

Easing access to finance: Green Economy Climate Finance Database 2022

Main insights

The South African economy is perfectly primed for interventions that support the country's efforts to implement its Nationally Determined Contributions (NDCs) by bringing together stakeholders to develop and finance climate projects at scale. There remains, however, a mismatch in finance designed for climate finance markets and the availability of a sufficiently large and bankable pipeline of green economy projects. This can be viewed as a prevailing market failure.

One of the barriers limiting the ability of both project developers to find viable funding sources and financiers from building a bankable pipeline of projects is information asymmetry¹.

To address this barrier (the lack of accurate information), GreenCape, with the Western Cape Department of Economic Development and Tourism's (DEDAT) support, has developed a Green Economy Climate Finance Database (updated 2022). The database contains information on funding opportunities, funding types, institutions and relevant contact details. It is a useful resource for any entity seeking a broad range of funding solutions and financial incentives, largely South African focus. The database is available to view and download at no cost here.

The database covers more than 150 finance opportunities across ~125 unique stakeholders. Although not all tracked investments provided information on their investments' total value or "ticket size", "ZAR 25 billion is currently available across the financing solutions covered in the database.

Context

South Africa's National Climate Change Response Policy (NCCRP) explicitly calls for the inclusion of the financial services sector in shaping South Africa's climate and green finance architecture alongside project developers and policymakers. South Africa's 3rd Biennial Update Report to The United Nations Framework Convention on Climate Change (BUR3) highlighted that catalysing the financing and investments required to proceed towards the low-carbon and climate-resilient economy remains a significant challenge for the country.

These policy documents prioritise the development of resource and investment strategies, capacities, mechanisms, or instruments that support and enable the implementation of economically viable climate change responses. There is a need for well-defined interfaces, linkages and cooperation between funders (to ensure projects meet investment requirements) and receiving entities (to ensure that funding meets South Africa's requirements and priorities).

¹ The lack of access to more relevant and up-to-date information can result in an inability to make an accurate decision.

Content

GreenCape's Green Finance Desk has compiled and continues to maintain a database of climate finance sources and incentives that could be relevant to companies and projects operating in the South African green economy.

As per the South African National Treasury 2020 report titled 'Financing a Sustainable Economy', the following working definition of climate finance is used for this database: "Local, national or transnational financing, which may be drawn from public, private and alternative sources of financing. These financial resources are intended to cover the costs of transitioning to a low-carbon global economy and to adapt to, or build resilience against, current and future climate change impact."

The *Green Economy Climate Finance Database 2022* contains information on funding opportunities, the types of funding and institutions providing the funding, and contact details. This includes information on national market players (e.g. commercial banks, microfinance banks, private equity/debt, venture capital/angel investors etc.), as well as international climate finance streams (e.g. climate funds, development finance institutions, multilateral institutions, bilateral development partners and domestic sources of finance). The *Green Economy Climate Finance Database 2022* analysed ~150 financing solutions valued at ~ZAR 25 billion. The database is ideal for any entity seeking a broad range of funding solutions and financial incentives, with a largely South African focus. Table 1 below provides an example of commercial (mitigation debt), development finance institute (duel benefit grant) and government (adaptation cost-sharing grant) offerings as featured in the database.

Table 1: The Green Economy Climate Finance Database 2022 example

Name of disbursement channel	Name of funding opportunity	Financial instrument	Size of investment	Investment opportunity information	Direct Use	Sector(s)
FNB	Business ecoEnergy Loan	Debt (commercial)	A minimum loan amount of R2000 and a maximum amount of R1 000 000 (subject to affordability)	FNB offers a Business ecoEnergy Loan to customers looking to upgrade their businesses to become energy efficient and help reduce their operating costs. It offers customers a minimum loan amount of R2 000 and a maximum amount of R1 000 000 (subject to affordability) overpayment	Mitigation	Clean Energy

				<p>term of between 1-5 years. Repayments can be made via debit order from your Business Cheque Account. Interest rates are linked to the prime rate with an amortising capital balance.</p>		
<p>The World Bank (as GEF Trustee); United Nations Development Programme (UNDP)</p>	<p>Small Grants Programme (GEF SGP)</p>	<p>Grant</p>	<p>USD\$ 50 000</p>	<p>The GEF SGP provides grant funding to NGOs and CBOs in developing countries to implement projects in climate change and the environment. These projects must meet environmental objectives and support poverty reduction and local empowerment objectives. Excludes Research projects, conferences, individuals, bursaries, salaries. The fund is valued at US\$ 1.5 million with a maximum investment of US\$ 50k over a two-year duration.</p>	<p>Dual benefits</p>	<p>Cross-sectoral</p>

Department of Trade and Industry and Competition (dtic)	Aquaculture Development and Enhancement Programme (ADEP)	Cost-sharing grant	< R40 million	The Aquaculture Development and Enhancement Programme (ADEP) is an incentive programme available to South African registered entities engaged in primary, secondary and ancillary aquaculture activities in both marine and freshwater classified under SIC 132 (fish hatcheries and fish farms) and SIC 301 and 3012 (production, processing and preserving of aquaculture fish). The grant is provided directly to approved applications for new, upgrading or expansion projects.	Adaptation	Agriculture, food production, fisheries and forestry
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The majority of the offerings in the database focus on small and medium enterprises (SME) support and primary project finance (i.e. post revenue and growth phase). There are finance offerings designed for project development support, but very few offerings focused on project identification/pre-feasibility.

The lack of high-risk early-stage finance solutions remains a significant need in the market, with pipeline development and due diligence costs being significant barriers to long-term investments and the venture capital industry in South Africa being almost non-existent. This results in very limited funds being available to invest 'at-risk' in early-stage projects/companies.

Bilateral development partners, local and international development finance institutions, and government departments/agencies make up the majority of the active financing stakeholders. Still, climate funds, commercial banks, private equity/debt, and venture capital make up most of the capital value available in the database.

Across the more than 150 climate finance opportunities, eight different financial products are available:

- **Debt [commercial (listed and unlisted) and concessional (listed and unlisted)]** - A debt evidenced by a note which specifies, in particular, the principal amount, interest rate, and date of repayment at below-market rates. The concessionality can be achieved either through interest rates below those prevailing on the market, longer maturity or grace periods, or a combination of those.
- **Venture capital (limited)** - Equity capital can be provided at various stages of funding rounds. Common funding rounds include early-stage seed funding in high-potential, growth companies and growth funding
- **Mezzanine finance** - Subordinated debt or preferred equity instrument representing a claim on a company's assets that is senior only to that of the common shares. Mezzanine financings can be structured either as debt or preferred stock
- **Equity** - A stock or any other security representing an ownership interest
- **Guarantee/risk mitigation instrument** - Risk Mitigation Instruments (RMIs) facilitate access to debt and equity financing by mitigating and transferring risks from project sponsors and private lenders to third parties. Common instruments applied include contractual arrangements, joint ventures, insurance and guarantees.
- **Grants (very small "ticket size")** - Transfers made in cash, goods or services for which no repayment is required.
- **Government spend** – government development finance or budget spend

Debt and equity made up 50% of the tracked finance products. 40% of the tracked stakeholders offered grants. It is important to note that the value of the grants available was relatively small (less than R1million).

Finance products are available for almost all the sectors (biggest gaps remain in adaptation-focused and new and emerging sectors). Still, as expected, clean energy is the focus of most of the tracked financial offerings and energy efficiency and demand-side management and mobility/storage.

Next Steps

How to use the *Green Economy Climate Finance Database 2022*

Each sheet is broken down into types of sources of climate finance (public, private and blended). These are covered by the government (local and international), development finance institutions, commercial and others. Table 2 below details the five steps you can follow to filter the dataset for the best possible outcome.

Table 2: Using the Green Economy Climate Finance Database 2022

Step	Filtering process
Step 1	Select the relevant source of finance sheet
Step 2	Sort sheet by sector: - Clean energy - Energy efficiency & demand side management - Low carbon transport - Water conservation, supply & demand - Agriculture, food production, fisheries and forestry

	<ul style="list-style-type: none"> - Circular Economy - Buildings and the built environment - Material substitution - General eco-system support - Cross-sectoral
Step 3	Sort sheet by investment instrument: <ul style="list-style-type: none"> - Grant - Concessional debt - Debt / mezzanine debt - Working capital - Equity - Budget expenditure - Other
Step 4	Check alignment of the size of investment and investment opportunity information.
Step 5	Contact relevant financiers (including high-level ask, market size estimate and basic company track record).

For further information and support on any of the content provided here, please get in touch with GreenCape's Climate Finance team at finance@greencape.co.za

Additional resources on improving green economy financial resilience are available from:

Government Funding and Incentives Database

An updated document focused on government funding and incentives is available to view and download [here](#).

AlliedCrowds Database

This database is ideal for any entity seeking a broad range of financial solutions.

"[AlliedCrowds](#) is the first complete aggregator and directory of alternative finance providers in the developing world. We help donors, investors, and entrepreneurs navigate the alternative finance space through our reports, data, and Capital Finder, increasing the flow of capital to deserving projects globally."

Sign up to use the Capital Finder is free and allows users to access a global database where you can filter for a sector (including GreenTech, agriculture and social impact), type of capital (equity, lending, grant) and type of funding (crowdfunding, angel investing, venture capital, impact investing). The Entrepreneur Hub provides important tools and assistance for start-ups, including writing business plans and financial resources.

- In addition, themed databases around the Sustainable Development Goals (SDGs) and the World Green Economy Organization (WGEO) are found [here](#). You can also contact Allied Crowds to create a customised funding database for you.
- Reports, including a number specifically about African funding sources, can also be [downloaded for free](#).
- An Alternative Finance glossary can be found [here](#).

This database is ideal for any entity seeking a broad range of financial solutions.

Finfind Database

Access to finance is the number one challenge experienced by SMEs - Finfind has been specifically developed to address this problem. Finfind is innovative, online access to finance solution that brings

together SME the providers and seekers of SME finance with a focus on finance readiness...Finfind has over 250 lenders and almost 500 loan products available to SMEs, and each lender's listing and loan product information are kept up to date daily. This database is ideal for South African SMMs seeking funding and business advisory services or upskill themselves on finance matters.

RECP Database

The Africa-EU [Renewable Energy Cooperation Programme](#) (RECP) is a multi-donor programme that supports the development of markets for renewable energy in Africa. It was launched by more than 35 African and European Ministers and Commissioners under the Africa-EU Energy Partnership (AEEP). Aside from the Finance Database, the site also hosts the Finance Catalyst, an advisory service geared towards African projects. This is supplemented with market intelligence (including RE potential, country-

Specific regulatory framework and key stakeholders). This database is ideal for renewable energy project developers looking to work in Africa.

Further funding sources

[South African institutions providing funding for entrepreneurs](#)

[South African Business Funding Directory 2016/17](#)

[The Green Outcomes Fund](#)



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