

Presentation 5

Identifying sustainable financing opportunities for green business entrepreneurs in The Gambia



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Financing Landscape for Plastic Pollution Action: Funding Sources, Mechanisms, Risks & Opportunities in The Gambia



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Introduction



- ▶ **Why We're Here:**
- ▶ To explore financing solutions that empower local banks and green businesses to take the lead in addressing plastic pollution in The Gambia.
- ▶ Sustainable financing is crucial for the successful implementation of the National Action Plan (NAP) to end plastic pollution in The Gambia.
- ▶ **Overview:**
- ▶ The banking sector's role in supporting sustainable, eco-friendly investments.
- ▶ Opportunities for green entrepreneurs to access financing and grow environmentally conscious businesses.

The Financing Landscape in The Gambia



Commercial Banks:

- ▶ Banks in The Gambia control a substantial portion of the country's available credit; roughly GMD12 billion (about USD 200 million) in total bank lending as of 2023.
- ▶ A very small portion of this funding (less than 1%) goes to green projects like plastic waste management.

Green Entrepreneurs:

- ▶ Entrepreneurs engaged in recycling, waste management, and eco-friendly product manufacturing are rising but struggle to secure funding.

Barriers to Accessing Sustainable Finance in The Gambia



- ▶ **Challenges for Commercial Banks:**
- ▶ Limited awareness of green finance products.
- ▶ Risk aversion: Perception of green business as risky or unprofitable.
- ▶ High setup costs for banks to introduce green finance initiatives.
- ▶ **Challenges for Entrepreneurs:**
- ▶ Difficulty in accessing loans due to lack of collateral or perceived business risk.
- ▶ Lack of knowledge and expertise in developing sustainable business models.
- ▶ Limited access to international markets and development funds.

FINANCIAL
SOLUTIONS



The Role of Commercial Banks in The Gambia

Why Should Banks Get Involved?:

- ▶ Banks can support the country's green transition by offering financial products that incentivize eco-friendly businesses.
- ▶ Access to global green finance initiatives can open doors for Gambian banks to attract new funding.

Potential Opportunities for Banks:

- ▶ **Green Loans:** Dedicated loans for businesses involved in reducing plastic waste, renewable energy, and eco-friendly products.
- ▶ **Sustainability-Linked Loans:** Loans linked to the borrower's achievement of sustainability targets, such as reducing plastic waste.
- ▶ **Green Bonds:** Issuing bonds to raise capital specifically for eco-friendly projects in sectors like agriculture, recycling, and eco-tourism.
- ▶ **Functioning Capital Market:** Banks have the opportunity to raise capital to address the funding needs for sustainability-linked loans and green bonds. Central Bank of The Gambia Launch the country's first capital market in September 2023

Key Opportunities for Green Entrepreneurs in The Gambia

Funding Sources for Green Businesses:

Government Grants and Subsidies: National funding opportunities through initiatives like the NAP, aligned with the Ministry of Finance and NEA.

Green Business Loans: Banks offering loans specifically tailored for businesses working in sustainable areas (e.g., plastic recycling, organic farming, or solar energy).

International Funding and Partnerships: Access to development funds from institutions like the African Development Bank (AfDB), the Green Climate Fund, and UN Environment programs.

Examples of Green Business Ideas:

- **Plastic Waste Recycling:** Setting up recycling plants in partnership with NEA.

- **Eco-Friendly Packaging:** Developing biodegradable alternatives to plastic for local markets.

- **Renewable Energy Solutions:** Solar-powered businesses and energy-efficient systems for households and industries.

Sustainable Financing – A Path Forward for The Gambia

- ▶ **What is Sustainable Financing?:**
- ▶ Integrating Environmental, Social, and Governance (ESG) criteria into financial decision-making processes.

- ▶ **Why It Matters in The Gambia:**
- ▶ The Gambia is vulnerable to environmental degradation, including plastic pollution. Sustainable financing can help promote solutions that protect the environment.
- ▶ Aligns with the global Sustainable Development Goals and other national goals for sustainable development.
- ▶ Global Examples: Transitioning towards green economies has shown success in countries like Morocco, Kenya, and Rwanda.

Plastic Pollution in The Gambia: The Urgent Case for Action



- ▶ **The Current Situation:**
- ▶ Over 60% of waste in urban Gambia is plastic, with much of it ending up in the ocean and harming marine ecosystems.
- ▶ Only a small percentage of plastic is recycled or disposed of properly.
- ▶ **Why Finance Matters:**
- ▶ Plastic waste management and alternative solutions require significant capital investment.
- ▶ Without proper financing, green businesses may struggle to scale their operations and have a meaningful impact.
- ▶ **What's at Stake:**
- ▶ The future of Gambia's environment, eco-tourism and overall health.

Recommendations for Banks and Entrepreneurs



For Banks:



Establish specialized green loan products for businesses contributing to the environment.



Leverage international funding opportunities, such as the Green Climate Fund or African Development Bank's Green Finance programs.



Introduce sustainability performance targets for borrowers and reward those who meet environmental goals.



For Entrepreneurs:



Position your business within the green economy: Eco-friendly packaging, recycling, waste management, renewable energy, etc.



Seek mentorship from green business incubators or international agencies.



Explore crowdfunding and impact investing for financing green initiatives.

Potential Funding Sources



- ▶ **1. Domestic Funding:**
- ▶ Commercial Banks:
- ▶ Banks like Standard Chartered, Trust Bank and Ecobank can develop **Green Loan Products** to finance sustainable businesses at lower interest rates. These products could include loans for businesses that reduce plastic waste or use eco-friendly materials.

Financing Mechanisms

- ▶ **1. Green Loans**
- ▶ Definition: Loans designed for environmentally friendly businesses that promote sustainability.
- ▶ Example:
- ▶ Commercial banks in Morocco have issued Green Bonds worth USD 200 million, targeting renewable energy and plastic waste management projects.
- ▶ In The Gambia, similar green bonds or loans could be issued by banks like GTBank or Ecobank to support recycling plants or sustainable packaging businesses.



- ▶ **2. Impact Investing:**
- ▶ Definition: Investments that generate measurable environmental and social impact alongside a financial return.
- ▶ Example:
 - ▶ - The West African Development Bank (BOAD) financed a plastic recycling initiative in Senegal with an initial fund of USD 5 million, which created 150 jobs and reduced plastic waste by 20%.

▶ **3. Microfinance for Green Entrepreneurs:**

- ▶ Definition: Small loans with low interest rates targeting eco-friendly startups and small businesses.
- ▶ Example:
- ▶ In Mali, a microfinance initiative provided USD 10,000 in loans to small-scale recyclers. This led to the collection and recycling of 50 tons of plastic waste within the first year.

Risks in Financing Plastic Pollution Action



For Commercial Banks:



Perceived High Risk: Green businesses are often considered risky because of their new and emerging nature.



Example: A Gambian entrepreneur seeking to set up a plastic recycling plant struggled to secure funding due to the bank's perception that the business lacked collateral and a clear market demand.



Short-Term Profit Focus: Commercial banks are often more interested in projects with quicker returns, while green projects may require long-term investment before profits are realized.

For Entrepreneurs:

- ▶ **Access to Capital:** Many eco-friendly businesses, such as those offering biodegradable packaging, are struggle to raise funds due to limited collateral and the high costs of sustainable materials.
- ▶ **Market Viability:** Entrepreneurs often face uncertainty about the demand for their products. For example, producing eco-friendly packaging may be more expensive than traditional plastic, making it difficult to compete.

Risks in Financing Plastic Pollution Action

Opportunities in Sustainable Financing

For Local Banks:

- ▶ **Diversification of Portfolios:**
 - ▶ Banks that introduce green financial products can tap into a new and expanding market.
 - ▶ Example: The African Development Bank (AfDB) has committed USD 1 billion to its "Green Growth Initiative," which partners with local banks to provide green loans.
- ▶ **Access to International Climate Finance:**
 - ▶ Commercial banks in The Gambia can partner with international development agencies to access funds from the Green Climate Fund, World Bank and AfDB.
 - ▶ Example: Senegal makes its entry on the international sustainable finance marker with EUR 400 million partial credit guarantee from the African Development Bank. Proceeds from these loans will be allocated exclusively to social and green investment sectors

Opportunities in Sustainable Financing

For Entrepreneurs:

- ▶ **Growing Global Demand:** There is increasing demand for sustainable products globally, such as biodegradable packaging and reusable materials.
- ▶ Example: The global market for biodegradable plastics is projected to reach **USD 7 billion by 2025, offering significant export opportunities for Gambian entrepreneurs.
- ▶ **Government Tax Incentives:** The Gambian government offers tax reductions for businesses that implement sustainable practices, including plastic waste reduction

Case Study: Successful Financing of Plastic Pollution Action

- ▶ **1. First Green Bond (2021):** Morocco issued its first green bond in 2021, worth about \$112 million. This money is used to fund environmentally friendly projects.
- ▶ **2. Focus on Clean Energy:** The funds from these bonds are mainly used to support renewable energy projects, like solar and wind power. Morocco aims to get 52% of its electricity from renewable sources by 2030.
- ▶ **3. Managed by MASEN:** The Moroccan Agency for Sustainable Energy (MASEN) oversees the green bond projects, making sure the money goes to building clean energy infrastructure.
- ▶ **4. Part of Climate Goals:** These green bonds help Morocco work toward its goal of cutting greenhouse gas emissions by 45% by 2030 as part of its climate change commitments.
- ▶ **5. Following International Standards:** Morocco follows global guidelines for green bonds, ensuring transparency and that the funds are used properly for eco-friendly projects.
- ▶ This program is part of Morocco's efforts to become a leader in renewable energy in Africa. A similar initiative could be adopted in The Gambia, where banks can issue green bonds in partnership with international funds to support plastic pollution projects

Conclusion

Key Takeaways:

- ▶ Sustainable financing is key for tackling plastic pollution in The Gambia, with commercial banks playing a crucial role in providing access to capital.
- ▶ Green entrepreneurs need easier access to loans, grants, and investment from both domestic and international sources.
- ▶ Learning from successful case studies, like Morocco's Green Bond program, can help build effective financing frameworks in The Gambia.

Call to Action:

- ▶ We need strong collaboration between government, banks and entrepreneurs to create sustainable financing solutions for The Gambia's fight against plastic pollution.

Q&A

Thank you

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