

## IMPACT INSIGHTS

2024 Impact Report on the effects of biodiversity-positive Micro, Small and Medium-Sized Enterprises (MSMEs) in Malawi and Zambia

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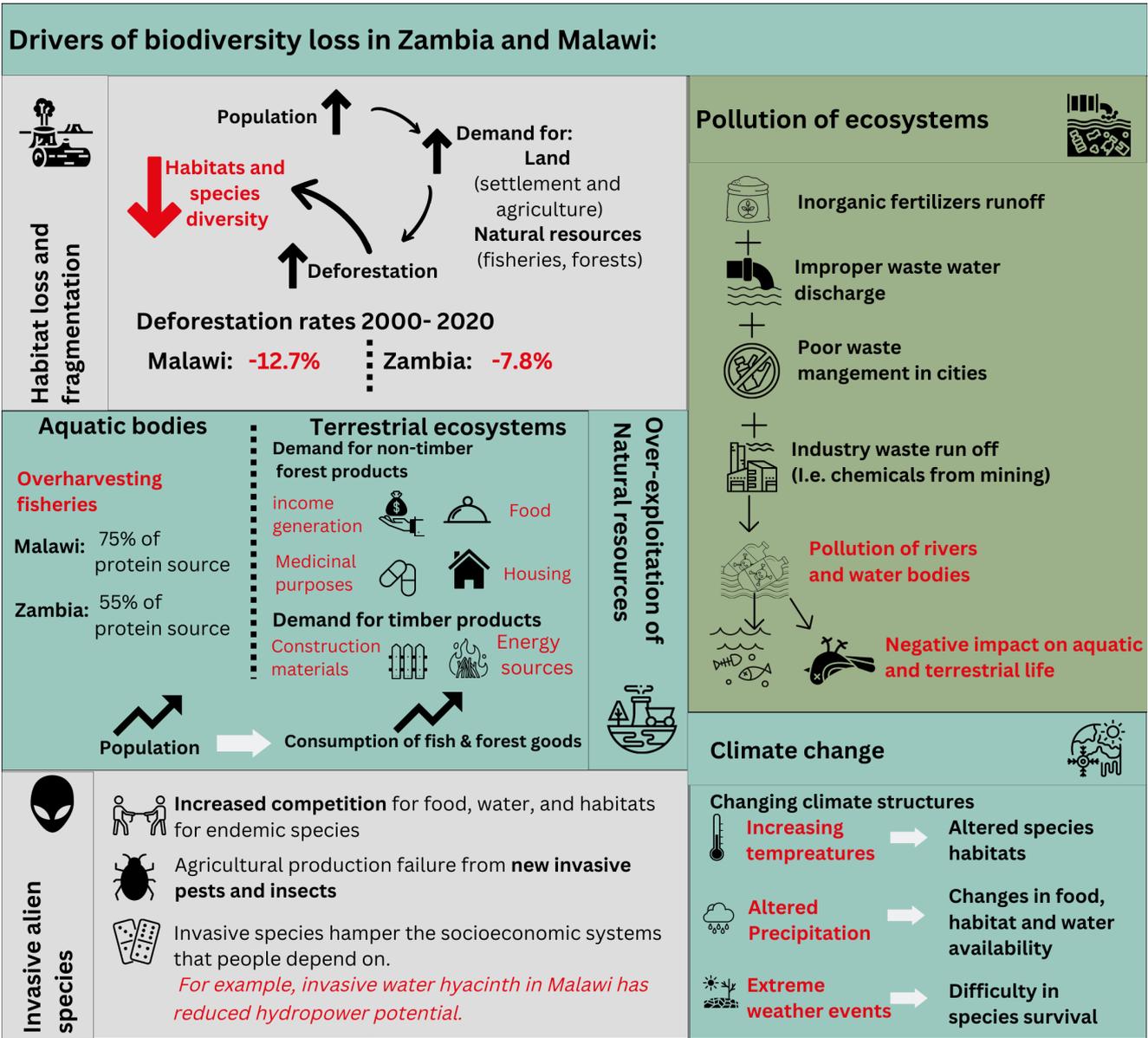


## 1. Biodiversity Challenges for Malawi and Zambia

Biodiversity is essential for ecosystem functionality; it ensures that ecosystems can remain resilient and that communities, businesses and economies can attain opportunities and resources (World Bank Group, 2020). When levels of biodiversity begin to diminish, ecosystems become less functional, leaving communities with altered access to the essential services that they provide, such as food, clean water, flood protection, etc.

Unfortunately, global biodiversity loss has severely increased in the last century, with 32% of terrestrial land experiencing land use change (Winkler et al., 2021). Deforestation and land use change have been at the centre stage for most of these losses. In the case of Malawi and Zambia, biodiversity is a crucial component of the countries' economies, especially in the forestry, fisheries, and wildlife sectors. Deforestation has dramatically increased in both countries due to augmented demands for forest-based products, land-use change driven by urban and agricultural land expansion, mining operations, and harmful conventional practices.

With populations growing at approximately 3% per year in both countries, there is ever-present demand for products such as charcoal (World Bank, 2021), which provides approximately 85% and 97% of the cooking energy in Zambia and Malawi, respectively (Republic of Malawi, 2017; USAID, 2022). As a result, there has been a growing demand for forest goods, agricultural products, and aquatic resources. Due to limited enforcement of governmental regulations, natural ecosystems have begun deteriorating. According to the Malawian and Zambian national biodiversity strategy and action plans, losing forests and protected areas is a major biodiversity concern. Below is a chart that highlights the complexities of the drivers of biodiversity loss in Malawi and Zambia (Figure 1).



**Figure 1. Drivers of Biodiversity loss in Zambia and Malawi**



## 2. The Role of Biodiversity-positive Enterprises

Contextually relevant solutions are required to tackle the major biodiversity challenges Malawi and Zambia face. Micro, Small, and Medium-Sized Enterprises (MSMEs), which are the backbone of economies worldwide and contribute to 87% of Zambia's (ITC, 2020) and 40% of Malawi's GDP (FinMark Trust, 2019), play a vital role as they offer bottom-up biodiversity and green solutions with their innovative business models.

### What is the Biodiversity Finance Accelerator (BioFA)?

BioFA mobilises biodiversity investments and scales biodiversity-positive entrepreneurship, thus contributing to the sustainable use, conservation, and restoration of ecosystems in Malawi and Zambia. Biodiversity-positive micro, small, and medium-sized enterprises (MSMEs) are supported in accessing finance and investing in growth. At the same time, financial institutions and other ecosystem players are trained in conservation finance to co-create innovative financing instruments for biodiversity MSMEs.

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Biodiversity-positive enterprises, as referred to in this report, are defined as those MSMEs that “generate profits via activities that conserve biodiversity, use biological resources sustainably, and share the benefits arising from this use equitably” (Bishop, Kapila, Hicks, Mitchell, & Vorhies, 2008). While several MSMEs across Malawi and Zambia offer solutions for biodiversity conservation, there is still a substantial lack of comprehensive data on their business models' economic viability and their impacts on nature and society.



### 3. Objectives of This Report

This report aims to follow up on how biodiversity-positive enterprises that participated in the BioFA programme are contributing to biodiversity conservation, management and restoration in Malawi and Zambia. Furthermore, it seeks to understand how BioFA has impacted the participant enterprises as well as understand the challenges and successes of enterprises when accessing finance.

The assessment focuses on four main components: i) enterprise impacts on local biodiversity; ii) employment opportunities and gender equality; iii) economic viability of biodiversity-positive business models and access to finance; iv) the impact of BioFA support on the participating enterprises, and v) remaining finance challenges and opportunities.

For more information on the enterprises you can visit [biofa.info](http://biofa.info).



## 4. Portfolio Characteristics and Social Impact

The BioFA programme received a total of 143 enterprise applications, of which 29 enterprises from Malawi (15) and Zambia (14) were chosen to participate in the Accelerator programme. The 29 enterprises are predominantly based in urban areas with relatively high populations, such as Lilongwe, Mzuzu, and Blantyre in Malawi and Lusaka, Kitwe, and Kabwe in Zambia. However, despite their headquarters and selling locations in urban centres, most enterprise key operations, such as sourcing and processing, occur in rural areas where key biodiversity-positive contributions can be observed.

More than a third of supported enterprises (37%) operate in the Sustainable Agriculture sector – by providing various products and services to improve the use and availability of organic agricultural practices and technologies for rural farmers, followed by enterprises offering biodiversity-based products (22.2%) - for instance, promoting the reintroduction and commercial cultivation of indigenous plant species, sustainable beekeeping or non-timber forest products-, and provision of resource alternatives - related to products that convert waste into an energy source, such as agricultural biomass waste that is processed into eco-briquettes and serves as an alternative to firewood (18.5%). Figure 2 shows all the sectors across which enterprises operate.

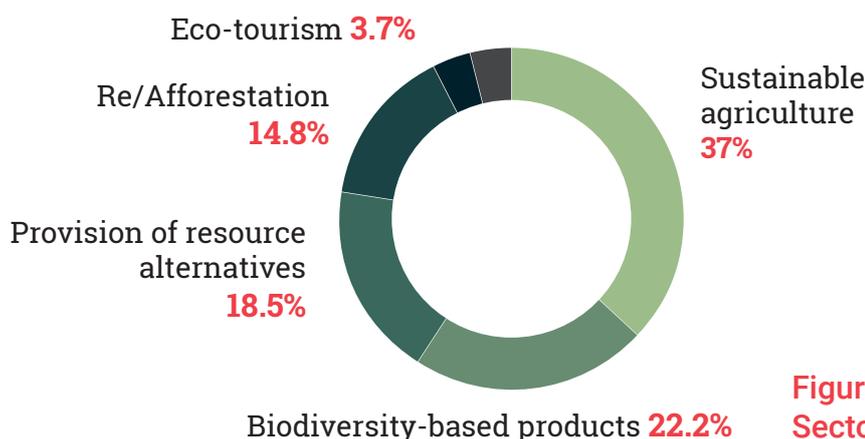
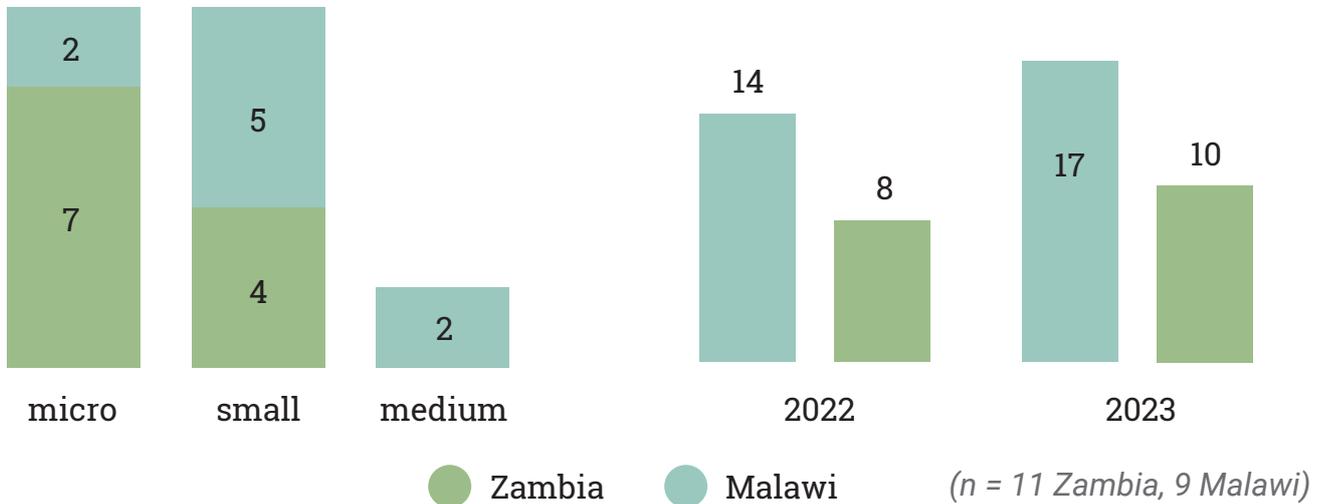


Figure 2. BioFA Enterprise Sectors

Enterprises are evenly distributed between micro and small size (considering total number of employees). However, in Zambia, the supported enterprises tend to be micro enterprises, while in Malawi, the majority are small enterprises (see Figure 3). The average number of employees for enterprises in both countries was 13 in 2023 – 17 for enterprises in Malawi and 10 for enterprises in Zambia –, representing an increase of 18% from 11 employees in 2022, and proving that biodiversity-positive enterprises can sustain and grow while creating job opportunities (Figure 4).

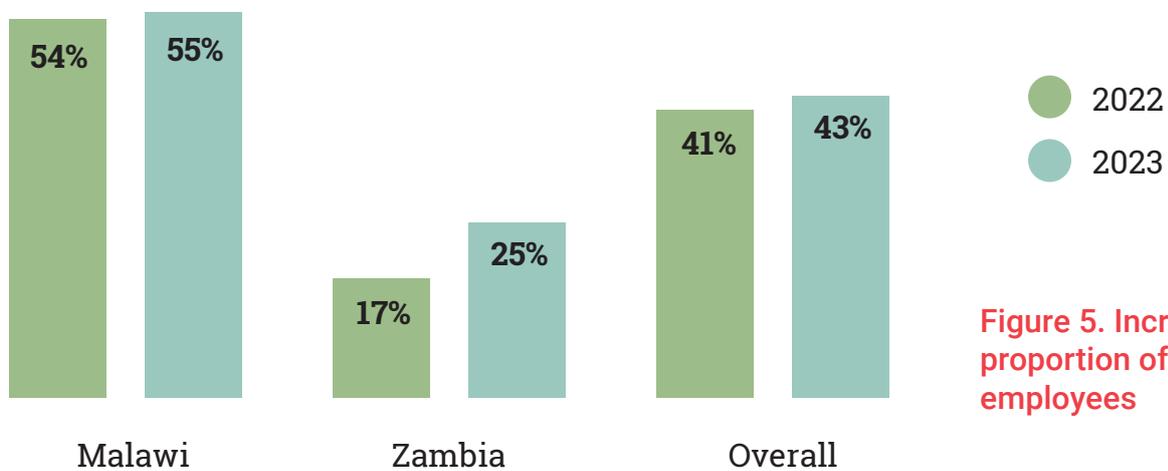


**Figure 3. Size of supported enterprises**

**Figure 4. Increase in average number of employees**

## Gender Equality

Beyond supporting and creating jobs, BioFA-supported enterprises strive for women’s inclusion in their business operations. On average, 43.5% of the enterprises’ total employees are women (from the most recent data from 2023). Compared to the data from 2022, the proportion of women employees increased by 7.3% from 40.5% in 2022 (Figure 5). This finding sheds light on the importance of gender equality for supported enterprises. As this was a component mainstreamed across the programmes, it is encouraging to see that enterprises have increased women’s inclusion in the employment opportunities generated.



**Figure 5. Increase in proportion of women employees**

# 5. Biodiversity Contribution and Other Environmental Impacts

## 5.1. Contributing to the Aichi biodiversity targets

At the core of a biodiversity-positive enterprise is the contribution towards the Aichi biodiversity targets – a set of 20 specific targets established by the UN Convention of Biological Diversity to address and mitigate biodiversity loss across the globe. BioFA-supported enterprises contribute towards 13 of the 20 targets and strongly focus on climate change mitigation and adaptation. 72% contribute towards this target by providing alternative energy solutions (eco-briquettes), climate-smart agricultural solutions, and producing goods that reduce deforestation rates. The second largest contribution is towards improving the status of sustainable agriculture, aquaculture, and forestry, to which 66% of enterprises contribute by providing agricultural products in a sustainable manner or improving the inputs for agriculture with products like organic fertilisers (see Figure 6).

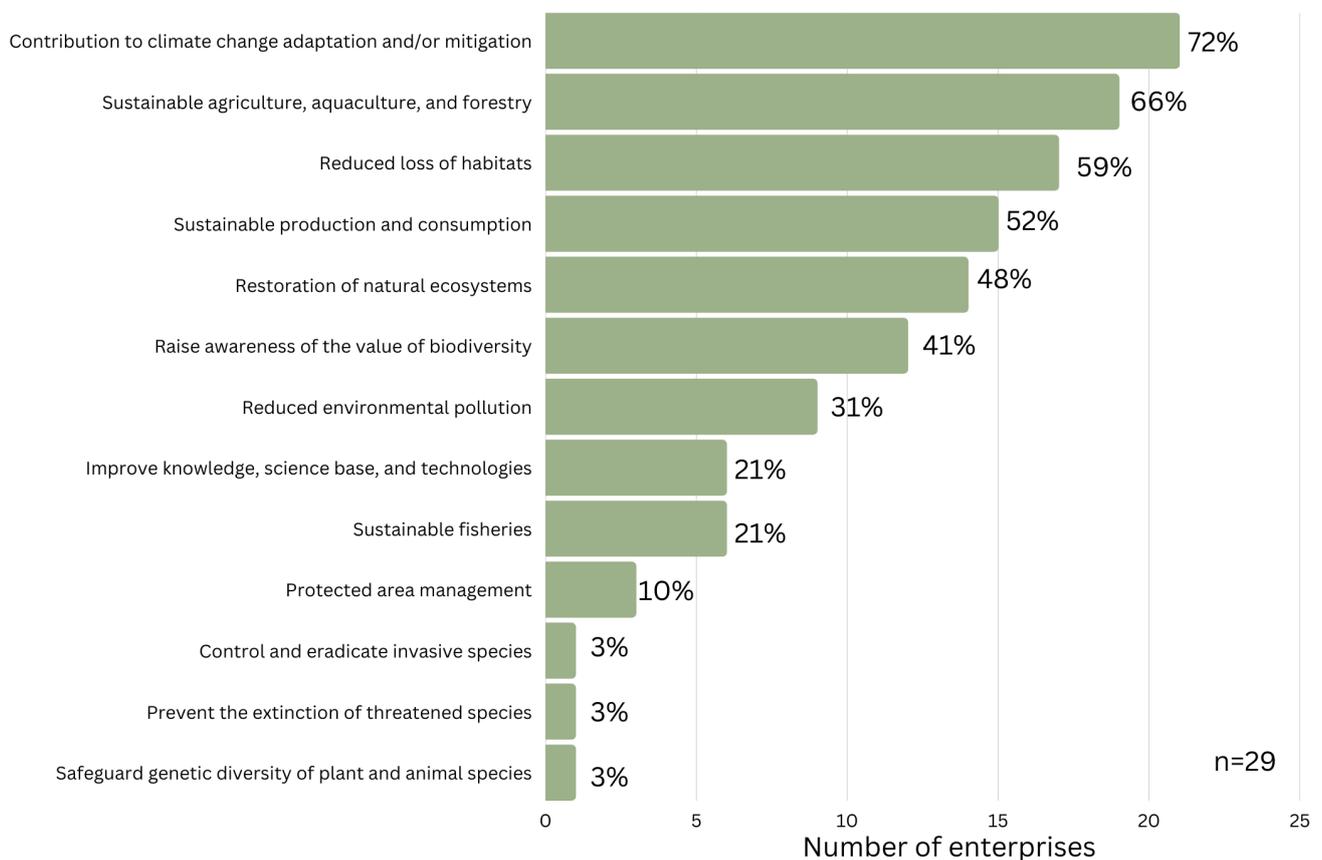


Figure 6. Enterprise contributions to Aichi biodiversity targets

## 5.2. Measuring and monitoring environmental impact

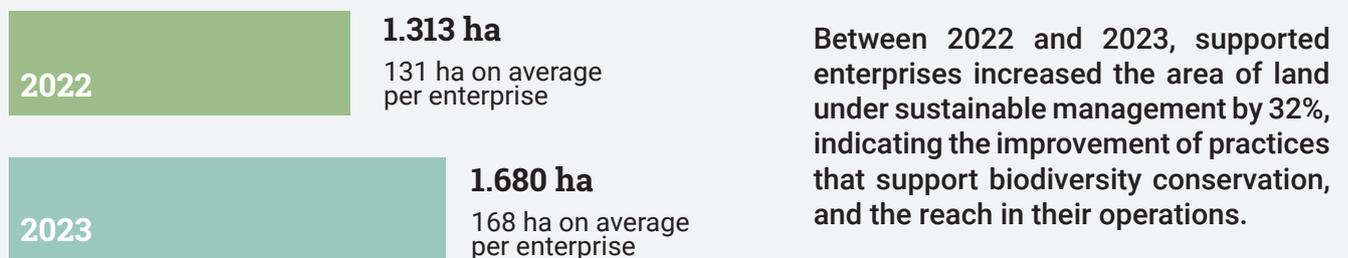
While enterprises have demonstrated commitment to enhancing biodiversity, measuring their impact on biodiversity remains challenging. This difficulty can be attributed to a lack of accessible monitoring tools and the substantial expenses associated with collecting such data. According to the previous data, 89,2% of enterprises supported by BioFA had taken steps to measure and monitor their influence on biodiversity.

Although the most recent data shows a slight reduction in that 87.5% (n=24) of enterprises actively measure biodiversity impacts, the difference can be attributed to the decrease in the sample size and should not be considered a discouraging change. These enterprises actively showcase positive social and environmental outcomes within their communities and ecosystems. Noteworthy examples include adopting sustainable agriculture practices, such as conservation farming, preservation of natural habitats, and using environmentally friendly inputs, products, and processes. Moreover, the enterprises use business metrics, such as sales volume, as a proxy to determine their impact on biodiversity. That is the case with GreenCare Solutions, which measures the total volume of products sold as an indicator of its impact on reducing the number of chemical fertilisers used by farmers. Enterprises that work with sustainable cultivation and/or land stewardship tend to have a direct connection to a physical area. For these enterprises, the amount of land they manage or support is an indicator of their physical impact on maintaining biodiversity.



### Total land sustainably managed

(directly or indirectly controlled by enterprises) (n=10)



For instance, GreenCare Eco Solutions Ltd in Zambia has embraced a Net Zero Waste Strategy, substantially increasing waste collection to 50 tons. This initiative has contributed significantly to the Net Zero Carbon Emission campaign, impacting approximately 16,000 hectares of land and enhancing soil structure and water retention capacity by 200 metric tons.

Another Zambian enterprise, Mwacrimu Farms Ltd, has ceased tree cutting to expand cultivation areas. Instead, they have implemented practices such as intensive crop rotation, pot-holing, and leaving grass in the fields to improve soil texture and fertility, eliminating the need for synthetic fertilizers. Their enhanced post-harvest management has ensured zero wastage. Equipped with knowledge gained from the BioFA program, Mwacrimu Farms Ltd has joined the Madaliso development program, a consortium of three organizations dedicated to contributing to global food security.

Similarly, Junior Agripreneur Hub Africa, another Zambian enterprise, has successfully transferred knowledge on biodiversity conservation and entrepreneurship to its pupils. The team has collaborated with cohort peers like Gasbes Energy, leveraging collective strengths to pursue shared objectives. Notably, they recently collaborated to construct a biodigester at a school, exemplifying their commitment to sustainable initiatives.

## 6. Economic Impact and Access to Finance

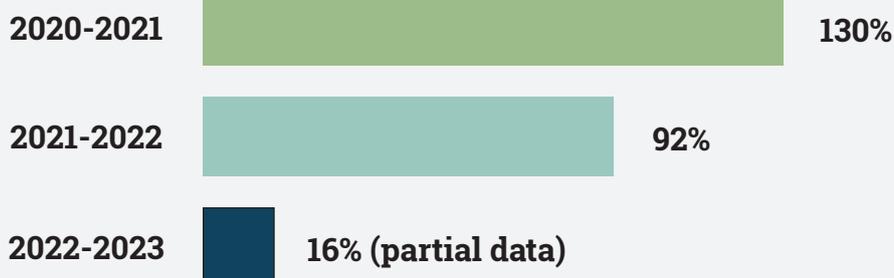
### 6.1. Enterprise growth rates

According to the data gathered from the impact surveys, biodiversity-positive SMEs have the potential to generate significant revenues. Despite harsh economic conditions in the last few years due to the COVID-19 pandemic, low economic growth rates, frequent climate shocks, and oil crises. In this report, certain hurdles have been observed in realizing these revenues. For example, the Zambian enterprise Winlink Trading (Organic School Chalk) has encountered difficulties in meeting demand due to manual production processes, limiting their output, and consequently, their revenue. Similarly, Twalima Agro Ltd., also based in Zambia, has experienced decreased sales for organic fertilizer, leading them to diversify their revenue streams by offering services such as drip irrigation installation, pest and disease control, and veterinary extension services. On a brighter note, GreenCare Eco Solutions Ltd, another Zambian enterprise, witnessed a 20% revenue increase following BioFA training, with further growth of 30% projected in their revenue after receiving the [SEED](#) Award and engaging in other ecosystem activities, signalling positive outcomes for biodiversity-friendly businesses.

Despite the aforementioned challenges faced by these enterprises, there has been a noticeable increase in revenue for them since 2020. Between 2020 and 2021, the average revenue increased significantly by 130%. Similarly, the average growth between 2021 and 2022 remained positive, showing a 92% increase. Although the data reported for 2023 is only partial, it indicates a positive growth of 16%, suggesting that sales continued to rise in 2023.



#### Reported Sales Growth rate



#### Average Revenue (in USD)

##### MALAWI

2020: 11.202 | 2021: 36.221 | 2022: 49.542

##### ZAMBIA

2020: 8.208 | 2021: 13.385 | 2022: 23.196

#### Average Growth Rate

##### MALAWI

2020-2021: 90% | 2021-2022: 120%

##### ZAMBIA

2020-2021: 192% | 2021-2022: 61%

### 6.2. External funding

A diverse mix of financial sources characterizes the funding landscape for the enterprises within the BioFA programme. A notable percentage of the enterprises interviewed between 2022 and 2023 (24) received external funding. Approximately 67% (16 enterprises) pursued external funding, while

the remaining 33% (8) opted not to. The reasons given for not pursuing external funding are further highlighted in this chapter. Of those who sought external funding, 62,5% (15 enterprises) successfully secured grants, showcasing the programme’s efficacy in facilitating financial support. Moreover, 25% (6 enterprises) opted for personal funding, including their own savings, family, and friends, to fuel their initiatives, underscoring their self-sufficiency and resourcefulness. Just 12,5% (3 enterprises) opted for debt as external funding. Moreover, 29,17% (7 enterprises) of enterprises attracted a combination of debt and grants alongside personal funding. Finally, one enterprise (4%) diversified its revenues by incorporating consultancy work and other activities.



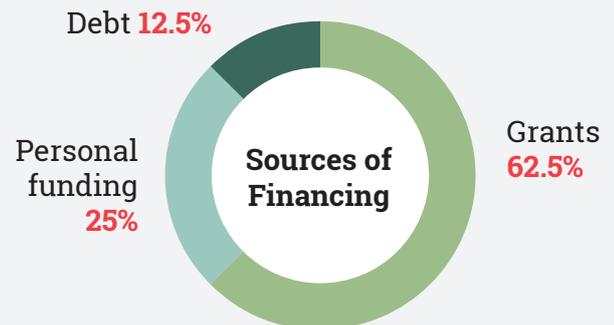
## Enterprise financing 2022 and 2023



Percentage of enterprises receiving external funding in 2022 and 2023

### Mean financing received (in USD)

2022: 511.039 | 2023: 266.050



### 6.2.1. The challenge of accessing loans

Approximately 5 enterprises actively applied for loans from different banks, including Eco Bank, National Bank, and Standard Bank. The decision to select specific banks was influenced by existing business accounts, low-interest rates, and positive relationships with the bank’s team. However, several enterprises refrained from pursuing bank loans due to challenges such as lack of collateral, high interest rates, demands for short repayment periods, and these financial institutions not having appropriate and affordable products for green businesses.

Beyond commercial banks, enterprises also seek other financial institutions such as the National Bank of Malawi and MAIIC<sup>1</sup>, which by blending public capital in their operations, may offer products that are more accessible to enterprises. Three enterprises successfully accessed loans from these financial institutions, with loan amounts varying from hundreds of dollars (from the National Bank of Malawi) up to over 10,000 USD (from MAIIC). The success in obtaining loans varied among enterprises, and some faced challenges leading to the inability to secure loans.

According to the data gathered, the challenges enterprises encountered in accessing loans included the lack of collateral, high interest rates, and demanding bank processes. The stringent requirements imposed by banks, such as the need for immovable collateral, acted as barriers. Some enterprises highlighted their preference for grants and patient capital, indicating that commercial loans were perceived as too costly for SMEs. Patient capital, coupled with grants, were viewed as a more conducive funding mechanism for their business models. Some enterprises faced rejections in their loan applications, influencing their decision not to pursue additional loan opportunities. The reasons for rejection included feedback gaps and stringent requirements by financial institutions. The high cost associated with commercial loans led to a preference for patient capital.

<sup>1</sup> The Malawi Agricultural and Industrial Investment Corporation is an autonomous, sustainable, and private sector-led development finance entity which was officially launched on 13th March 2018. The entity works in collaboration with the existing banks and financial institutions and is a source of capital for the underserved sectors of the economy (<https://maaic.mw/>).

BioFA strives to unlock and mobilize finance, as well as debt finance for green and biodiversity-positive SMEs. For this purpose, it works with enterprises and supports the ecosystem. Within this support, BioFA has facilitated two components (see next chapter) aimed at helping financial institutions co-create and refine tailored financial solutions and products to deliver capital for local biodiversity initiatives. The implementation and deployment of these new solutions also come with challenges. Despite the raised awareness, financial institutions often lack the knowledge and internal processes to integrate green criteria into their loan portfolios. Therefore, it is not surprising that despite some promising results, many supported enterprises still struggle to access loans.





## 7. The Impact of the Programme

### 7.1. BioFA Support Components and Activities

Positioned at the intersection of biodiversity conservation and entrepreneurship, the BioFA program has not only sought to impart knowledge but, more significantly, to catalyse tangible changes within participating enterprises.

BioFA is structured around two main components: Enterprise Support Activities and Ecosystem Building Activities. These main activities are aimed at supporting those enterprises that went through the Accelerator programme, as detailed below.

Enterprise Support Activities	Ecosystem Support Activities
<p><b>Accelerator programme for established biodiversity-positive enterprises</b></p> <p>Experienced local business advisors supported 29 enterprises from Malawi and Zambia in strengthening their capacities and refining their business models.</p>	<p><b>Cross-sectoral Biodiversity Roundtables &amp; Practitioners Labs</b></p> <p>The event gathered key stakeholders from the regulatory, financing, and business incubation sectors, as well as selected biodiversity-positive MSMEs to co-create and refine tailored financial solutions to deliver capital for local biodiversity initiatives.</p> <p><b>Green Finance Academy for Financial Institutions</b></p> <p>Offered an in-depth analysis of green finance key concepts and facilitated their application to the own cases of financial institutions to co-create new tailored green finance solutions aimed at supporting the growth of biodiversity-positive MSMEs.</p> <p><b>Biodiversity Breakfasts and Finance Clinics</b></p> <p>Networking events that gathered the supported biodiversity-positive MSMEs to exchange good practices and get peer-to-peer feedback on existing challenges. The event also offered specific finance support from finance BDS advisors to tackle the main challenges when accessing finance.</p>

## 7.2. The Impact of BioFA on Supported Enterprises

The insights gathered through 24 respondent interviews provide a nuanced understanding of the programme's multifaceted contributions, highlighting its transformative effects on business operations, financial capacity, marketing and business knowledge skills, access to replicate business models, and broader socio-economic aspects of these enterprises.

The BioFA programme emerged as a catalyst for developing comprehensive and bankable business plans. Participating enterprises reported a heightened understanding of the impacts their business could make, showcasing an important foundation for sustainable growth. While few respondents felt the program didn't significantly capacitate them to approach financiers, the majority highlighted its instrumental role in acquiring expertise to develop grant proposals and improve interactions with financial institutions.

**A significant outcome of the program was the improvement in marketing and business knowledge skills.** Enterprises reported enhanced pitching abilities and the capacity to draw a convincing business plan, showcasing a positive shift in their strategic communication and presentation. The program also significantly contributed to improving financial literacy and management skills. Enterprises noted enhanced resource mobilization and investment readiness, solidifying their financial foundations. Most enterprises indicated that the BioFA program was beneficial to them, and their knowledge and skills gained are being used to enhance efficiency in the operations of their businesses and improve production process systems in an effective way. Most of the enterprises indicated that they are applying knowledge and skills gained, such as recording financial transactions, realigning of business models to make them more sustainable, and conducting and measuring biodiversity impact. **Direct benefits were observed as enterprises reported successful loan acquisitions, often citing BioFA's role in expanding networks and partnerships, consequently exposing them to more funding opportunities.** Moreover, enterprises gained recognition and awards, showcasing the programme's success in elevating their profiles. Winning pitch competitions and securing grants underscored the tangible success stories resulting from and during the BioFA programme.

Furthermore, enterprises acknowledged the program's **contribution to capacity building, providing expertise for proposal development, business plan improvement, and facilitating effective organizational structuring.** Enterprises formed networks with other entities and collaborated with educational institutions, showcasing a holistic approach to sustainable business practices. The BioFA programme enabled enterprises to **realign and restructure their business cases, emphasizing continuous impact monitoring and assessment.** This focus on sustainability and adaptability was a key outcome. Beyond business impact, the program facilitated the creation of working partnerships with local organizations, fostering climate action. This demonstrated the programme's broader societal influence.

### Reported Contribution of BioFA Support Activities



Improved marketing skills and business knowledge, translated into increased efficiency of processes.



Re-alignment of business models, increasing sustainability and biodiversity impact



Improved communication and presentation skills, leading to an improved business plan and better pitching skills



Successful loan acquisitions, resulting from BioFA-enabled expanded networks and partnerships

### 7.3. Remaining Challenges & Programme Opportunities for Growth

Despite the opportunities enabled by BioFA and the strengths of the programme recognised by supported enterprises, SMEs identified key remaining challenges and further proposed insightful recommendations. The strengths, challenges, and recommendations revolve around three main topics: capacity building, financing opportunities, and biodiversity-specific topics.

Regarding of capacity building, supported enterprises praised BioFA for enhancing knowledge and developing skills in business. They strongly advocate for the programme continuation but also stress the need to increase capacity building as this continues to remain challenging. Supported enterprises suggest expanding the workshops and training regionally, including certification support within the capacity building programme and in general, improving the programme curricula further to tailor the modules to the enterprises' needs. Furthermore, they express a desire for periodic enterprise visits, which would allow for regular feedback on their business.

Access to finance remains a big challenge for supported enterprises despite enterprises expressing gratitude for the programme's assistance. Concerns arose regarding the limited traditional bank loan scope due to high interest rates. Consequently, the key recommendations supported enterprises provide include: 1) to improve the connection of enterprises with financial institutions, which can be achieved by facilitating more opportunities for matching enterprises with financiers. 2) To improve the financial literacy training, that is, to increase the number of financial modules in the programme's curriculum. Finally, 3) enterprises highlight the importance of integrating de-risking grants for SMEs, as they understand these as essential for boosting confidence in engaging with investors and banks. To this end, supported enterprises suggest the provision of small grants, motivational grants, and seed funds post-training.

The third topic revolves around specific biodiversity topics. Specifically, for supported enterprises, the lack of biodiversity-related initiatives remains challenging. To address this challenge, supported SMEs recommend developing or implementing more user-friendly documents for biodiversity-positive enterprises, and targeting these to specific regions. This would provide more tangible and targeted guidance for biodiversity-positive enterprises.

Recognizing the challenges and recommendations outlined by the enterprises opens the door to strategic opportunities for programme growth. By actively addressing the need for enhanced financing options, increased capacity-building opportunities, and the implementation of biodiversity-related initiatives, BioFA or successor programmes in the region can fortify their delivery. The enterprises' recommendations, which highlight a holistic approach, not only tackle current challenges but also pave the way for new avenues of growth.

### Outlook

Complementary programmes and events such as the SEED 2024 National Dialogue Forum, also hosted by adelphi, present a great opportunity to tackle challenges and address several recommendations and opportunities for growth.

During this event, BioFA will host a panel to discuss practical approaches, challenges, and opportunities for integrating biodiversity conservation, climate adaptation, and mitigation efforts into business practices and policies. Furthermore, during the Forum, panel dialogues will explore the green finance gap and discuss climate change adaptation/biodiversity conservation and restoration needs. Eco-inclusive businesses will have the opportunity to showcase and pitch their business models and biodiversity-friendly products; Interactive Workshops will be the opportunity to work on practical solutions and partnerships to solve key questions on supporting entrepreneurs and creating a thriving entrepreneurial ecosystem; and further networking opportunities will serve to connect and exchange to foster a thriving, collaborative eco-inclusive community. The Forum will present a great opportunity to further the suggested solutions, as a significant number of BioFA enterprises and ecosystem stakeholders who attended previous BioFA events will be present. In this opportunity, they will get to be part of, and further, the development of solutions that tackle their challenges and implement the recommendations suggested by them throughout the several workshops and panels mentioned above.

## 8. Methodology and Limitations

This report follows up on the self-reported data from the previous impact insights report. It analyses a sample of the 29 enterprises who completed the Biodiversity Finance Accelerator (BioFA) enterprise support programme (June-December 2022) implemented jointly by adelphi, LUANAR (Malawi), Umodzi Consulting (Malawi), and WEAC (Zambia). The report includes and expands on the data gathered in 2022, in which the data was collected in two instances:

1 - the programme's application form ((a) the product or service they provide; (b) the socio-economic benefits they provide; (c) their scalability and replication potentials; and (d) the specific biodiversity angle and environmental impacts of their enterprise.

2 - through a digital survey upon completion of the enterprise support program (mid-November 2022) (employment and working conditions (including gender inclusion), methods of measuring the enterprises' biodiversity impact, and how their product/service affects its beneficiaries). All 29 supported enterprises replied to the survey.

The report further analyses data gathered through follow-up visits and interviews with 24 enterprises between November 2023 and January 2024. The data gathered in this instance includes in-depth information about the enterprises' experience with raising finance (loans specifically), the impact the programme had on their businesses, as well as current information about their employment opportunities and environmental monitoring.

### 8.1. Limitations

Efforts were undertaken to assess bias within the sample responses. After the data collection period, thorough data validation was conducted. Data input responses were checked and verified to ensure coherent information. Outlier data, inconsistencies, and data that seemed imprecise were validated and, if necessary, eliminated to avoid skewing the results.

The first step was to compare the overlapping data asked both in the survey in 2022 and gathered through the interviews in 2023 and 2024. Data collected during the visits and interviews presents a higher degree of reliability. Therefore, where the data from the survey and the interviews differed, the latest data was used. These results are included in some updated figures here.

The next step was to check for inconsistencies; for example, if there are more women (e.g., or youth) employed than the total number of people employed, this will be categorised as an inconsistent error, and the information will not be included in the analysis and report.

The third step was identifying extreme values and comparing them against other enterprises and business model characteristics to verify their plausibility. The response was not considered for analysis if there was still uncertainty regarding the plausibility.



**BIODIVERSITY FINANCE ACCELERATOR**

**MALAWI • ZAMBIA**