

Financing instruments and gaps for SMMEs (MSMEs) in the biotrade sector study

A view on the Southern African Region

ABS PANAF

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BIA Namibia & South Africa



Financing instruments and gaps for SMMEs in the biotrade sector

A view on the Southern African Region

Main summary of results on the Financing Mechanisms study

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African-European partnerships – in situ biodiversity conservation and sustainable use



Marula



Buchu



Centella



Manketti



Tetrapleura



Saro



Ylang Ylang



Colophospermum mopane



Beeswax



Honeybush



Rooibos



Mondia

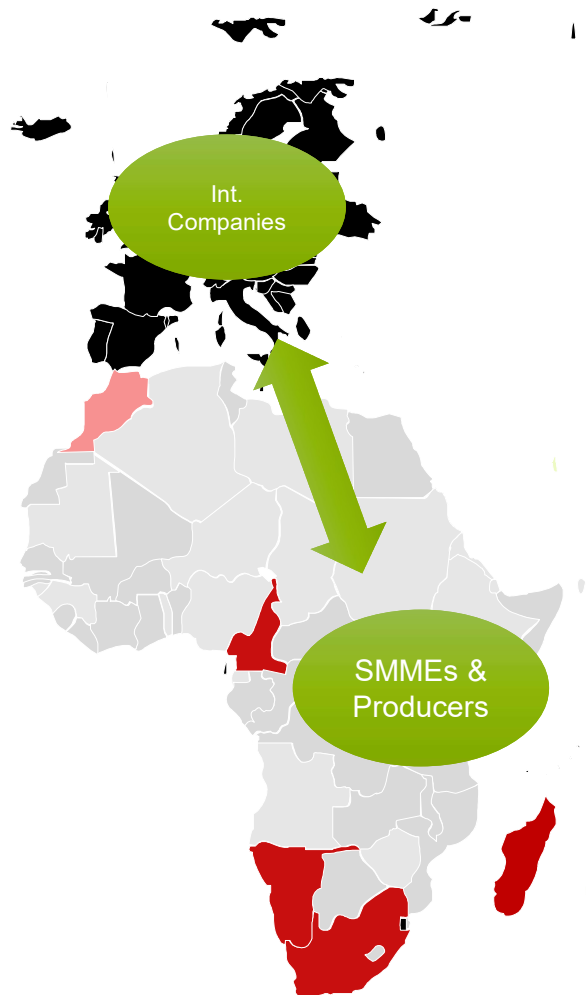


Devil's Claw



Commiphora wildii

Project context



Objective:

The potential of biodiversity-based, African-European value chains is being valorized for social-ecological change in partner countries

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

Importance of definitions, terminology



When carrying out this study it became clear that the definition of “biotrade” was important to clarify.

In Southern Africa “biotrade” is specifically understood in terms of legislation and regulations arising out of National implementation of the Nagoya Protocol.

Table 1: *Terms and Abbreviations Used to Describe Financing of the Biotrade Sector in the Context of this Study*

TERM OR ABBREVIATION	DEFINITION OR DESCRIPTION
ABS	Access and Benefit-sharing as required by national legislation and regulations in countries who are signatories to the Convention on Biological Diversity and the Nagoya Protocol (Source: CBD)
BIODIVERSITY	Biodiversity is the natural capital base for a sustainable economy. The conservation of biodiversity and the sustainable use and trade of biodiversity-derived products and services can provide countries valuable opportunities for economic development and improvement of livelihoods. (Source: UNCTAD)
BIOTRADE	BioTrade is when a product or service sourced from native (indigenous) biodiversity is commercialised and traded in a way that respects people and nature. (Source: UNCTAD) Commonly used in Southern Africa to refer to trade in indigenous natural plant products
FINANCIAL PRODUCT(S) OR SERVICES OR	A product that is connected with the way in which one manages and uses one's money, such as a bank account, a credit card, insurance, etc.
FINANCIAL INSTRUMENT(S)	(Source: Cambridge Dictionary)
FINANCING MECHANISM	A mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology. (Source: UNFCCC, Article 11, para 1)

Essentially “biotrade” refers to indigenous plant and tree species. Outside of the biotrade sector in Southern Africa “biotrade” could including trade in and processing of organic mangoes grown with a biodiversity conservation metric like “tiger friendly”. This led us to understand these related but not identical sectors calling them “adjacent” sectors.

Definitions for SMMEs and cooperatives are diverse

Namibia

- Informal and survivalist enterprises are not included in this definition.
- 2 types of cooperatives: workers or services
- For cooperatives, >51% of the transactions must be led by or benefit its members
- Support to cooperatives are guided by Ministry of Agriculture, Water & Land Reform
- Support to MSMEs is guided by Ministry of Industrialisation and NIPDB
- MSMEs are defined as follows:

Size of enterprise	Total full-time equivalent of paid employees	Total annual turnover
Medium	31-100	<500,000 EUR
Small	11-30	<150,000 EUR
Micro	0-10	< 15,000 EUR

South Africa

- Cooperatives and SMME are classified as small businesses
- Informal and survivalist enterprises are not included in this definition.
- Support to both cooperatives and SMMEs is guided by Department of Small Business Development, and Department of Trade, Industry and Competition
- Small businesses are defined as follows:

Size of enterprise	Total full-time equivalent of paid employees	Total annual turnover
Medium	51-250	<1,750,000 EUR
Small	11-50	< 850,000 EUR
Micro	0-10	< 350,000 EUR

SMMEs as part of the solution

Widespread impact and significant presence to implement sustainable practices at local and global scale:

- **Scale and number** – income and employment
- **Local presence** – ecosystem managers
- **Agility** – new practices & adapt
- **Innovation** – new business models, products and services
- **Connection to communities**
- **Utilisation of traditional / indigenous knowledge and products** – biodiversity-friendly behaviour
- **Sustainable markets** – responsive to growing demand
- **Regulatory compliance** – more agile → reducing risks
- **Resilience** – towards macro-shocks

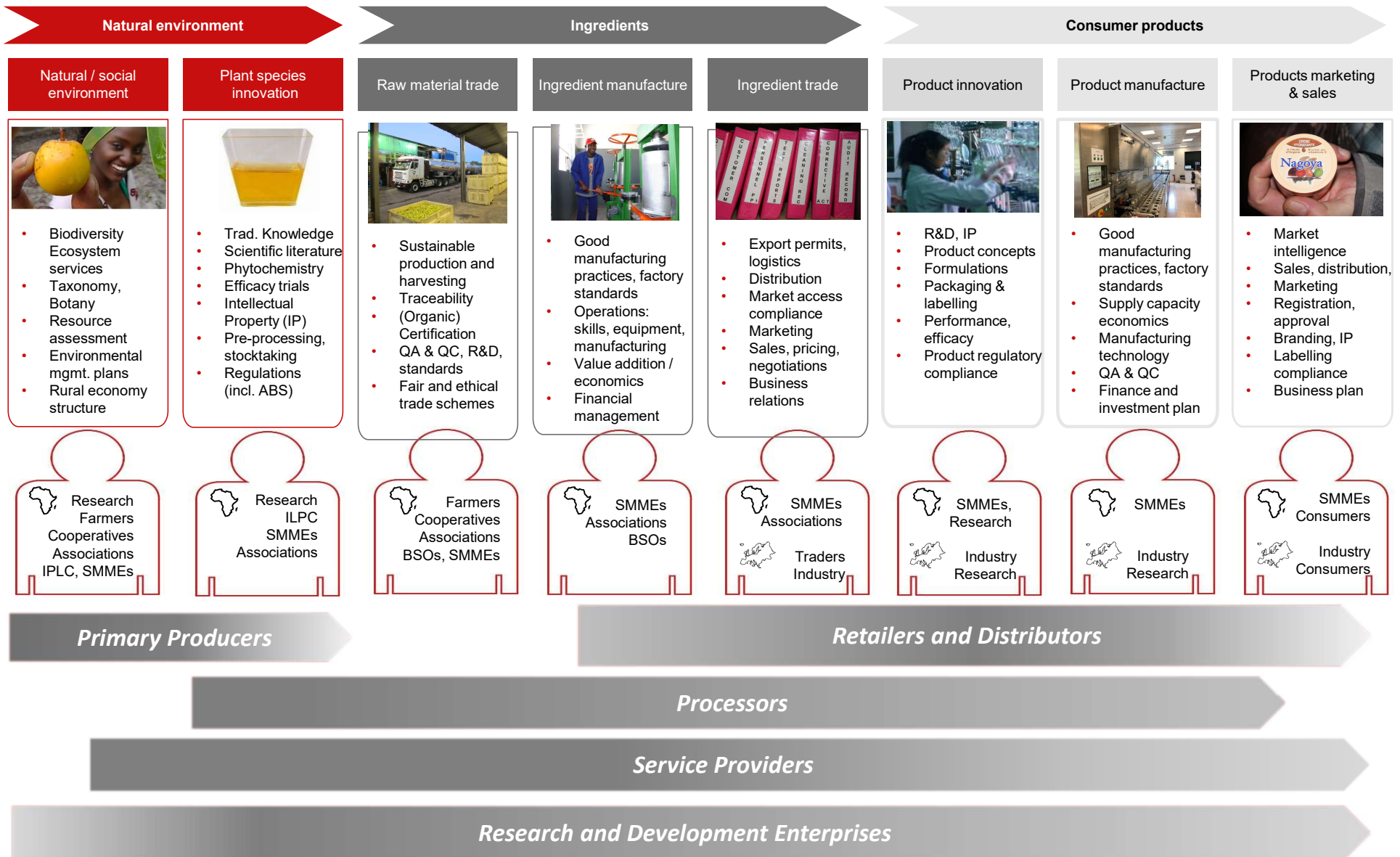


RESPECT FOR PEOPLE



RESPECT FOR BIODIVERSITY

Biodiversity-based Value Chain - from field to consumer, and where SMMEs are represented



Typology and Business Models of SMMEs in Biotrade in the Southern African Region



Primary Producers:

- Directly involved in the extraction or harvesting of biological resources.
- Examples: Small-scale organic/ certified producers (rooibos, buchu, pelargonium), community-based natural resource management groups (marula, devil's claw, manketti)

Processors:

- Raw biological resources are transformed into value-added products or basic ingredients
- Examples: Herbal supplement manufacturers (pelargonium, devil's claw), essential oil distillers (Commiphora), organic food processors (rooibos tea, baobab fruit pulp)

Service Providers:

- Providing services related to biotrade, such as wildlife conservation services, and consulting on sustainable practices
- Examples: community support organisations (WWF, NNF, Greater Sekukhune Cooperative), business support organisations (WESGRO, CECOSA, NANCi, NDCEAT)

Retailers and Distributors:

- Marketing and selling biotrade products, often focusing on niche markets that value sustainability, organic certification, and fair trade.
- Examples: locally – devil's claw exporters, rooibos “board”; European – The Body Shop

Research and Development Enterprises:

- Research, product development, and innovation, including bioprospecting.
- Examples: local – CRIAA (resource Y), Parceval (resource X); European Partners - Blue Sky Botanics, Gustav Heess, Aldivia, Givaudan

Biodiversity-based Value Chain - from field to consumer



Natural / social
environment

Plant species
innovation

Raw material
trade

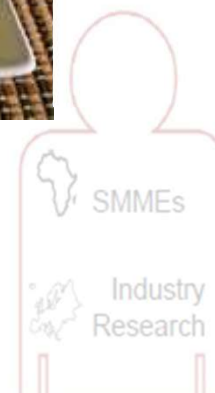
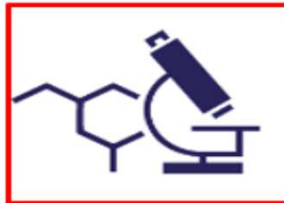
Ingredient
manufacture

Ingredient trade

Product
innovation

Product
manufacture

Product
marketing
& sales



giz

„Typical“ funding and the additional finance requirements for SMME in biotrade?

The usual suspects

Operations finance

Start-up capital

Expansion capital

Working capital

Employees and Benefits

Emergency fund

General business compliance

Asset finance

Debt repayment

Cost of Sales

Market research, marketing
and market access

Technology and Equipment

Logistics

Equity

+

Sector-specific funding

Research, Development
and Innovation

Mandatory compliance
(GMP, safety dossiers,
permits, etc.)

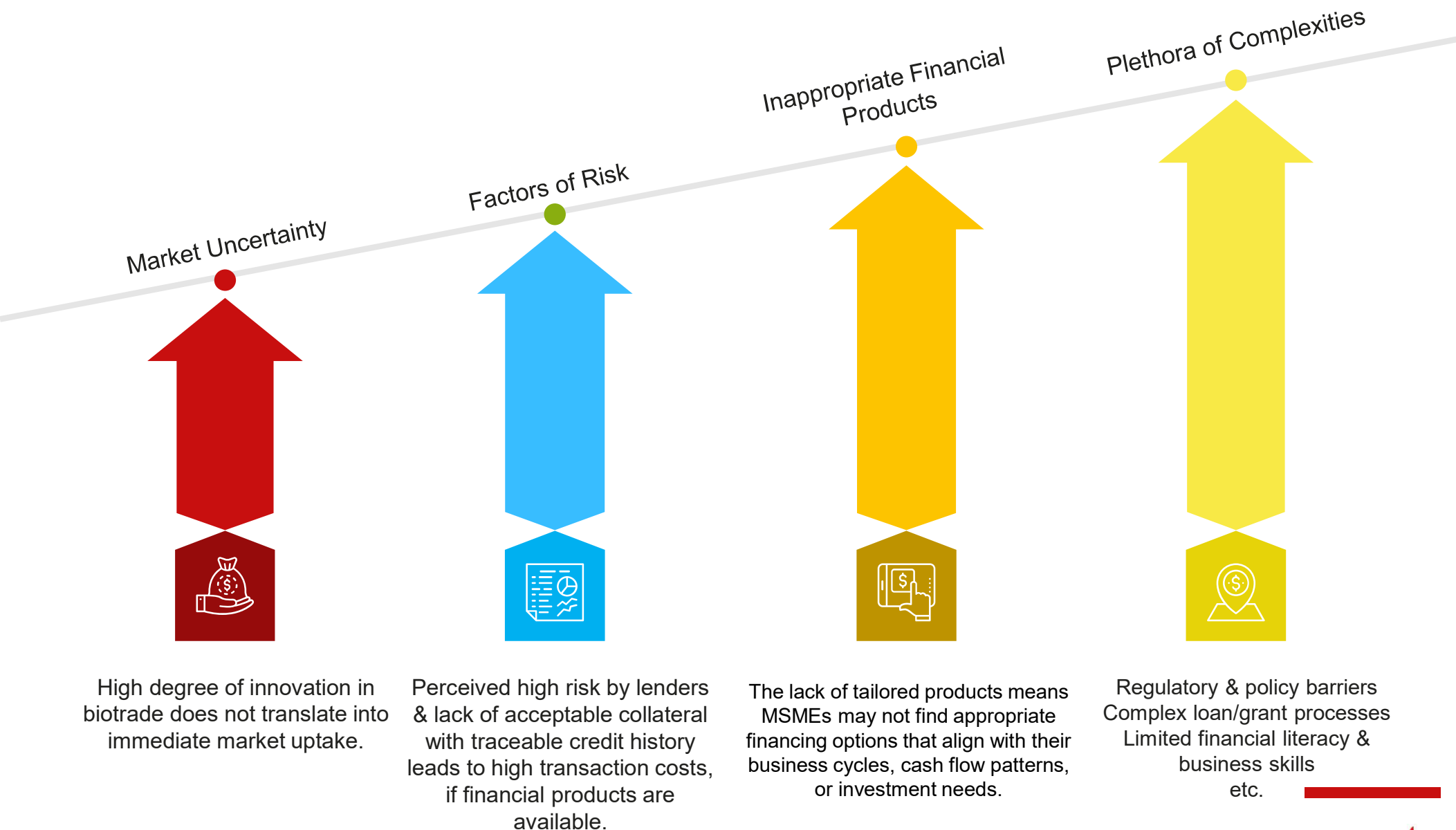
Market compliance
(organic certification, etc.)

Contingency planning

+

- ABS compliance
- Building new supply chains
- Access to new markets
- Building industry and consumer awareness

The recurring challenges for SMMEs in biotrade to access relevant funding options



PESTEL analysis of the biotrade sector



P

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POLITICAL

- Alignment with SDGs and GBP
- Geopolitical situations impact negatively on sector due to negative economic impacts (tend to be luxury products)

ECONOMIC

- Growing demand for sustainable products
- Niche product can also find markets
- Fast changing consumer preferences
- However, bargaining power may be lower, and lack of marketing resources impact such further

SOCIO-CULTURAL

- **Ethical and fair-trade principles**
- **Support for rural development and livelihoods**
- **Inclusivity and bridging knowledge gaps where it matters most**

TECHNO-LOGICAL

- Innovation and unique product offerings
- Adoption of / adaptation with new ways of production is high
- Leveraging technology, research and development leads to higher productivity

ENVIRONMENTAL

- Heavy reliance on natural resources
- Vulnerability to over-exploitation, environmental changes, or depletion, threatening business sustainability
- But, high on biodiversity conservation and sustainable use

LEGAL

- Navigation through complex regulations and having to meet international certification standards is challenging
- Requires significant time, effort, and resources

The strengths of and opportunities for SMMEs in biotrade



Sustainability

Conservation /
protection of
biodiversity



Global Sustainability Goals

Alignment to
SDGs & GBP



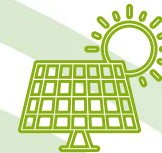
Rural Development

Fosters job &
livelihood creation
and partnerships



Green Finance Options

Present option for
sustainable funds with
appropriate M&E,
Reporting



Innovation

Sustainable use of
resources and innovation
strengthen the sector



Market Demand

Increasing demand for
sustainably sourced,
traceable products

Financial gaps

Aspect	Demand Side (SMEs in Biotrade)	Supply Side (Financial Institutions/Funders)
Typology	<ul style="list-style-type: none"> - Working capital for day-to-day operations - Investment in sustainable practices - Funding for market access and product development - Technical assistance and capacity building for financial management 	<ul style="list-style-type: none"> - Focus on conventional lending products - Preference for short-term financing - Limited provision of non-financial support like technical assistance
Typical Investments	<ul style="list-style-type: none"> - Sustainable agriculture and resource management practices - Development of nature-based products that align to conventional products in cosmetics, pharmaceuticals - Marketing and branding to reach sustainable/ethical markets - Compliance with international standards and certifications 	<ul style="list-style-type: none"> - Investment focus on traditional sectors with predictable returns - Larger-scale projects with high financial returns - Limited investments in niche markets like biotrade
Eligibility Criteria	<ul style="list-style-type: none"> - SMMEs often have limited collateral and credit history - Small-scale operations may not meet minimum revenue or asset thresholds - Need for flexible and tailored financing solutions to accommodate unique business cycles 	<ul style="list-style-type: none"> - Requirement for substantial collateral or guarantees - Preference for larger, established businesses with proven track records - Strict eligibility criteria, often excluding small-scale and informal sector businesses
Interest Rates and Terms	<ul style="list-style-type: none"> - Need for affordable interest rates that reflect the social and environmental value of biotrade - Flexible repayment terms that match revenue cycles, particularly for seasonal businesses 	<ul style="list-style-type: none"> - Higher interest rates due to perceived risks - Standardised repayment terms that may not align with the cash flow of biotrade businesses - Focus on short-term returns
Risk Perception	<ul style="list-style-type: none"> - SMMEs in biotrade require recognition of the lower risk associated with sustainable practices and ethical markets - Need for risk-sharing mechanisms, such as credit guarantees or blended financing options 	<ul style="list-style-type: none"> - High perceived risk of lending to SMEs in biotrade due to market volatility and lack of tangible collateral - Limited use of risk mitigation tools
Alternative Financing	<ul style="list-style-type: none"> - Demand for alternative financing options such as impact investment, green bonds, and crowdfunding - Need for finance that supports innovation and sustainability initiatives 	<ul style="list-style-type: none"> - Limited availability of alternative finance products - Traditional financing models dominate, with limited adaptation to sustainability and impact investing principles - appetite to develop new financing models takes time

Why focus on SMMEs in Biotrade?



Large Collective Impact:

- Even small changes can be implemented quickly, leading to significant positive impacts on biodiversity.
- Collective effects lead to sustainable biodiversity

Catalysts for Change:

- Upstream and downstream influence
- Larger corporations, suppliers, and customers, depend on SMMEs creating a ripple effect that promotes biodiversity conservation.

Targeted Support and Scalability:

- Governments, NGOs, and international organisations can provide targeted support (e.g., training, financial incentives, certification programs)
- Support is easily scalable and replicable across the board.

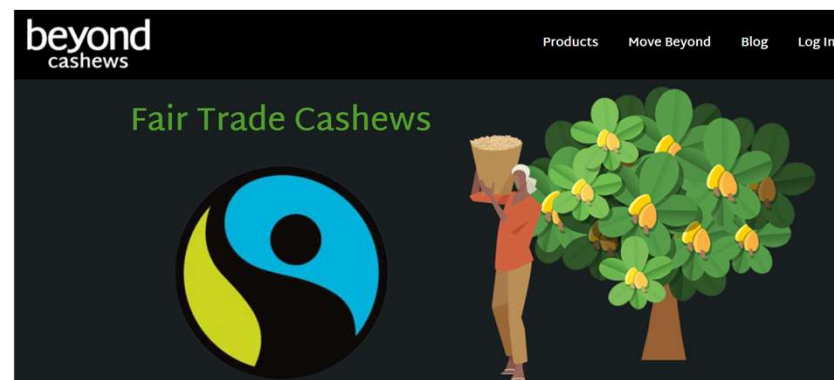
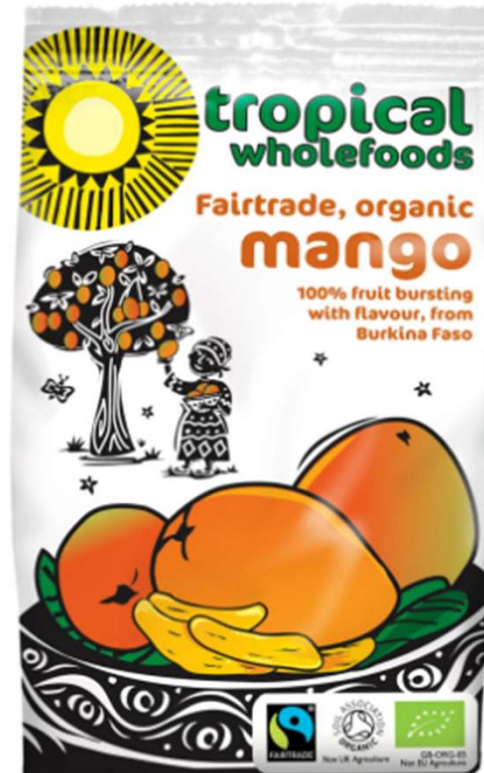
Job Creation and Sustainable Development:

- Targeted support to SMMEs in biodiversity-friendly sectors can drive job creation, rural development, and poverty alleviation.
- Efforts can easily be aligned to Sustainable Development Goals and the Global Biodiversity Plan(s)

Sectors adjacent to Biotrade already attract large scale finance. What can we learn here?



- *Agroforestry*
- *Organic agriculture*
- *Fair-trade*
- *Regenerative agriculture*
- *Agricultural practices linked to biodiversity or conservation indicators*
- *Agriculture and forestry leading to carbon sequestrations with carbon credits and biodiversity credits opportunities for investors – Nature-based Solutions*
- *Agriculture and forestry leading to climate change mitigation and adaptation*
- *Nature-positive transitioning using renewable energy*



Amazon Biodiversity Fund



Portfolio results 2022

Key highlights:

274 farmers
and 48
households

are participating in ABF funded
projects, of which 100% are
in the municipalities where
the projects are based in the
Amazon



4 new
enterprises
have been created and
12 community
organizations
supported



132ha
of land has improved
biophysical conditions,
considering directly impacted areas
815ha considering indirectly impacted areas as well.



29 new
products
of Amazonian origin
have been created.



135 jobs
have been created,
of which on average 81% are in the
municipalities where the projects
are located in the Amazon, 42% on
average are held by women and 25%
on average are held by Black people



With wide expertise

Our expertise spans from Venture Impact, Private Equity,
Debt to Project Finance and Environmental Assets
creation, including Carbon.

1. Climate:

Net positive impact on climate
change

2. Ecosystems:

Restoring degraded land, protecting
and enhancing ecosystems

3. Species:

Improve the presence of native
species and the conservation status of
threatened and endangered species

4. Livelihoods:

Create jobs, support livelihoods and
provide sustained family income

5. Sustainable Enterprises:

Build capacity of enterprises
and organisations towards
environmental, social and economic
sustainability.

6. Wellbeing & Inclusion:

Support improvement in overall
community, wellbeing and inclusion.

7. Investment Returns to local stakeholders

Fair returns for the fund whilst
maximising returns for local
stakeholders in the long run.

Our partners



We help rural communities restore and preserve their ecosystems to improve their livelihoods

The Livelihoods Carbon Fund #1 was launched in 2011 by 10 investors: Danone, Schneider Electric, Crédit Agricole S.A., Michelin, Hermès, SAP, Groupe Caisse des Dépôts, La Poste, Firmenich, Voyageurs du Monde.

A Livelihoods Carbon Fund #2 was created in 2017 by Crédit Agricole, Danone, Firmenich, Hermès, Michelin, SAP, Schneider Electric & Voyageurs du Monde to enable them to accelerate their actions for climate and the most vulnerable populations. It was joined by Eurofins in 2019.

In return for their financial contribution, investors receive carbon credits with high social value, which they can use to offset part of the



MALAWI: preserving health & forests with 60,000 rural households



KENYA (Embu): mitigating deforestation through rural energy & agroforestry



GUATEMALA: biodiversity preservation & sustainable cardamom cycle



INDIA: agroforestry & silk tree plantation to bring marginalized communities out of poverty



RWANDA: agroforestry at scale for soil, water and food



GHANA: a sustainable shea sourcing project to support 13,000 women farmers



MADAGASCAR: a resilient vanilla supply chain with farmers

The Moringa Partnership is the investment advisor to the Moringa Fund, and the manager of the Agroforestry Technical Assistance Facility.

Agroforestry will become a central element in the global response to the growing demand for sustainable agricultural and timber products. Agroforestry also counters global warming by planting trees, conserves biodiversity by its inherent diversity and alleviates poverty by providing opportunities to local communities.

It exploits biological synergies between trees and crops or livestock to produce better land management, higher productivity, higher and more sustainable incomes for local populations, reduced project risks and positive environmental and social impacts.

Moringa's vision is to provide financial returns for its investors and for local communities while contributing to building environmental and social resilience of land-use.

Agroforestry provides a profitable alternative to the unsustainable land use practices which drive deforestation. Compared with these practices, well-designed and well-managed agroforestry projects provide:

- better risk mitigation in the short and long term;
- higher profitability in the long term.

Private equity, and development agency and agroforestry



**EDMOND
DE ROTHSCHILD**

EDMOND DE ROTHSCHILD PRIVATE EQUITY



ONF INTERNATIONAL



ComaFruits & SOBEMA

ComaFruits was created in 2009 to enhance the value of the huge and largely unexploited organic mango...



B-BOVID

B-BOVID Ltd is a Ghanaian UN-Award winning farming and processing palm oil enterprise created in 2014...



Jus Délice

Jus Délice is a Togolese company created in 2017 to build a juice processing plant in Togo supplied...



TexBel

TexBel is a coconut water and citrus company in Belize founded in 2013 owning three farms in Belize...



Live Love Well – Asante

Live Love Well is a fully integrated grower, producer and brand owner of premium quality organic moringa...



Floresta Viva

Floresta Viva is a Brazilian company producing food and timber products following syntropic agriculture...



Cafetalera Nica-France

Cafetalera Nica-France is a Nicaraguan agroforestry company specialized in the production of high...



Tolaro Global

Tolaro Global is the leading cashew processing company in Benin. Tolaro collects cashew among local...

EcoEnterprises Fund



<https://ecoenterprisesfund.com>

Partners



Hivos-Triodos Fonds



Published December 2023

earthscan
from Routledge

Impact Investing for a Sustainable Planet

Insights from EcoEnterprises Fund

Tammy E. Newmark and Michele A. Pena



Impact Investing for a Sustainable Planet guides investors in supporting entrepreneurs to scale business models which maximize positive impact outcomes, including climate- and nature-based solutions. EcoEnterprises Fund is a long-standing leader in the impact investing industry, which helps advance sustainable entrepreneurial ventures and promote environmental stewardship in Latin America.

Following on from their previous book, *Portfolio for the Planet*, Tammy E. Newmark and Michele A. Pena take stock of EcoEnterprises Fund's processes and partnerships over two decades and three impact funds. They detail the unique strategies employed by the Fund to invest in expanding sectors such as regenerative agriculture, agroforestry, bio-innovation, and climate tech. Close analysis of the investment processes and company engagements offers practical takeaways, ranging from tips on structuring transactions to guidance on enhancing companies' environmental and social management systems and community partnerships. These case studies highlight how specific themes – including biodiversity investing, supply chain management, gender-smart investing, climate solutions, and successful exits – form the basis for sustainable growth and enduring powerful outcomes.

This inspiring volume offers practical advice for veterans and newcomers in the field of impact investing. It will also be a valuable resource for students and scholars of sustainable investing and finance, social entrepreneurship, and sustainable business.

1. Introduction – Two decades of monumental shifts
2. Evolution of EcoEnterprises Fund: From proof to convention.
3. Nature-based solutions: Path to a sustainable future
4. Management of a portfolio at scale
5. Catalyzing enduring sustainable businesses
6. Impact investing for the next generation



Conservation International / CI Ventures



How CI Ventures financing works

CI Ventures' capital supports enterprises that will generate profit, which helps to pay off the loans — returning principal and interest to the fund that can be used to make future investments. Over time, this revolving fund will grow and have additional capital to continuously reinvest in conservation efforts.

Typical investment: US\$ 200,000-500,000

Typical investment duration: Up to 5 years

Types of investments

CI Ventures invests in startup and growth-stage enterprises seeking financing to support:

- **Investment readiness:** Targeted, relatively short-term interventions and investment to improve readiness to mobilize larger follow-on financing (e.g., improved financial control systems, export and/or market certification, third-party audit of impacts)
- **Growth Capital:** Investments in companies with mature business models that seek capital to expand or restructure operations or enter new markets (e.g., working capital lines, capital expenditures)
- **Novel approaches:** Innovative technologies, proof-of-concept and market-based approaches that disrupt or replace existing unsustainable production models

Eligibility

To be eligible for financing from CI Ventures, enterprises must demonstrate:

- A viable business model
- Potential for significant, measurable environmental and social impacts (e.g., biodiversity conservation, restoration of natural resources, jobs created, etc.)
- Potential to unlock future additional investment at scale
- Strong management capacity
- Alignment with Conservation International's [mission and values](#)

Providing sustainable economic opportunities must be at the core of successful conservation strategies.

CI Ventures is an investment fund that provides loans to small- and medium-sized enterprises that operate in the forests, oceans and grasslands where Conservation International works. Whether in sustainable agriculture or forestry, ecotourism or wild fisheries, these businesses share one thing in common: a commitment to practices that benefit ecosystems and human well-being.

Prosper Africa



PROSPER AFRICA

A U.S. TRADE AND INVESTMENT INITIATIVE

Participating Agencies



U.S. Agency for International Development (USAID)

+



U.S. International Development Finance Corporation (DFC)

+



U.S. Department of Commerce (DOC)+

17 participating agencies including MCC which in the 2000's set up the Millennium Challenge Account – Namibia which invested significantly into indigenous natural products



Millennium Challenge Corporation (MCC)

The [Millennium Challenge Corporation](#) is an innovative and independent U.S. foreign assistance agency that is helping lead the fight against global poverty. MCC supports Prosper Africa by providing African partner nations with time-limited grants that promote economic growth, reduce poverty, and strengthen institutions. MCC's selection criteria and annual country scorecards also incentivize policies that support a business-friendly environment across Africa.



Burt's Bees Invests in Ghanaian Beekeeping Industry



The United States Co-Invests in Shea Butter Supply Chain with Ghana-Based Company

Home » Impact Stories » Mother's Shea Exports to 1,000+ Target Stores Across the United States

Mother's Shea Exports to 1,000+ Target Stores Across the United States

- Ghana
- Consumer Goods





WWF



WWF Impact supports investment solutions to solve some of the most pressing environmental challenges facing people and the planet. We seek to identify innovations and business models that have been neglected by mainstream markets but have the potential to help combat the climate crisis. The companies we support aim to be leaders in delivering measurable benefits to the ecosystems and communities in which they operate.

Our primary area of focus is the food system. New food production methods and circular approaches are needed to feed a growing population, reverse biodiversity loss, and facilitate adaptation. WWF's decades of experience and global network position us to identify the strategies and solutions that are poised to succeed and make a dent in these intractable challenges.

Through impact investing, we amplify our conservation work. When WWF Impact invests, the world changes faster.

Market Partnerships

We partner with investment managers to identify and accelerate sustainable approaches driving environmental benefits at scale.

Spurring sustainability across mature markets requires investment in large-scale production and supply chain improvements. WWF Impact is partnering with experienced asset managers to support investment into companies that are uniquely positioned to deliver conservation benefits that prioritize human and planetary health. We serve as impact advisors to fund managers building portfolios that are grounded in holistic impact, aligned with scientific best practices, and centered around communities.



When WWF Impact invests, the world changes faster.

WWF Impact draws upon the programmatic expertise of our Food, Climate, Agriculture, and Aquaculture leadership, as well as from our core investment teams, to design and execute our impact strategy. Our Impact Advisory Panel (IAP) guides our work and is comprised of experienced leaders from multiple industries, ranging from climate research, financial markets, and development finance.

Backed by the team and expertise of WWF, we make investments that have the potential to accelerate change. Our decades of experience and global networks position us to help identify cutting edge companies with business models that drive lasting impact at scale.

REGENERATIVE AGRICULTURE

WWF IMPACT IS FOCUSED ON FARM-LEVEL TECHNOLOGIES THAT ADVANCE ENVIRONMENTAL, SOCIAL, AND ECONOMIC OUTCOMES FOR FARMERS, FARM WORKERS, AND AGRICULTURAL COMMUNITIES, INCLUDING

- Novel ingredients, formulations, and delivery methods for livestock feed
- Circular manure management systems
- Hardware and software that improve farmworker livelihoods
- Tools with international applications that foster climate resilience and productivity

Clarmondial, Food Securities Fund

[COMPANY](#)[CLIENTS](#)[RESOURCES](#)

Welcome to Clarmondial

Clarmondial creates value by proactively designing and implementing investment solutions within the natural resource management sectors. Our clients have included both investors and companies seeking investment. With expertise and an international network in the corporate, finance and scientific communities, our multi-disciplinary team has a unique ability to catalyze financing for businesses with the potential for durable impact on society and the environment.

For investors, we have successfully provided strategy, origination, due diligence and investment management support. On behalf of businesses, we provide our clients with the strategic advice, networks and support needed to assess and acquire the appropriate type of investment needed to scale impactful businesses. Clarmondial is built on core values of integrity, transparency and ensuring tangible value-add and quality of service. We welcome speaking with potential clients and partners. [Read More...](#)



The Food Securities Fund is an open-ended investment fund that uses an innovative blended finance approach to promote sustainable development through agricultural value chains. It addresses a financing gap by providing working capital to agricultural companies that operate in emerging markets and aggregate produce from farmers, particularly smallholders. By offering loans that cover the entire agricultural cycle, the Fund enables its borrowers to provide increased pre-harvest support to farmers. By making loans conditional to improvements on social, environmental and governance (ESG) performance, the Fund promotes the uptake of sustainable and climate-smart agriculture contributing to the UN Sustainable Development Goals (SDGs) and the Global Environmental Benefits (GEBs).

News



New USD 300 million financing for cocoa & coffee announced. Support from key origins and Concept Note submitted to Green Climate Fund endorsed

Clarmondial has received endorsement to proceed to Full Proposal development by the Green Climate Fund (GCF) [More...](#)



Clarmondial partners with SSNUP to support nature & gender action in Burkina Faso

Clarmondial has partnered with the Smallholder Safety Net Upscaling Programme (SSNUP) to support an investee of [More...](#)



Food Securities Fund: three years of impact and counting!

The Food Securities Fund ("Fund") 2023 Impact Report was recently shared with investors. The Impact Report [More...](#)

The development of the Fund was supported by Convergence, the global network for blended finance; the United States Agency for International Development (USAID) through the Bureau for Food Security; the US International Development Finance Corporation (DFC); and others. Investors include the Global Environment Facility, which approved a USD 15 million commitment provided through its partner Conservation International – a press release is available on this [link](#).

Important observation / feedback by some of the funds/respondents:



- *Money usually follows opportunity and if there is no funding for the biotrade sector - are the opportunities clear to potential investors?*

For the biotrade sector this means that the market opportunities, the pipeline of investment-ready candidates, and the supporting ecosystem should be clarified and further developed

To attract development funding, the biotrade sector needs to articulate the “public goods” generated by the growth of the sector – including conservation, social and economic outcomes

For example: Sustainable Development Goals and the CBD Kunming-Montreal Global Biodiversity Framework goals and targets have relevance



Kunming - Montreal
GLOBAL BIODIVERSITY FRAMEWORK

We need a joint public-private venture for Impact investing



Piloting a blended finance approach in collaboration with suitable service provider(s)



Investment & funding needs

Stepwise approach towards export and investment readiness for SMMEs

Confirmation of key partner institutions

Strategic cooperation between financial intermediaries and business support organization, aided by DC.

Mutually designed process and mechanisms

Building blocks towards a systemically developed financial access, which is appropriate at scope and level



Guidelines on dos and don'ts

Set criteria that balance risks and rewards for the whole financial product value chain

Information

Key materials to be developed during remainder of 2024, piloting during 2025, with full documentation of processes

Document lessons learnt

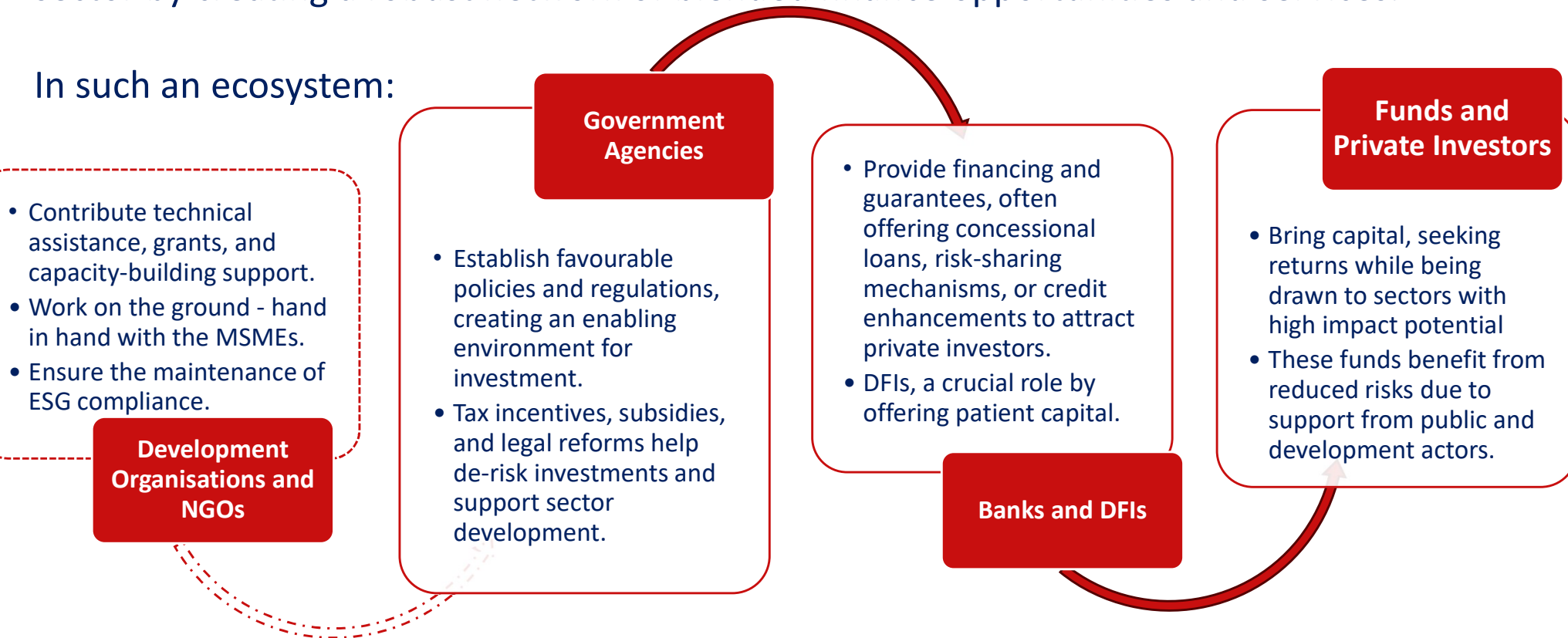
Replication and scalability of the initiative is key to its systemic implementation

Blended Finance: An Ecosystem



An ecosystem of funds, banks, Development Finance Institutions (DFIs), development organizations, and other stakeholders can collaboratively support a sector by creating a robust network of blended finance opportunities and services.

In such an ecosystem:



=> leveraging strengths - sharing of risks - aligning of incentives - creating a pipeline of investable initiatives

By pooling resources, coordinating efforts, and reducing entry barriers, these stakeholders can catalyse sustainable impact in a way that none could achieve independently.

Common features

What are some of the common features of these blended finance funds?

- *Risk profile of sector and clients*
- *Attractive and relevant ticket size*
- *Sector development and maturity of sector to be invested in*
- *Creditworthiness of clients*
- *Market growth opportunities*
- *Reporting against sustainable development goals*
- *ESG requirements against International Finance Corporation (IFC) guidelines*
- *Vetted referral system between public and private financial sector*

=> Embracing the biotrade sector is a smart choice already and provides you with numerous factors for IFC compliance or other reporting for compliance.

Lessons / conclusions

- *Devil is in the detail – what looks good at a first glance often does not meet realities / demands → SMMEs fall through the cracks with most instruments*
- *Despite vast opportunities on biotrade markets, access to relevant finance is a main constraint*
- *Need for more tailored blended finance instruments and ecosystems*
- *Thus, need for more mutual learning between the sector and finance institutions (language, data, risk assessments, presentation, market intelligence and prospects, co-benefits, rethink scaling)*
- *Distinguish general SMMEs challenges from biotrade-specific ones*
- *Joint public-private venture*



Extra slides for background information

Example: The GEF Blended Finance & NGI



- *The GEF Blended Finance Global Program and Non-Grant Instrument are not directly accessible to our micro and meso level target groups;*
- *However, with some partnerships this could be an important instrument to our marco level target group which could result in the establishment of an instrument that can service our micro and meso level target groups;*
- *This will require at least two types of partners (i) a listed GEF agency and (ii) an eligible financial institution (noting that there are one or two GEF agencies which are also financial institutions);*
- *Agencies of potential of potential interest: see logos;*
- *Eligible financial institutions could be a DFI such as the Industrial Development Corporation (SA with regional mandate) or the Development Bank of Namibia, or a private investment fund such as EcoEnterprises Fund or Clarmondial.*



MSMEs as part of the solution

MSMEs and cooperatives have widespread impact, significant presence, influence, and potential to implement sustainable practices at a local and global scale:

- **Scale and number:** ±90% of economic activity with >70% of employment
- **Local presence:** directly engaged with natural resources management, sustainable management practices and biodiversity conservation / improvements, including ecosystems services
- **Agility:** flexibility to quickly implement new practices or adapt
- **Innovation:** at the forefront of innovation, experimenting with new business models, products, and services that can contribute to biodiversity conservation
- **Connection to communities:** rooted in local communities which can influence positive behaviour
- **Utilisation of traditional / indigenous knowledge and products:** inherently practicing biodiversity-friendly, sustainable behaviour
- **Sustainable markets:** responsive to growing demand for sustainable products and services
- **Options for green finance:** financial sector targets compliant MSMEs to boost their own compliance indicators
- **Regulatory compliance:** MSMEs can be much more agile in adopting sustainable practices, thereby reducing macro-economic and reputational risks
- **Resilience:** MSMEs responsiveness and overall resilience towards macro-shocks is high

Additional funding requirements

The usual suspects



Plus

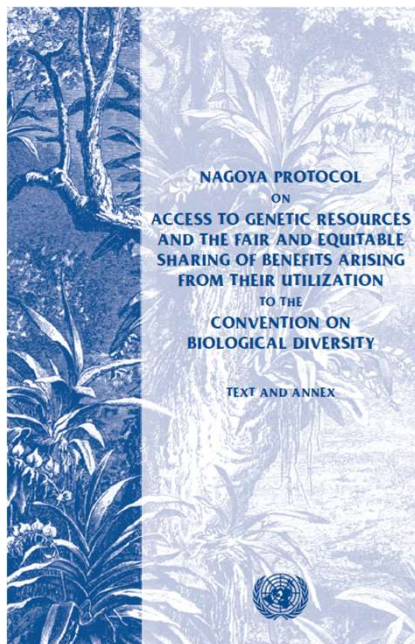


1. **Startup Capital:** In the early stages, businesses often need funding for product development, market research, legal expenses, and initial marketing efforts. This can range from a few thousand dollars to several hundred thousand dollars or more, depending on the nature of the business.
2. **Working 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.

- 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.

What are challenges of biotrade MSMEs in access to finance?



Lack of Collateral and Credit History

Impact: This lack of collateral and credit history leads to higher perceived risk by lenders, making them hesitant to provide loans or demanding higher interest rates.

High Transaction Costs

Impact: Higher transaction costs can lead to increased interest rates or fees for MSMEs, further deterring them from seeking formal financing.

Limited Financial Literacy and Business Skills

Impact: Without proper financial knowledge, MSMEs might not be able to navigate the financing process successfully, leading to rejections or suboptimal financing terms.

Complex Loan Application Processes

Impact: Lengthy and complex processes discourage MSMEs from applying for loans, especially if they need quick access to capital for business operations or growth opportunities.

Perceived High Risk by Lenders

Impact: Lenders might charge higher interest rates, require stricter terms, or simply deny loans to MSMEs to mitigate their risk exposure.

Lack of Tailored Financial Products

Impact: The lack of tailored products means MSMEs may not find appropriate financing options that align with their business cycles, cash flow patterns, or investment needs.

Regulatory and Policy Barriers

Impact: Unfavourable regulatory environments can limit the availability of finance for MSMEs or increase the complexity and cost of obtaining loans.

Limited Access to Alternative Financing Sources

Impact: Without access to diverse financing options, MSMEs may struggle to find the capital they need for innovation, expansion, or sustainability initiatives.

Economic Instability and Market Uncertainty

Impact: Economic and market uncertainties can reduce the willingness of financial institutions to lend, especially to small businesses perceived as vulnerable.

Lack of Access to Green and Sustainable Finance

Impact: Without access to appropriate sustainable finance, MSMEs may find it challenging to invest in environmentally friendly technologies, certifications, or practices that support biodiversity and sustainability goals.

Contribution of BioInnovation Africa II

