2				2
Hygiene	1				1
Expert advice and assistance to draft “bankable” business plan	1				1
The principles and practical application of quality assurance, traceability, good practices and access to benefit sharing	2	1		1	



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