



Platform for Climate-Resilient SME Financing

Institutionalising Access to Climate Finance



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promoting entrepreneurship
for sustainable development



Background

Climate change resilience remains underinvested in South Africa, hampering the growth and development of entrepreneurial activity and innovation for climate adaptation and resilience. Over 25% of entrepreneurs stop their businesses due to a lack of funding opportunities as customised financing instruments are either not available or are not accessible to start-up enterprises¹. Eco-inclusive enterprises offering services and goods that builds climate resilience are even less attractive to traditional banks or investors as their assumed return expectations are sometimes lower or anticipated over a longer term and therefore associated with a higher uncertainty than conventional business operations that primarily focus on high return.

Despite available climate finance (e.g. Community Adaptation Small Grants Facility), there are low levels of climate finance awarded to eco-inclusive SMMEs in South Africa due to a mismatch between financier requirements or fund metrics and SMME expectations, available financial information and proposal writing capacities. As a result, early stage enterprises fall in the 'valley of death' and become the missing middle.

Solution Overview

The proposed prototype builds on existing efforts to map and create a climate resilience investment-readiness ecosystem to support eco-inclusive SMMEs in building their capacity and enhancing the flow of timely, targeted and vetted deals for potential investors. The platform will support investors and SMMEs by building a common understanding of the climate resilience market, facilitating investment-readiness and matchmaking processes, and building SMMEs capacity through a customised "capacity building journey". The journey offers various steps to be taken towards matchmaking, based on the SMMEs specific stage of enterprise development and investment readiness, as well as the interests and requirements of specific potential funders. There are three sequential components:

1. **Climate Resilience Market:** Advocating for and formalising the growth of SMME-led climate resilience innovation and activities through a "starter pack" aimed at awareness raising for SMMEs and funders alike. Development of a climate resilience

Focus:	Climate Resilience; Climate Change Adaptation & Mitigation
Ecosystem Impact:	Access to Finance
Lab Cycle:	Climate Finance, South Africa 2019
Challenge Hosted by:	OneWorld Sustainable Investments

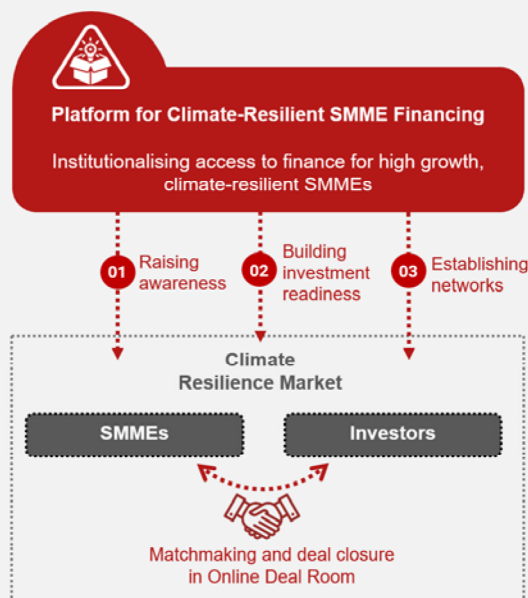
knowledge sharing database, including case studies of good practice. Under this component, the platform offers market intelligence and value chain analysis services, which are aimed at ensuring market access for SMMEs and the development of customised growth models.

2. **Investment Readiness:** Providing investment readiness services for SMMEs through a customised 'capacity building journey', depending on the stage of enterprise development of the SMMEs and the needs of potential investors. Actively facilitating matchmaking of investment ready SMMEs with potential funders, once SMMEs have completed the capacity-building journey.
3. **Online Deal Room:** Creating and facilitating a network of potential funders and SMMEs in the climate resilience market. Establishing an online deal room for realising matchmaking opportunities and facilitating deal closure/co-investment opportunities. Monitoring of the progress of SMMEs post-funding and reintegrating lessons learned and improving the services offered by the platform.

Key Features

- Shining a light on and facilitating existing opportunities for investment in climate resilience.
- Proactive engagement of SMMEs and potential investors, as well as other stakeholders in the field (incubators, academic and research institutions, business developers).
- Investors have access to a pipeline of timely, vetted and standardised investment deals.
- SMMEs and financial actors will benefit from a customised journey towards awareness raising, investment readiness, matchmaking and deal making.

[1] Global Entrepreneurship Monitor (GEM) (2017). South Africa Report 2016/2017. Can Small Businesses Survive in South Africa?



Innovative Characteristics

- **Creation and active facilitation of an ecosystem** for support of climate resilient investment opportunities.
- **Showcase return on investments in climate resilience** by disseminating success stories of social and environmental impacts, as well as profitability.

created or facilitated. Ongoing market intelligence and analysis services for SMMEs ensure that the multiplier effect within the South African economy is maximised, as SMMEs are analysed in the context of their specific value chains and the impact of an enterprise along its value chain is also taken into account.

Solution Developers

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Target Market

The platform aims to guide eco-inclusive SMMEs and potential investors through the necessary steps to increase deal flow on the climate resilience market. “Missing middle” eco-inclusive SMMEs in the climate resilience space looking to move beyond the start-up stage and expand their activities will be the main beneficiaries. However, the platform can also serve as a roadmap for other stakeholders who would like a better understanding of investment opportunities in climate resilience. Throughout the three sequential components, SMMEs, academic institutions, R&D units, government departments, databases with respective matchmaking platforms, funders and investors, capacity building institutions, incubators, and business development service providers will be involved depending on their expertise.

Impact Potential

SMMEs offering services and goods that build climate resilience not only have an impact on the environment and social well-being but also enhance South Africa’s climate resilience. This prototype shines a light on existing and creates new opportunities for investments in climate resilience. It supports the growth of eco-inclusive enterprises in the climate resilience space and therefore can foster innovation and expand the range of available climate smart or eco-inclusive products and services. Through improved coordination among existing stakeholders, awareness issues are overcome and financing opportunities for SMMEs are

SEED Practitioner Labs Climate Finance engage financial institutions, funders, intermediaries and other SME ecosystem stakeholders to co-create innovative climate finance products and mechanisms that extend access to long-term financing opportunities for “missing middle” small and growing climate-smart enterprises that struggle to advance beyond the start-up stage and multiply their contributions to climate-smart and socially inclusive economies.