

Regional Initiatives

Published online: 19 February 2004, doi:10.1038/bioent794

▼ New Zealand launches biotech seed fund

Kim Griggs¹

Kim Griggs is a freelance writer based in Wellington, New Zealand.

The New Zealand government seeks private investors to complement a new biotech venture capital fund.

The New Zealand government plans to invest NZ\$25 (US\$17.5) million in a new Biotech Seed Fund (BSF), which is due to start investing in life science startups when complementary private funds have been raised. Such a fund is a necessary step to develop the country's biotech industry, but money and investor experience from abroad might be needed to run it.

New Zealand has significant academic research strengths in large-animal biology (e.g., sheep and dairy cow), world-class research teams in biomedical science and animal genomics, and clinical research expertise. These strengths are expected to be the source of new biotechnology startups, which are forecasted to grow from 40 (excluding agribusiness companies) to 200 over the next ten years in the country¹.

Originally recommended by a governmental task force², the BSF was announced in May 2003 and falls under the umbrella of the NZ\$100 (US\$70) million New Zealand Venture Investment Fund (NZVIF; Auckland, New Zealand), which was set up as part of the New Zealand government's efforts to finance high technology. By comparison, the country's nearest neighbor, Australia, kick-started its own high-technology investment fund, the Innovation Investment Fund (IIF), in 1997. The IIF now amounts to A\$220 (US\$173) million in public funds, with an added A\$138 (US\$108) million from the private sector. The creation of the BSF is "a step along the way," says Peter Andrews, the chief scientist for the Australian state of Queensland.

NZVIF is in charge of selecting a fund manager for the BSF and has begun performing due diligence on the three bids that it has received. NZVIF is considering not only local fund managers but also candidates with track records from bigger international biotech funds. "What we have tried to encourage is a wide range of interest both from within New Zealand and [from] experienced offshore biotech [funds]," says Franceska Banga, NZVIF'S chief executive.

One of the bidders is the local venture capital company Direct Capital (Auckland, New Zealand), which has teamed up with life science technology transfer company Celentis (Auckland, New Zealand). "We were becoming increasingly concerned that the next step along the typical entrepreneurial chain, which is the establishment of a young company, was actually starved or ignored because the venture capitalists and private equity markets in [New Zealand] did not have enough comfort or familiarity with science," says Andrew Kelly, general manager of investment at Celentis.

Once selected, the new fund manager is expected to attract a further NZ\$50 (US\$35) million in private funds to complement the government effort to be invested over the next ten years. The NZVIF may decide to select more than one fund manager, parceling out the government's monies between them. But more than two stand-alone funds would be unlikely; according to Banga, the minimum amount for any fund would be NZ\$30 (\$20) million, with NZ\$10 (\$6.5) million from the New Zealand government and NZ\$20 (\$13.5) million from the private sector. Industry players are all too aware of the dearth of funding in New Zealand. "Nowadays you won't find anybody who will invest in early-stage



AgResearch

New Zealand is seeking managers for its fund dedicated to biotechnology.

biotechnology," says Aki von Roy, chief executive officer of cancer therapeutics company Proacta Therapeutics (Auckland, New Zealand).

Fund managers may therefore have to turn towards offshore investors, given the slim size of New Zealand's venture capital markets. According to [The Australian Venture Capital Journal](#) (Five Dock, NSW, Australia), New Zealand's total venture capital available up until December 2003 was NZ\$618 (US\$431) million, compared with Australia's A\$9.5 (US\$7.5) billion.

However, before attracting investors from offshore, the key is to first gain more confidence from local investors and in particular institutional investors, very few of whom have yet "put their toe in the water," says Banga.

Without more venture capital, whether domestic or from abroad, the New Zealand biotechnology industry will fail to thrive, says James Anderson, general manager of investments at the public research institute Crop and Food Research (Lincoln, New Zealand). "If we don't have [venture capital], these high-risk biotech companies can't get funded, and they basically end up having to license their technology overseas at a very early stage for less return."

References

1. Ernst & Young. Review of New Zealand's Biotechnology Sector. (Ernst & Young, Auckland, New Zealand, March 2003).
2. Falconer, B., *et al.* Growing the biotechnology sector in New Zealand: a framework for action. (Biotechnology Taskforce, Wellington, New Zealand, May 2003).