



Biotrade financing and funding Facilitated discussion

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GIZ BioInnovation Namibia & SA

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Financing Biotrade

Support on mapping, analysing and advising on financial instruments in South Africa and Namibia

African Biotrade Festival
14th September 2023

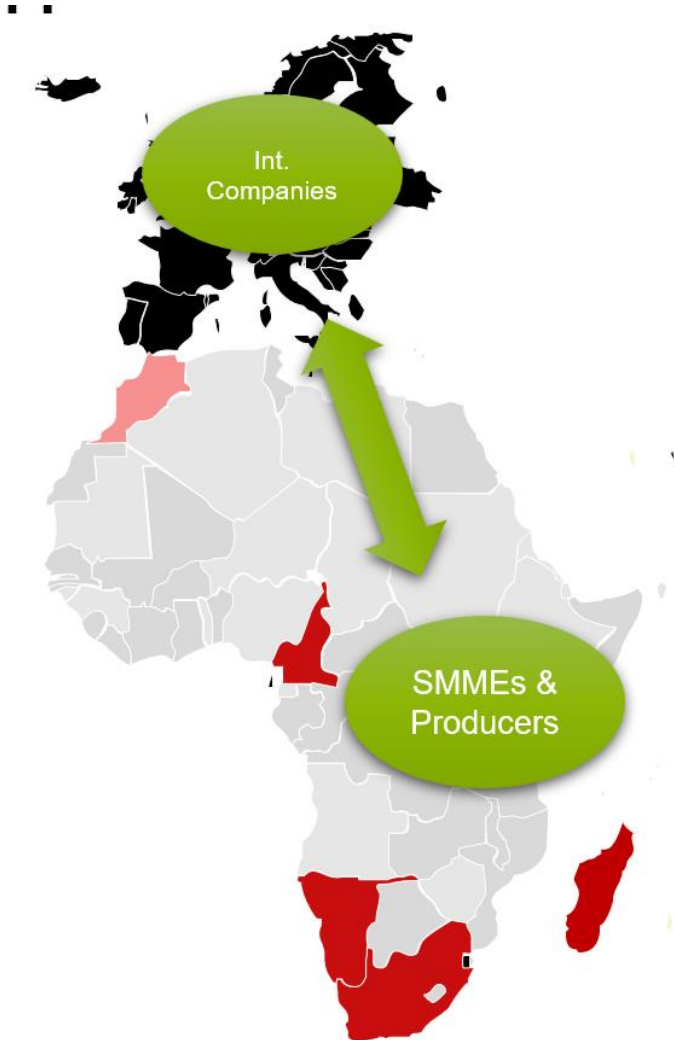
Dagmar Honsbein
Cyril Lombard

The BioInnovation Africa approach



Partnership approach of actors of transnational, biodiversity-based value chains (VCs):

- from raw material producers to processors to manufacturers of end products
- Increasing demand for biodiversity-based products with high ethical and ecological standards on the (European) market is the starting point for the partnerships
- Triple win: rural development through green jobs/income, promotion of a sustainable private sector, (re-)investment in the conservation of biodiversity and livelihoods
- Knowledge exchange (peer exchange)



“Strengthening national capacities to promote biodiversity-based value chains and to reduce market barriers including ABS at national level”

Output 2

Address market barriers



Module

OUTPUTS

2) Capacities to promote biodiversity-based VCs and to **reduce market barriers** are strengthened at national level in the partner countries.

OUTPUT INDICATOR

2.1) barriers to the **commercialization** of biodiversity-based products identified in multi-stakeholder exchange formats are addressed by the responsible actors at national level.

2.2) employees of service providers have success-fully been trained with the help of training modules on gender-equitable benefit sharing and sustainability in biodiversity-based VC.

Approach to commercialisation

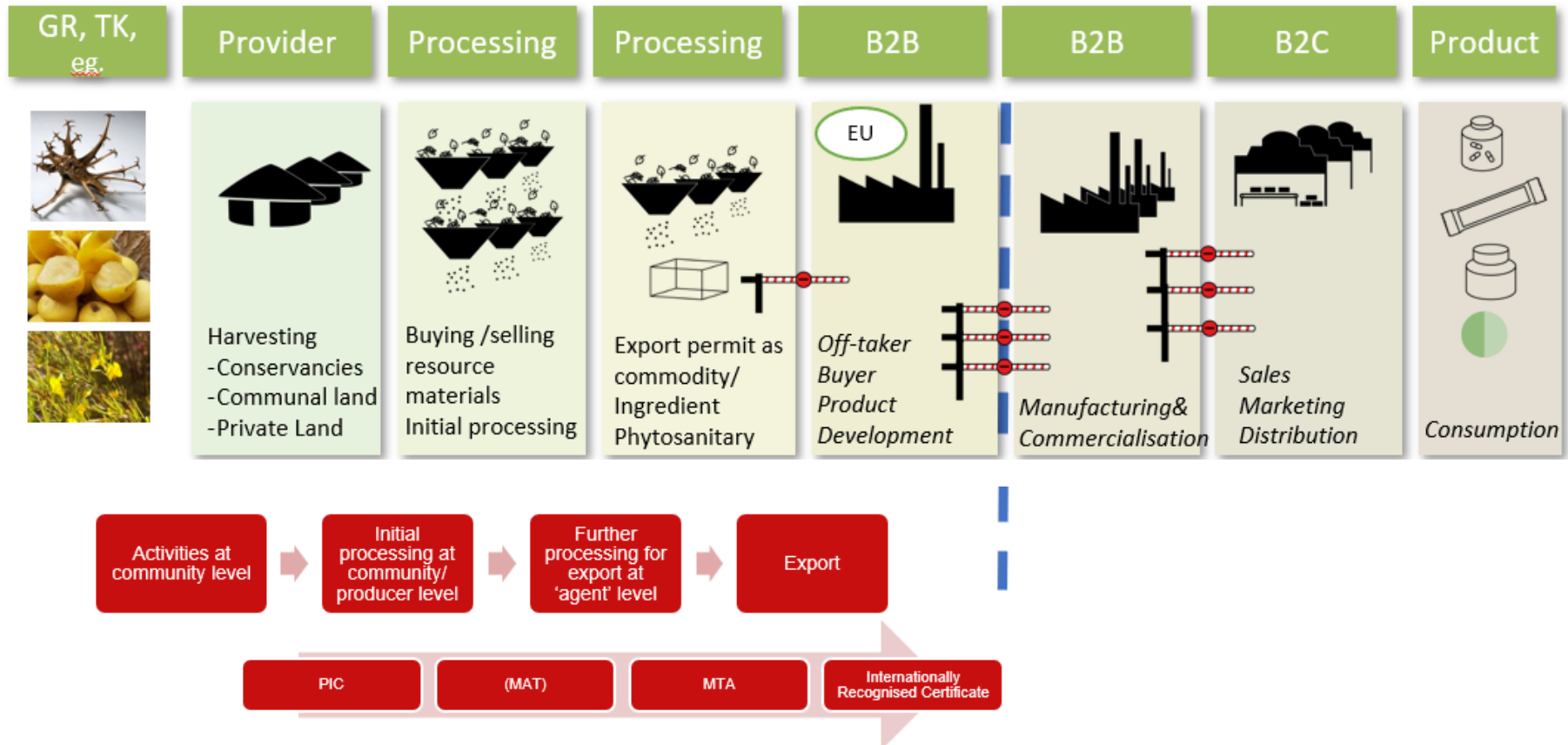


Responsive
financial
instruments

Responsible
funding
mechanisms

Being in
support of
value chains.

Funding needs along the value chain of our operators

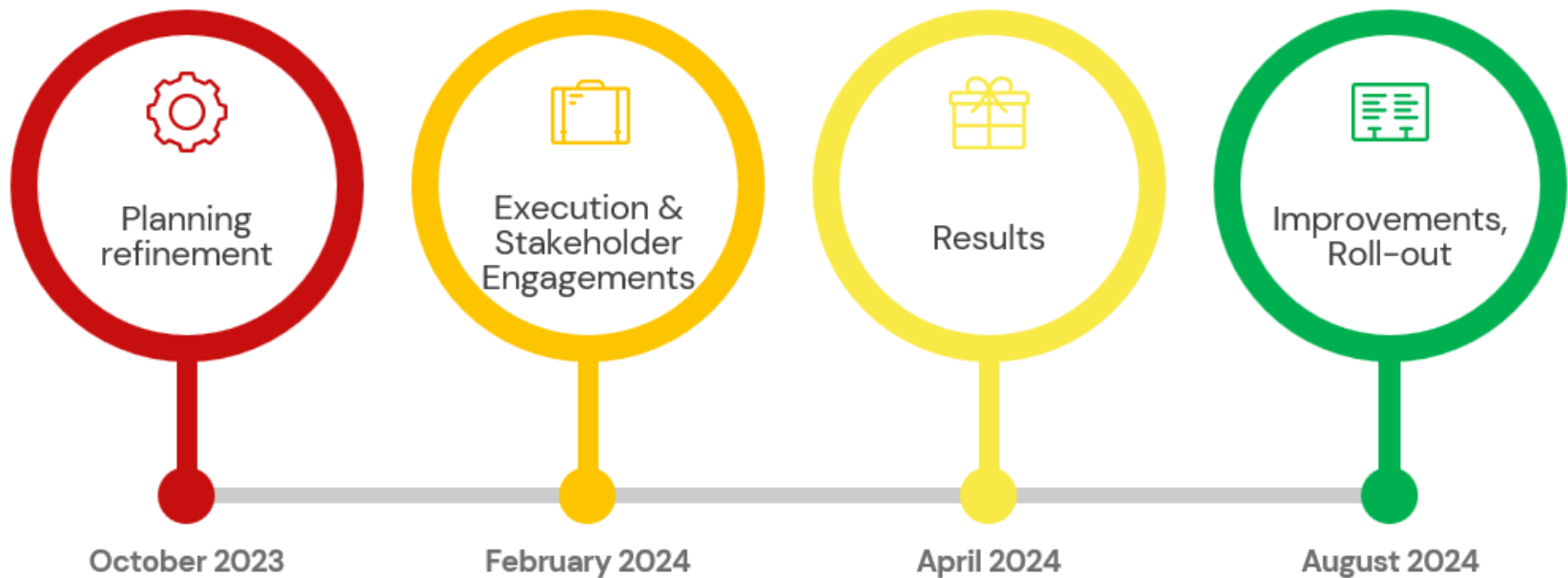


“Support on mapping, analysing, and advising on financial instruments in South Africa and Namibia”

1. Mapping of funds & forms of funding
 - Deliverable: funding & biobased investment market scoping report
2. Analysis on strengths and weaknesses and accessibility
 - Deliverable: SWOT report
3. Advise on gaps
 - Deliverable: appropriate funding mechanisms
4. Training and awareness
 - Deliverable: training materials, manuals, guidelines

Envisaged timeline

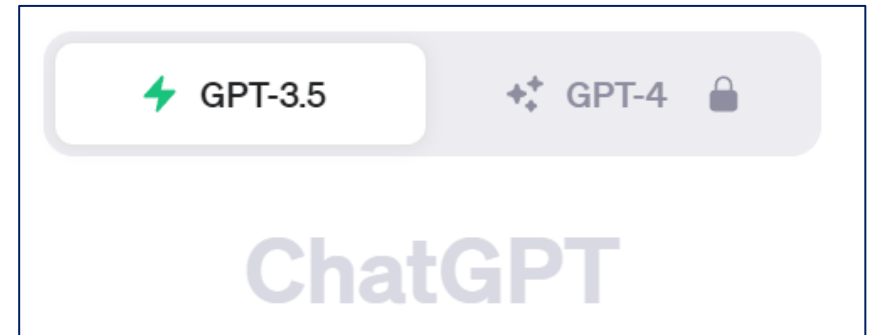
September 2023 – August 2024



„Typical“ funding requirements?



1. **Startup Capital:** In the early stages, businesses often need funding for product development, market research, legal expenses, and initial marketing efforts. This can range from a few thousand dollars to several hundred thousand dollars or more, depending on the nature of the business.
2. **Working Capital:** This is the capital required to cover day-to-day operational expenses, such as rent, utilities, payroll, and inventory. The amount needed depends on the size and nature of the business but is crucial for maintaining ongoing operations.
3. **Expansion Capital:** As a business grows, it may need additional funds to expand its operations, open new locations, or increase production capacity. This can vary significantly but often involves significant investments in infrastructure and resources.
4. **Marketing and Sales:** Businesses need funds to market their products or services and drive sales growth. Marketing campaigns, advertising, and sales team expansion all require capital.
5. **Technology and Equipment:** Investing in technology, machinery, or equipment upgrades may be necessary for businesses in certain industries. The cost can vary widely, from a few thousand dollars for software to millions for specialized machinery.
6. **Research and Development:** For technology startups or businesses in innovative industries, ongoing research and development can be a significant expense. This is crucial for staying competitive and developing new products or features.
7. **Inventory and Supplies:** Retail and manufacturing businesses often require funds to purchase and maintain inventory. The amount needed depends on the size of the inventory and the industry.
8. **Debt Repayment:** If a business has taken on loans or acquired debt, part of its funding requirements may include repaying these obligations, including interest payments.
9. **Employee Salaries and Benefits:** As a business grows, it typically hires more employees, and this comes with increased payroll costs. Benefits like healthcare and retirement plans also contribute to funding requirements.
10. **Legal and Regulatory Compliance:** Businesses may need funds to navigate legal and regulatory requirements, including permits, licenses, compliance fees, and legal counsel.
11. **Emergency Fund:** Maintaining a financial cushion is wise to handle unexpected expenses or economic downturns. This can help the business weather challenging times without jeopardizing its operations.
12. **Contingency Planning:** Setting aside funds for strategic opportunities or unforeseen changes in the market can be part of a business's funding strategy.



What are the typical funding requirements of small, growing businesses?

Result: a long list of the usual suspects

What are the „typical“ funding requirements of companies in the „biotrade“ sector



Plus

The usual suspects

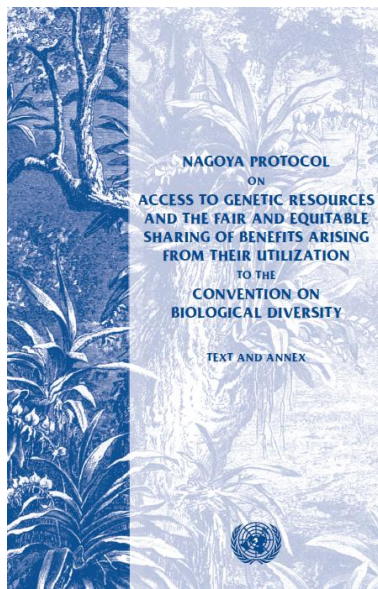


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- ABS compliance including identifying and negotiating with holders of traditional knowledge
- Fundamental science, applied science, R&D and innovation on new species and products
- Building new supply chains with species that may not yet be selected and domesticated
- Access to new markets with barriers protecting target market consumers and industries
- Building industry and consumer awareness of completely new products

Plus.....

....The other Nagoya Protocol expectations



Annex

MONETARY AND NON-MONETARY BENEFITS

1. Monetary benefits may include, but not be limited to:

- (a) Access fees/fee per sample collected or otherwise acquired;
- (b) Up-front payments;
- (c) Milestone payments;
- (d) Payment of royalties;
- (e) Licence fees in case of commercialization;
- (f) Special fees to be paid to trust funds supporting conservation and sustainable use of biodiversity;
- (g) Salaries and preferential terms where mutually agreed;
- (h) Research funding;
- (i) Joint ventures;
- (j) Joint ownership of relevant intellectual property rights.

2. Non-monetary benefits may include, but not be limited to:

- (a) Sharing of research and development results;
- (b) Collaboration, cooperation and contribution in scientific research and development programmes, particularly biotechnological research activities, where possible in the Party providing genetic resources;

- (c) Participation in product development;
- (d) Collaboration, cooperation and contribution in education and training;
- (e) Admittance to *ex situ* facilities of genetic resources and to databases;
- (f) Transfer to the provider of the genetic resources of knowledge and technology under fair and most favourable terms, including on concessional and preferential terms where agreed, in particular, knowledge and technology that make use of genetic resources, including biotechnology, or that are relevant to the conservation and sustainable utilization of biological diversity;
- (g) Strengthening capacities for technology transfer;
- (h) Institutional capacity-building;
- (i) Human and material resources to strengthen the capacities for the administration and enforcement of access regulations;
- (j) Training related to genetic resources with the full participation of countries providing genetic resources, and where possible, in such countries;
- (k) Access to scientific information relevant to conservation and sustainable use of biological diversity, including biological inventories and taxonomic studies;
- (l) Contributions to the local economy;
- (m) Research directed towards priority needs, such as health and food security, taking into account domestic uses of genetic resources in the Party providing genetic resources;
- (n) Institutional and professional relationships that can arise from an access and benefit-sharing agreement and subsequent collaborative activities;
- (o) Food and livelihood security benefits;
- (p) Social recognition;
- (q) Joint ownership of relevant intellectual property rights.

- A diverse funding and financing ecosystem for start-ups, SMMEs/SMEs, farmers, cooperatives, business support organisations, incubators, projects and programmes exists in South Africa and Namibia
- However, anecdotal evidence suggests funding and financing instruments specifically for biotrade/bioprospecting businesses and support organisations; commercialization of products from our plant biodiversity, is limited
- We plan to map this area of additionality (not the usual suspects)

Progress in South Africa



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Initial scoping of funding and financing institutions in South Africa with potential area of interest in the biotrade/bioprospecting/indigenous natural products sectors with a biodiversity, ABS and conservation focus

September 2023

Cyril Lombard



Category	Institution	Comment
Development finance institutions	Industrial Development Corporation	<ul style="list-style-type: none"> ➤ Main potentially relevant sectors areas: <u>agro</u>-processing and agriculture; and chemicals, medical and industrial mineral products. ➤ Manages the <u>BioPANZ</u> Finance Cluster-supported fund – Indigenous Natural Products Fund.
	Development Bank of South Africa	<ul style="list-style-type: none"> ➤ No specific sector interest, However, manages DFFE's Green Fund ➤ And see information on approach to sustainability: https://www.dbsa.org/sustainability.
Government instruments	The <u>dtic</u> instruments/incentives	<ul style="list-style-type: none"> ➤ Includes: sector specific assistance scheme, <u>agro</u>-processing support scheme and the export marketing and investment assistance. ➤ Supports <u>BioPANZA</u> Finance Cluster and the Indigenous Natural Products Fund managed by IDC.
	Technology Innovation Agency	<ul style="list-style-type: none"> ➤ Three funds: Seed Fund, Technology Development Fund, Pre-Commercialisation Fund. ➤ <u>Also</u> in Sectors & Programmes: Bio-Economy covering Health, Agriculture, South African <u>Biodesign</u> Initiative, Technology Platform Programme and Technology Innovation Cluster Programme.
	Department of Science and Innovation	<ul style="list-style-type: none"> ➤ Supports TIA. ➤ Supports the Indigenous Natural Products Fund managed by IDC. ➤ Unit supporting IKS-based bio-innovation and commercialisation. ➤ Supports several bioeconomy projects through CSIR and <u>incubators</u> ➤ And DSI has tax incentives for R&D which might have value to <u>biotrade</u> businesses. However, exclusions from eligibility includes. "An activity undertaken solely for the purpose of compliance with regulatory requirements".

Progress in South Africa

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	Department for Forestry, Fisheries and Environment (DFFE)	<ul style="list-style-type: none"> ➤ The Green Fund, managed by DBSA. Three thematic funding windows: <u>Green</u> cities and towns, low carbon economy, and environmental and natural resource management. The last includes “biodiversity benefiting businesses including sustainable farming”. ➤ Biodiversity Sector Investment Portal; championed by the DFFE, supported by UNDP and Biodiversity Finance Initiative (BIOFIN). Promotes bankable investment opportunities in the <u>biotrade</u> sector and wildlife, tourism. Not a direct funder or financier, but links to a range of sources <u>including</u>: traditional lenders, venture capital, private equity, private and corporate philanthropy, conservation funds, Development Finance Institutions, global finance such as The GEF, country-level DFIs including GIZ and <u>AfD</u>, and government support.
	Department of Small Business Development (DSBD)	<ul style="list-style-type: none"> ➤ Small Enterprise Development Agency (SEDA), “provides non-financial support to small enterprises and cooperatives. Seda has by far the biggest network of offices in the country, with 53 branches including 46 co-location points. Seda has presence in some townships and rural areas and has programmes targeting youth and women. Seda supports 99 Technology Incubation Centres across the country, affording start-ups and new disruptive innovations a well-equipped and protected environment in which to develop and grow for a period of three years”. ➤ Includes: The European Union (EU) funded Ecosystems Development for Small Enterprises Programme (EDSE) is an innovative and multidimensional programme that aims to effect meaningful change across South Africa’s Small, Medium, and Micro Enterprise (SMME) ecosystem”. ➤ SEFA: Small Enterprise Finance Agency; sectors <u>include</u>: services, manufacturing (including <u>agrq</u>-processing), construction, mining and green industries (renewable energy, waste and recycling management).
	Department of Agriculture, Land Reform and Rural Development (DALRRD)	<ul style="list-style-type: none"> ➤ National strategy for indigenous food crops.

Progress in South Africa



Incubators, accelerators	CSIR Biomanufacturing Industry Development Centre	➤ "BIDC was established to translate biotechnology-based research and development (R&D) into market-ready products and services. The project is housed at the CSIR and offers competency throughout the value chain, i.e. from laboratory scale validation through to demonstration of technology, prototyping and pilot manufacturing".
	The Innovation Hub	➤ Business incubators include <u>BioPark@Gauteng</u> , and hub companies in the sectors of biosciences and the green economy.
	Chemin – The South African Chemical Technology Incubator	➤ Supported by TIA (and probably others). "Chemin Bio-Life Sciences Programme: SMME Enterprises Manufacturing of Herbal Infusions, Cosmeceuticals and Nutraceuticals based on Traditional Knowledge".
	Impact Amplifier	➤ Accelerating impact businesses, investing into impact businesses and ecosystem solutions for the impact economy.
Venture capital & private equity	SA SME Fund	➤ Fund of funds. <u>OneBio</u> Fund of possible interest: https://sasmefund.co.za/our-investments/ .
	SAVCA – Southern African Venture Capital and Private Equity Association	➤ Some members offer funding to industries of potential relevant: see https://www.savcamembers.co.za/search.html .
	Business Partners Ltd	➤ No apparent interest in biodiversity, conservation, <u>biotrade</u> .
South African banks, ESG programmes	Nedbank, <u>WWF</u> and The Green Trust	➤ Requires research and evaluation.
	Several others to follow	➤ Requires research and evaluation.
Corporate funds and foundations	<u>Tshikululu</u> Social Investments	➤ Links those seeking investments to corporate social responsibility-type funders.
	<u>AngloAmerican</u>	➤ <u>Zimele</u> ; Enterprise Development Fund, Supplier Development Fund and Youth Development Fund.
	Several others to follow	➤ Requires research and evaluation.

Progress in South Africa



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Bilateral/international programmes with investments and funds in Africa	AfD, FFEM, Proparco, BMZ, BfN, KfW, GIZ, PPPs, SECO, and multiple bilateral and multilateral development programmes	
	Eco.business Fund	<ul style="list-style-type: none"> ➤ Impacts targeted <u>are</u>: biodiversity conservation, sustainable use of natural resources, climate change mitigation and adaptation, socio-economic improvements. ➤ Action areas: providing dedicated funding, providing technical assistance, shareholder dialogue and cooperation.
	The IRD, CNRS and CIRAD in Southern Africa	<ul style="list-style-type: none"> ➤ Supports programmes in science, <u>innovation</u> and entrepreneurship, including the Sustainability Research and Innovation Congress in 2022.
Multilateral programmes	The GEF Small Grants	➤ Requires research and evaluation.
	The GEF Star Allocation	➤ Requires research and evaluation.
	The GEF Non-Grant Instrument	➤ Has an interest in this sector, see <u>EcoEnterprises Fund</u> .
	International Fund for Agricultural Development (IFAD)	➤ Requires research and evaluation.
	World Bank including IFC	➤ Requires research and evaluation.
	BIOFIN, UNDP	<ul style="list-style-type: none"> ➤ Not a direct source of funding or finance, however, provides linkages to directly relevant projects: https://www.biofin.org/finance-solutions In South Africa supports the Biodiversity Sector Investment Portal.
International and sovereign funds	OPIC	➤ Requires research and evaluation.
	<u>Norfund</u>	➤ Requires research and evaluation.
	<u>Proparco</u>	➤ Requires research and evaluation.
	SIFEM	➤ Requires research and evaluation.
	Several others to follow	➤ Requires research and evaluation.

Progress in South Africa



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Carbon market related including Nature-based Solutions (NbS)	Numerous programmes and initiatives of polluters and other industry investors	➤ Complex and rapidly changing area that can potentially support <u>biotrade</u> value chains where tree planting and biodiversity conservation in NbS and other projects lead to demonstrable carbon sequestration.
	Several others to follow	➤ Requires research and evaluation.
Impacts Investors with African investments	Aspen Institute membership, Global Impact Investment Network	➤ Promotes multi-stakeholder involvement, good base from which to identify potential impact investors of relevance; areas of potential interest include: business and society, energy and environment, philanthropy and social enterprise, justice and civic <u>identity</u> .
Donor NGOs, organisations	Oxfam	➤ Requires research and evaluation.
	WWF	➤ Requires research and evaluation.
	Conservation International	➤ Requires research and evaluation, see CI Ventures.
	Several others to follow	➤ Requires research and evaluation.

**Question, comments and
suggestions requested from
stakeholders**

Thank You

BioInnovation Africa

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Implementation approach (new/old)



- What will remain +/-: Staff concept, countries, implementation partners
- (Meanwhile) less budget, less resources, less partnerships (2/country) → focus
- Shifts in focus:
 - Embedding biodiversity VC into wider context (GBF, NbS, NBSAPs) and portfolio (integrated solutions)
 - Gender higher „up“ in the VCs
 - Knowledge management, dialogue and institutionalization
 - More than ABS and ABS FPs, e.g. finance aspects → ABS as a means, not an end
 - **Focus on existing partnership / new partnerships under additional funds**
 - **3 partnership categories:**
 - (a) Continuation (initial budget) and (b) scale-up (additional funds) of „old“ partnerships
 - (c) New partnerships subject to a call for expression of interest
 - (d) Follow-up activities of terminated partnerships (sector-level, no regret,...)