



# REBUILD

## FINANCE FACILITIES

# Balancing Risk and Impact in Returnable Grant Schemes

Case study

Supported by:



Federal Ministry  
for the Environment, Nature Conservation,  
Nuclear Safety and Consumer Protection

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INTERNATIONAL  
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based on a decision of  
the German Bundestag



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REGENERATION  
ACCELERATING NATURAL SOLUTIONS



REBUILD  
FINANCE FACILITIES

Regeneration is a partnership between Systemiq and Palladium International.  
Regeneration's mission is to accelerate natural solutions to tackle the climate crisis.



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# About the Rebuild Facility

The Rebuild Facility is a finance facility of Regeneration, which supports sustainable cocoa and coffee businesses in East and West Africa to protect smallholder livelihoods, conserve tropical forests, and strengthen the private sector. Rebuild Facility provides returnable grants to aggregators, off-takers, and buyers of specialty cocoa and coffee to protect at-risk value chains and to safeguard the incomes of forest-dependent communities.

Jointly implemented by Palladium International and Systemiq under the Regeneration umbrella, Rebuild Facility is funded by the German Federal Ministry for Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV). The programme's portfolio spans 5 countries - Ethiopia, Uganda, Kenya, Ghana, and Cote d'Ivoire.

As of June 2023, the Rebuild Facility has provided about 13.1 million euros in returnable grants to 22 grantees, securing the incomes of over 50,000 smallholder farmers, and keeping over 100,000 hectares of land under sustainable land management. The Rebuild Facility is on track to unlock over 14 million euros of private finance for sustainable MAPs by the end of 2023.



# Balancing Risk and Impact in Returnable Grant Schemes

Since 2020, the Rebuild Facility has supported sustainable cocoa and coffee companies to recover from the effects of the COVID-19 pandemic on supply chains, access to finance and livelihoods. Grantee companies have included large-scale specialised commodity traders, as well as smaller companies like local aggregators and farmer cooperatives.

The Rebuild Facility works with a tier system to identify a grantee company's scale and strength, which affects their ability to meet funding goals and repayment obligations. Tier 1 grantees include large, multinational companies who source from multiple countries or producer groups through their local entities. Tier 2 grantees include medium scale international buyers or manufacturers, while Tier 3 grantees comprise farmer cooperatives, local aggregators and exporters.

Tier 3 companies are prioritized by the Rebuild Facility because they offer the highest impact potential due to their proximity to farmers and the communities behind the global cocoa and coffee supply chains. However, these smaller companies often face vulnerabilities that affect their ability to repay the grant - necessitating an additional assessment of their capacity to sell their commodities, with which they can repay the grant.



When the Rebuild Facility began investing in Tier 3 companies, we did not yet have a practice of assessing the end-to-end capacity of applicants to ensure the timely processing and selling of funded coffee. The combination of adverse weather conditions and container shortages, compounded by the impact of COVID-19 had led to challenges in selling coffee. For more vulnerable Tier 3 companies who are often unable to withstand these shocks, this resulted in unsold stock.

These circumstances disrupted the supply chain and had made it difficult for the Rebuild Facility's first Tier 3 grantee to transport and distribute their coffee. This resulted in the non-repayment of the grant, which remains unpaid.

To get the project back on track, the Rebuild Facility team members made several visits to the site and conducted in-person progress meetings and spot checks. These measures were taken to closely monitor the projects status, help address issues, and ensure that the project was progressing as intended to meet timelines. However, the Rebuild Facility was not able to achieve success in our efforts.

From this, four core lessons have been crucial to the Rebuild Facility's continued investment in other Tier 3 grantees.



1

Funding to support business growth for Tier 3 companies should be backed by a more detailed assessment of their core capacity to manage the proposed financing amount.

2

Small organisations that have high impact potential but show signs of internal capacity concerns must be started with smaller funding amounts which they are better able to manage.

3

For additional risk management, ensuring that these smaller companies have sales arrangements with bigger offtakers provides a guarantee that the grantee will receive enough revenue to repay the grant. Where possible, the Rebuild Facility has connected Tier 3 grantees with an offtaker, which secures a market for them, and opens up a potentially long-term business relationship for the grantee.

4

In-country presence and more regular interactions help identify issues and address them on time.

In applying these lessons, subsequent Tier 3 grantees have benefitted from the Rebuild Facility's grant and successfully repaid grants.

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