

Climate Finance Knowledge Hub

Sharing Technical Know-How on the Assessment, Appraisal & Financing of Climate-Smart Enterprises



SEED

promoting entrepreneurship
for sustainable development

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CLIMATE
ACTION



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PARTNERSHIPS
FOR THE GOALS



Background

Climate-smart enterprises incorporate economically viable business concepts which offer solutions to mitigate climate change or adapt to its impacts. If supported technically and financially, these small and medium-sized enterprises (SMEs) have the potential to significantly contribute to the transition towards a local green and inclusive economy, as they include wide parts of the local population in their value chains and providing bottom-up solutions to climate challenges. Climate finance plays an important role in capacitating the SME sector to fulfill this role, yet to present there are only few financial institutions (FIs) that propose related services in Ghana.

To fill this gap, Ghana's own capital market needs to increase investments in climate-smart enterprises and significantly mobilize finance. Yet, the Ghanaian financial sector faces issues in the development of sound climate finance instruments resulting from a general knowledge gap about climate-smart enterprises. FIs have a limited ability to identify and appraise the value chain of climate-smart enterprises, lack a digital system to facilitate the collection of data needed for the assessment of climate-smart enterprises, as well as a framework for the assessment and risk-indexing based on non-financial indicators. In turn, the knowledge of local SMEs about financing opportunities related to climate finance tends to be low. Despite initiatives that support the development of climate-smart enterprises, capabilities to attract funding remain low requiring more targeted capacity building.

Solution Overview

The Climate Finance Knowledge Hub aims to address the knowledge gap of FIs on climate-smart SMEs by sharing technical know-how on the assessment, appraisal and financing of this target group. It enables FIs to identify and appraise climate-smart value chains to provide targeted financing for SMEs by providing the necessary knowledge, collecting relevant data and establishing a framework for the assessment of climate-smart enterprises and risk-indexing. The Hub will include enterprises throughout the platform and trainings to also increase their know-how on climate finance.

Focus:

Climate Change Mitigation & Adaptation

Ecosystem Impact:

Available Skills, Access to Finance

Lab Cycle:

Climate Finance, Ghana 2019

Challenge Hosted by:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

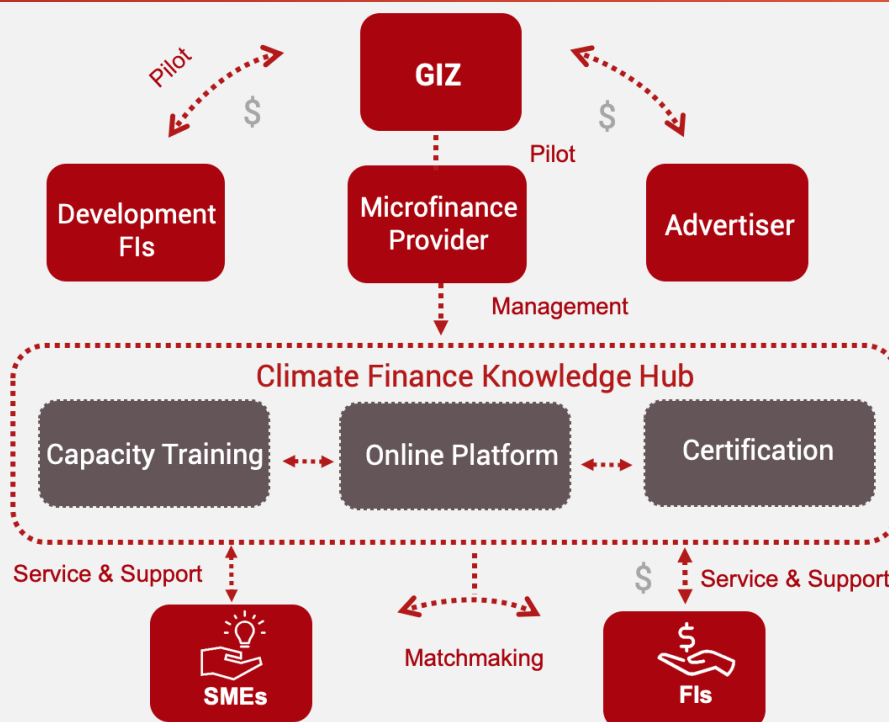
Key Features

The Climate Finance Knowledge Hub will combine three interconnected features to foster capacity development in climate-smart enterprises financing:

1. **Online Platform** to establish a central place where FIs and enterprises can access information about climate finance, funding sources, green business opportunities and impacts.
2. **Capacity Development Trainings** for local FIs and aspiring climate-smart SMEs on climate finance.
3. **Certificates** for trained climate-smart enterprises and trained microfinance institution.

The Hub is designed as a one-stop-shop that equips FIs and climate-smart enterprises with technical know-how, certifications and training to ease the access to finance for climate-smart innovation. The set-up of the Hub is coordinated by GIZ and will be hosted by a local Ghanaian microfinance institution (MFI) as a digital platform. The digital platform supports SMEs and local FIs to learn about financial instruments and how to assess such enterprises. On the digital platform, both FIs and SMEs can not only access information and market data but also register for climate finance trainings that will support FIs to design sound financial instruments, encompassing: (1) appraisal and assessment of climate-smart enterprises, (2) risk profiling and indexing of climate-smart enterprises and (3) value chain financing for climate-smart enterprises.

Trained FIs and enterprises will be certified and displayed on the platform which will facilitate direct climate-finance matchmaking. The certify aims to support FIs and SMEs to apply for climate-finance based funding and support their related implementation. The Hub will contain a database for certified SMEs and FIs in climate finance/green business with detailed specialties.



Innovative Characteristics

- Creates a common platform for FIs and SMEs bundling efforts to strengthen the climate finance sector
- Supports digitalization of the climate finance sector in an inclusive way
- Combines access to information on climate finance with practice-orientated capacity building trainings

- Environmental: Strengthen climate-smart enterprises in their role in a transition towards a local green and inclusive economy
- Financial: Credibility and capacity for (international) funding and partnerships of local FIs and climate-smart enterprises is increased

Target Market

1. **Local Ghanaian FIs** which are interested in developing climate finance instruments and capacities in the field. This includes rural and community banks, savings and loans associations, and financial NGOs with a focus on microcredit providers, which typically address SMEs.
2. **SMEs** that are already or want to become climate-smart, mostly operating in strategic sectors for Ghana's NDC implementation process: energy; transport; agriculture, forestry and other land uses (AFOLU); and waste.

Impact Potential

This prototype will support the next generation sanitation technology and broader water and sanitation market and therefore have an impact on climate change adaptation markets in South Africa.

- Economic: A vibrant environment of financial instruments targeting climate-smart enterprises contributes to a replication of successful business models

Solution Developer

giz Deutsche Gesellschaft
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SEED Practitioner Labs Climate Finance empower participants during the hands-on and collaborative Labs process to turn major financing challenges into robust prototypes. SEED Practitioner Labs Climate Finance are part of the implementation of "Financing and capacity building for micro and small climate-smart enterprises: Filling the gap of the missing middle", a project supported by the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety.