

# National Conference 2024 Circular Economy in the Republic of Moldova

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## Financing Circular Economy - Bridging the knowledge gap between businesses and investors

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# Agenda



- Introduction to PREVENT
- CE Finance Mapping - Methodology
- Demand Side Analysis
- Supply Side Analysis
- Conclusions & Recommendations
- Outlook

# PREVENT Waste Alliance



**PREVENT**  
Waste Alliance

- International 'think and do tank' for circular economy practitioners
- 500+ members from the private sector, academia, civil society and public institutions
- Launched in 2019 by the German Federal Ministry for Economic Cooperation and Development (BMZ)
- Working groups on three material streams:
  - [Plastics](#) (incl. sub-topics such as EPR and Plastic Credits)
  - [E-Waste and Batteries](#)
  - [Organic Waste](#)
- Working groups on cross-cutting issues: Financing Circular Economy; Digitalisation and Circular Economy; Awareness Raising/Behaviour Change
- Pilot projects and innovation programmes



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# CE Finance Mapping - Methodology at a glance

## STEP I Collection of Existing Information



Desk review of existing literature on Circular Economy finance

## STEP II Demand Side (CE Organisations)



Quantitative survey amongst CE organisations



Qualitative interviews with CE organisations

## STEP III Supply Side (Financiers)



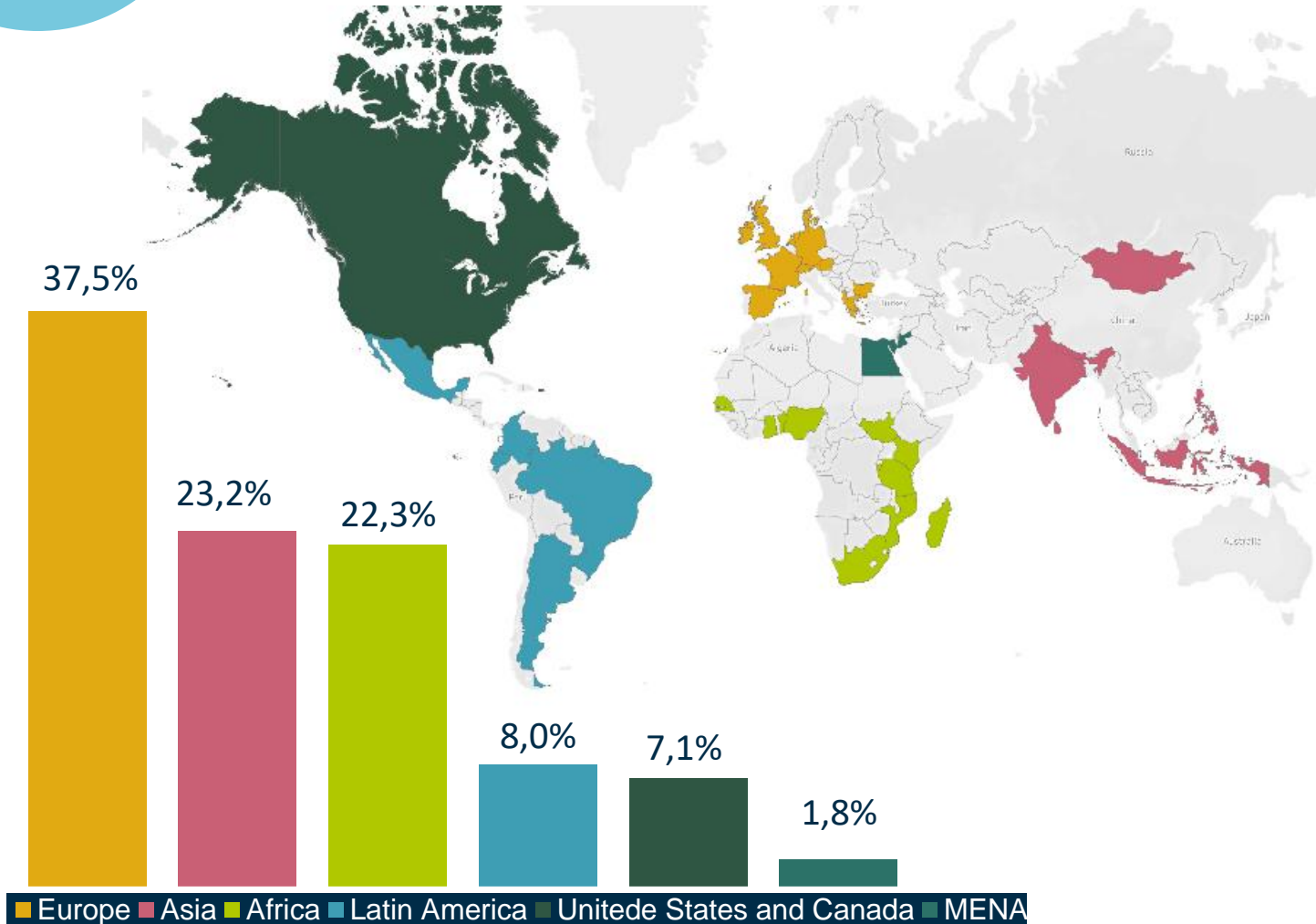
Secondary research including interviews with financing organisations



Compilation of a database of most active financing organisations in the CE space



# Demand Side – Sample



- 119 CE Organisations
- Demand sample from diverse regions across the globe
- The private sector respondents have a strong focus on CE activities (more than 75% of their activities).

## Private sector dedication to CE activities



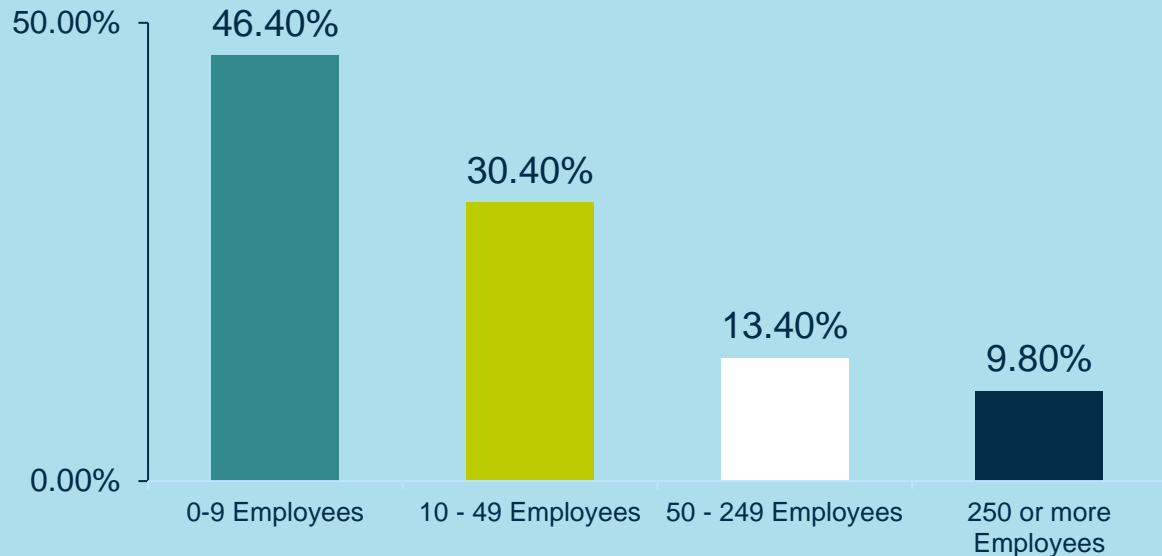
# Demand Side – Sample

119 respondents in total, most of them..

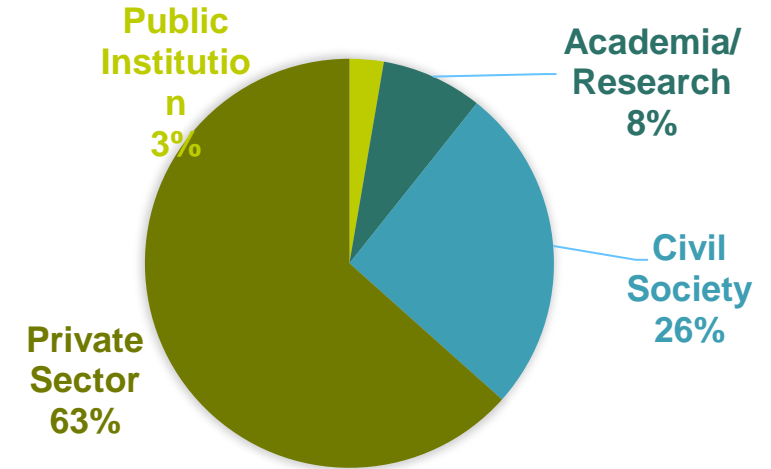
- represent the private sector (63%)
- have less than 50 employees (77%, with 46% having less than 10 employees)
- are post-revenue, some of them profitable

→ Most respondents are SMEs focused on CE from across all regions

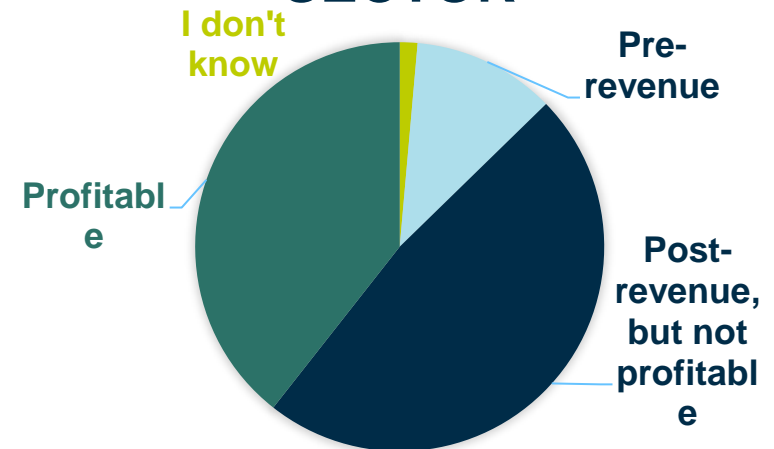
Number of Employees



## ORGANISATIONAL TYPE



## FINANCIAL STAGE - PRIVATE SECTOR






# Demand Side – Experiences, Needs, Obstacles






## Needs

- Most for-profit CE organisations want to become commercially investable
- Most surveyed organisations seek funding **USD 100.000 - 500,000**

## Top 3 Rejection Reasons

-  Lack of impact alignment
-  Insufficient collateral
-  Unclear business plans

## Perceived Obstacles

-  “Missing middle” of financing options
-  Limited visibility of financing opportunities
-  Financing institutions want proven business models  
<-> CE models often innovative
-  Regulatory gap on pricing-in externalities of business models  
(e.g. positive environmental impacts)
-  Poor knowledge of financiers on CE and CE business models (structure, cash flows, impacts), especially vs. other green topics such as climate

# Supply Side – range of CE focus

High Focus

CE Financing Focus Continuum

Low Focus

## Exclusively CE focused

- Investment or philanthropic mandate has an explicit and exclusive focus on CE
- Funders are willing to take technology and business model risks
- Making up **5%** of the 1,224 funders we reviewed



## CE as one of many focus areas

- Funders have CE as an explicit focus, but among multiple focus areas within a broader mandate
- Focusing on tested innovations looking to commercialise but can selectively take higher technology and business model risks
- Making up **19%** of the funders



## CE covered implicitly; not core

- Don't have a CE mandate, but their investments in sustainability areas support CE principles
- Focusing on tested & commercialised innovations with revenue potential but need environmental/social impact
- Making up **76%** of the funders



## No stated focus on CE

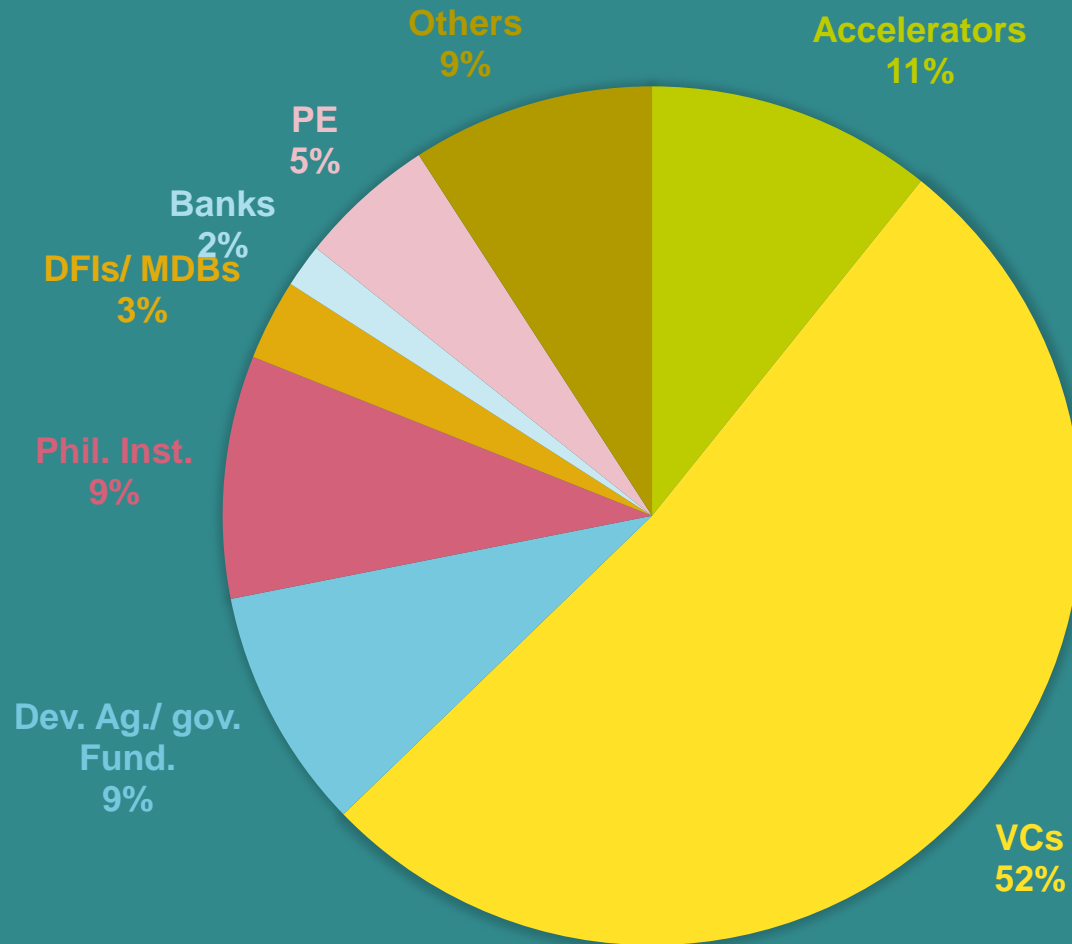
- May finance CE opportunistically
- Require a robust, financially attractive model with revenue and scalability potential before considering investment
- A remaining estimated **16k** VC-PE funds and **260k** philanthropic institutions





# Supply Side – Database

## FUNDER TYPES



- Currently about 450 entries
- 50% VCs!!

### Abbreviations:

- VCs: venture capital
- Dev. Ag./ Gov. Fund.: development agencies / government funders
- Phil. Inst.: Philanthropic Institutions
- DFIs/ MDBs: development finance institutions / multilateral development banks
- PE: private equity
- Others: industry alliances, joint partnerships, other

# Supply Side – risk appetite?

## Financiers still consider CE investments high risk



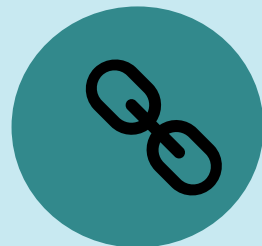
### Profitability

- Some investors (especially VC funds) only consider profitable CE businesses
- Many SMEs are very innovative and not yet profitable (unproven business models)



### Capital-intensity

- growing preference for asset-light business models
- Delayed cash-flows, especially in downstream heavy machinery and upstream models



### Supply-chain linked risks

- Sensitive to risks around raw material/feedstock supplies and fluctuating market demand
- funders expressed concerns i.e. towards demand of recycling materials
- Particularly relevant for resource-recovery BMs



### Uncertain regulatory developments

- Regulations and market practices do not adequately capture negative externalities of linear models
- Sensitivity to dependence of CE BMs on green premiums or voluntary waste collection fees (voluntary EPRs) which are paid by off-takers -> fear of roll-back
- Lower confidence in investing in CE

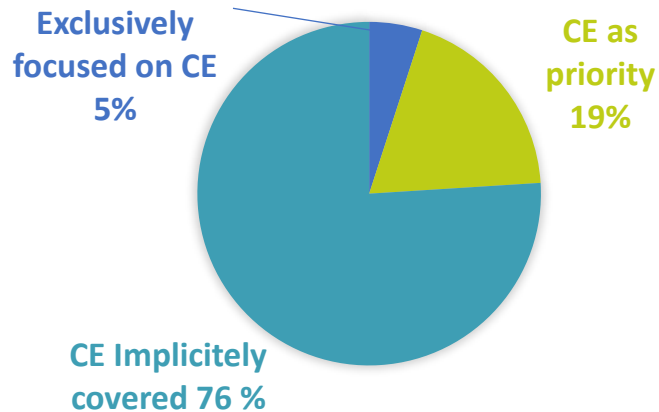
# Supply Side - Findings

**Results underline gap in CE financing – markets still favour linear models**

## Lack of CE Finance Opportunities

Only 222 (19%) out of 1224 sampled financiers consider CE a priority area.

CE finance opportunities



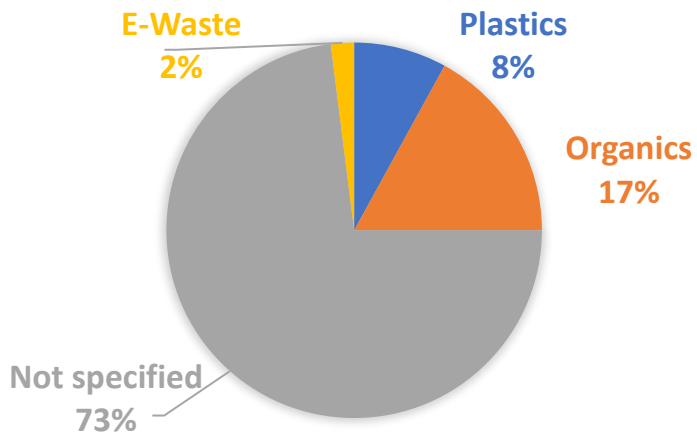
sample: 1124 CE finance opportunities screened



## No Focus and little knowledge on CE

Only 5% (67) of the 1224 screened funders are exclusively focused on funding CE.

i.e. VCs\*\* focus on material streams



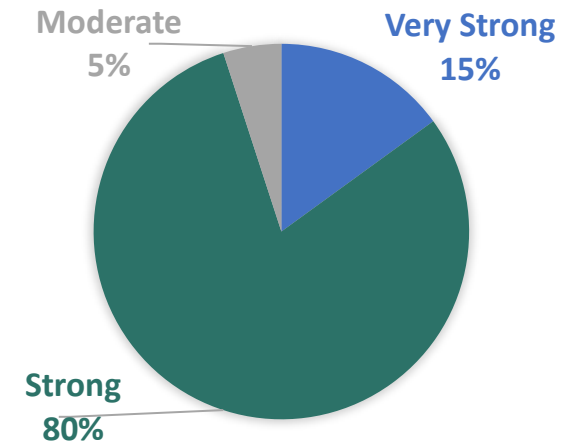
\* sample: 221 identified venture capital firms with track record in financing CE



## Governments supports CE

Public financing vehicles, esp. in Europe (68%) strong appreciation for circularity projects.

Financial Institutions\*\*\* focus on CE



\*\* sample: 20 identified financial institutions with track record in financing CE (7 banks, 8 development finance institutions, 5 multilateral development banks)

# Conclusions & Recommendations

## general



### Data gap

Data on the aggregate financing allocated towards CE at a global level is very limited

- Data collection only just started
- **Circularity Gap Report on Finance**

## CE Organisations



### Lack of know-how on navigating CE funding landscape

- Lack of preparation for identifying & approaching funders
- Lack of visibility of CE funding opportunities
- Need for information on opportunities
- Need for capacity building (language, pitch requirements, financial & impact KPIs, etc.)



### PREVENT members focus on early-stage funding

Analysed CE orgs predominantly look for **early-stage funders** (angel investors, accelerators, grants, early VCs, concessional finance)

- **Banks not main target group at the moment**

# Conclusions and Recommendations

## Funders



### CE not established as investment impact area in its own right

Impact investors screen CE according to other impact areas (climate, social, etc.)

- CE impact often misaligned with funders desired impact
- CE orgs need to demonstrate broader impact beyond CE



### FIs lack awareness and expertise on CE

FIs (esp. banks) do not offer suitable products and services to CE orgs -> lower participation

- need to **adapt finance products to CE Orgs'** needs (part. in LMICs)
- **Close gap in risk-tolerant capital**



### No special treatment for CE among commercial investors

Investors expect CE BMs to match or exceed performance of traditional linear models

- CE orgs need to improve viability & scaling potential-> **de-risk CE BMs**
- **Profitability** at least at a later stage essential

# Outlook

## What is needed?



Research and gathering data on CE Finance



Training of financiers to increase knowledge on CE



Improving financial literacy in CE organizations and businesses



Harmonized and standardized quantification of CE impacts



Policies to level the playing field between CE and linear businesses

## What is planned? (examples)



EU Switch to CE in Africa Program 2025 on Financing CE



Circularity Gap Report Finance



UNEP FI reports on interlinkages between CE and other major sustainability challenges -> support to banks



# Together for a Circular Economy

For more information reach out to us at:

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