



The Kijani Investment Project

A biodiversity business initiative for rural Africa

November 2005

Contents

1. What is Kijani?
2. Why Kijani?
3. Goals and objectives
4. Biotools
5. Timeline
6. Components and activities
7. Outputs
8. Governance
9. Budget
10. Sponsors

1. What is Kijani?

The Kijani Investment Project is an innovative sustainable development initiative to integrate biodiversity objectives with investment processes for small and medium enterprises in rural Africa. The aim of Kijani is to align the goals of biodiversity conservation, sustainable economic growth and poverty alleviation. “Kijani” is the Kiswahili word for “green” or “greenery” and reflects the Project’s biodiversity focus.

The proposed Kijani Investment Project is a 12 year, \$24 million project that will support biodiversity business investment processes for rural Africa. The Project will work with some 50 investment opportunities taking these through various steps of a bio-business investment process from identification to exit.

About \$19 million will be invested in up to 20 small and medium enterprises, primarily in the agriculture and tourism sectors, that will be guided by \$5 million in technical biodiversity business tool inputs and related activities. From a pipeline of 50 deals, up to 20 of investment quality will be financed and managed through to a sustainable exit.

The project will be successful if it (a) develops a portfolio of sustainable biodiversity investments; (b) mainstreams biodiversity objectives into African investment processes for small and medium enterprises; and/or (c) leads to the establishment of an integrated bio-capital facility for biodiversity businesses in rural Africa.



The unique proposition of Kijani is that the application of biodiversity business tools (biotools) to investment processes will enable biodiversity objectives to be incorporated into sustainable business models. This will enable the integration of biodiversity and financial objectives and performance. Specifically, the biotools will enable biodiversity business investment opportunities to be identified, appraised, developed, managed and evaluated.

A prototype set of biotools has been developed during earlier scoping and design phases of Kijani. The biotools include: (1) an opportunities tool; (2) a strengths, weaknesses, opportunities and threats (swot) tool; (3) a planning tool; (4) a finance tool; (5) a portfolio tool; and (6) a performance tool. Key elements of these prototype tools will be used.

This proposal presents the rationale for Kijani, the key components of the Project, its budget, its governance structure and its sponsors. A detailed spreadsheet of the the Project's \$24 million budget is also available.

2. Why Kijani?

The scoping and design phase of Kijani identified both a biodiversity case and a business case for the Kijani Investment Project.

The biodiversity case for Kijani builds on the widespread recognition that huge challenges face biodiversity conservation throughout Africa. Protected area systems, which at best cover only 10% of the rural landscape, are terribly under-funded and under threat. These protected areas rightly remain a conservation finance priority for national governments and the international development assistance. The remaining 90% of the rural landscape, however, is essentially un-protected and un-funded and its biodiversity is under even greater threat. It is in the un-protected, but productive rural landscape, where most rural economic activity occurs and hence it is in this vast productive landscape where biodiversity objectives need to be aligned with rural business objectives. The Kijani Investment Project will focus on maintaining the diversity and integrity of nature in the productive areas of rural Africa.

The business case for Kijani builds on the feasibility studies of the scoping and design phase of Kijani. This phase identified a solid pipeline of investment opportunities which demonstrates the potential for biodiversity and financial performance at sustainable rates of return, particularly in the agriculture and tourism sectors. It also identified an unmet hard-currency



demand for African biodiversity goods and services, particularly from European consumers. And, most importantly, it identified an unmet demand for technical assistance and risk capital appropriate to the needs of small and medium biodiversity businesses in rural Africa. The Kijani Investment Project will also focus on promoting sustainable growth and poverty alleviation in the productive areas of rural Africa.

3. Goal and Objectives

The goal of the Kijani Investment Project is to prove the concept of biodiversity business investments at sustainable rates of return.

Its objective is to provide technical assistance and risk capital to a set of real, on-the-ground bio-business investment opportunities in rural Africa;

The Project will work with a set of 50 investment opportunities taking these through various steps of a bio-investment process from identification to exit. These steps are described in more detail in the next section of this proposal. During the design phase of Kijani a robust pipeline of investment opportunities was identified that will provide the basis for the identification of the opportunities to be selected by this Project. This pipeline indicates that most of the opportunities are in agriculture and tourism and virtually all of them can be classified as small and medium enterprises.

The Project will be successful if it (a) results in a portfolio of sustainable biodiversity businesses in rural Africa; (b) mainstreams biodiversity objectives into African investment processes for small and medium enterprises; and/or (c) leads to the establishment of an integrated bio-capital facility for biodiversity businesses in rural Africa.

4. Biotools

The Kijani Investment Project is unique in its application and development of a set of “biotools” to integrate biodiversity objectives into the various stages of the investment process and in turn into the business plans of investment opportunities. During the design phase of Kijani a prototype set of biotools was developed. This set of biotools will be applied and improved through this Project. The 3 key biotools to be used are as follows:

- The *bio-swot tool* – which takes its name from the acronym for strengths, weaknesses, opportunities and threats – will be used to undertake an in-depth pre-appraisal of an investment opportunity. It will



provide guidance for identifying and selecting opportunities through an integrated business and biodiversity prioritisation process.

- The *bio-planning tool* will be used to develop a biodiversity management plan as an integral component of the overall business plan for the investment opportunity based on substantive integration of biodiversity and business management.
- The *bio-finance tool* will be used to structure an investment in a biodiversity business which drives integrated financial and biodiversity performance. It will provide guidance on the biodiversity due diligence required by the Kijani investment committee.

The Project will also disseminate these biotools as well as lessons learned from their application, particularly to the investment and biodiversity communities in Africa.

5. Timeline

The 12 year life of the \$23.6 million Kijani Investment Project consists of the following three timeline phases:

- *phase I: opportunities phase* (years 1-3, \$1.7m expenses & \$4.2m capital)
- *phase II: growth phase* (year 4-7, \$2m expenses & \$13.3m capital), and
- *phase III: sustainability phase* (years 8-12, \$.9m expenses & \$2.4m capital).

During *phase I (the opportunities phase)*, biodiversity business investment opportunities will be identified, a set of 50 opportunities will be selected and bio-business development assistance will be provided. An initial set of 6 investments will be made. At the end of the third year, investors in the Project will review performance.

During *phase 2 (the growth phase)*, bio-business development assistance will be completed and an additional 14 opportunities will be financed. Most of the Project funds will be spent during this phase. At the end of the seventh year, investors in the Project will again review performance.

During *phase 3 (the sustainability phase)*, a second round of financing will be completed and the Project will undertake sustainable exits of its



investment portfolio – i.e. exits that promote sustained biodiversity and financial performance. At the end of the twelfth year, the investors in the Project will meet to review the lessons learned and to consider new opportunities for building the biodiversity business sector in rural Africa.

6. Components and activities

Project activities are organised under two substantive components which will be implemented through the three timeline phases. These are:

- **component A: bio-business development** (\$2.2m expenses),
- **component B: bio-business investment** (\$2.4m expenses),

These two components as well as the various activities outlined below are derived from the feasibility studies and consultations of the Kijani design phase. The targeted number of investment opportunities (a pipeline of 50 deals with 20 investments) and the average levels of financing (\$700,000 for the first round and \$500,000 for a second round) are also based on findings during the design phase, including the development and assessment of a pipeline of some 150 investment opportunities.

Component A (bio-business development) focuses on developing biodiversity business investment opportunities. Under this component, the Project will undertake the following activities:

A1 - Swot 50 projects: The Kijani bio-swot tool will be used to pre-appraise the 50 selected projects.

A2 -Develop bio-business plans for 40 projects: The Kijani bio-planning tool will be used to develop integrated biodiversity business plans for the 40 selected projects.

A3 - Appraise 30 projects for financing: The Kijani bio-finance tool will be used to appraise 30 selected projects for financing, including, as appropriate, pre-investment due diligence and deal structuring which will be incorporated into bio-investment memoranda.

Component B (bio-business investment) focuses on managing a portfolio of biodiversity business investments. Under this component, the Project will undertake the following activities:

B1 - Invest in 20 projects: The Project will invest an average of \$700,000 per project during a first round of financing for the 20



selected projects. As appropriate, the projects may be co-financed by investment partners. (Upon exiting, principal and earnings will be disbursed to the Project's investors as agreed.)

B2 - Manage a portfolio of 20 investments: Kijani will manage the financial and biodiversity performance of the 20 investments both individually and as a portfolio.

B3 - Invest a 2nd round in 10 projects: The Project will invest an average of \$500,000 per project during the second round of financing for the 10 selected projects. As appropriate, the projects should be co-financed by investment partners, especially through structures that will lead to sustainable exits by the Project. (Upon exiting, principal and earnings will be disbursed to the Project's investors as agreed.)

B4 - Exit 20 investments: Kijani will execute sustainable exits – i.e. exits that are likely to ensure the long-term sustainability of financial and biodiversity returns – for all 20 investments. Sustainable finance partners are expected to play a critical role in these exits through a next round of financing.

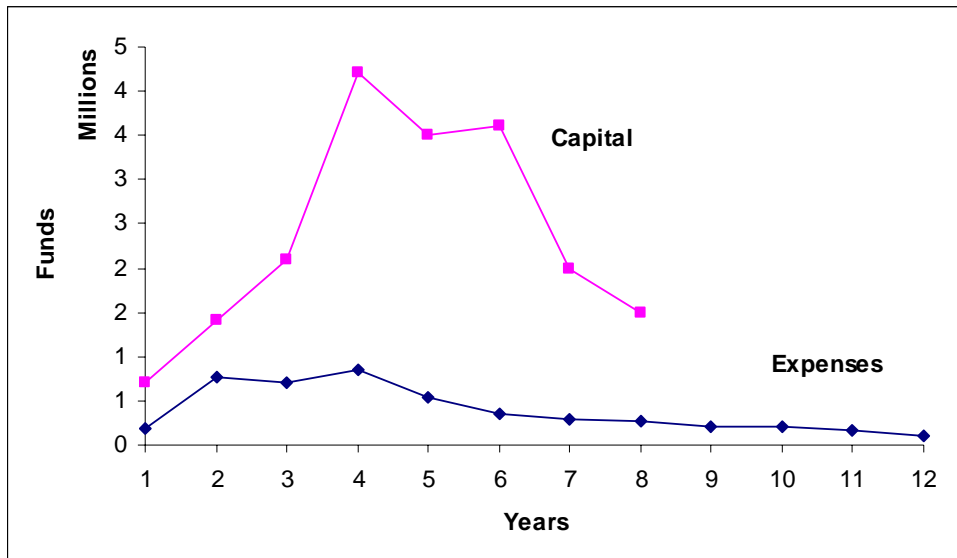
7. Outputs

During the 12-year life of the Project, a significant number of tangible outputs will be delivered. For financial modelling purposes, a discreet set of deliverables have been planned for every year of the Project. Planned outputs and expenses will be adjusted annually based on actual performance and actual costs.

The main output areas for the Project are:

- a portfolio of biodiversity businesses developed, including some 20 capital investments with 10 add-on investments;
- a set of biotools developed and tested on some 50 opportunities, including 40 bio-business plans and 30 bio-finance reports; and
- extensive bio-business partnerships developed with African investment and biodiversity entities.

These outputs will be released throughout the project as indicated in the following table of the Project's annual projected expenditures:



8. Governance

The Kijani Investment Project will have three levels of governance:

- the Project investors,
- the Project investment committee, and
- the Project management team.

The *Project investors* will determine the final structure of the Project as well as conditions for disbursement of funds. This proposal also includes a meeting of the Project investors at the end of the first and second phases to decide whether and how to proceed to the next phase. The Project investors are also scheduled to meet at the end of the third phase to explore new opportunities arising from the Project for developing the biodiversity business sector in rural Africa.

The *Project investment committee* will consist of investment professionals representing the Project investors. The investment committee will decide on all applications submitted by the Project management team for both rounds of financing proposed in the Project.

The *Project management team* will be responsible for implementing the Project. The management team will cover the entire lifecycle of the Project, including implementation of the project's three phases and four components in line with the timeline and budget approved by the Project investors.



Initially, it will consist of three full-time positions – a chief investment officer, a chief biodiversity officer and a chief financial officer.

The management team will add additional full-time or part-time staff or consultancies, as appropriate, throughout the implementation of the Project. During the design phase of Kijani, a group of professionals with an appropriate skill mix in finance, biodiversity, SME and Africa have been identified. Depending in part on the interests of the investors as well as on the location of the 50 investment opportunities selected for the Project, the management team will select a specific group of individuals and institutions with which to implement the Project.

9. Budget

The Project budget for 12 years is \$24 million of which \$5 million is expenses and \$19 million is investment capital. The following table summarises the budget for the three phases and for the two components. It also indicates total grant funds and investment capital by phase.

KIJANI BUDGET		Phases			Totals
		I (yrs 1-3)	II (yrs 4-7)	III (yrs 8-12)	
	A Development	1,380,000	785,000	0	2,165,000
	B Investment	280,000	1,250,000	920,000	2,450,000
	Expenses	1,660,000	2,035,000	920,000	4,615,000
	Capital	4,200,000	13,300,000	1,500,000	19,000,000
	Total budget	5,860,000	15,335,000	2,420,000	23,615,000

A more detailed spreadsheet of the budget is available upon request.

10. Sponsors

The sponsors of the Kijani Investment Project are a small group of professionals who provided direct or indirect input into the earlier design and scoping phases of Kijani. These sponsors are committed to bringing responsible capital to rural Africa.