

Challenges and opportunities for LGEs to access finance

GEC Global Meeting: Code Red for people and planet:
Top solutions for scaling a green and fair COVID recovery

Elize Hattingh, TIPS
30 November 2021



Ecosystem Support

Signature Issues

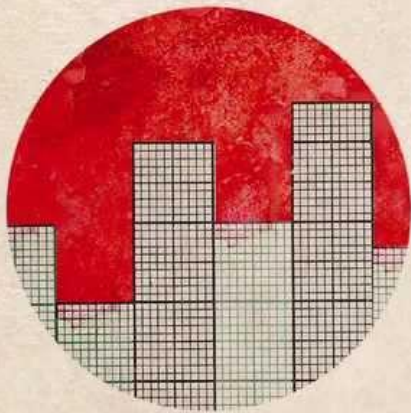
Access to
inclusive
finance

Innovative
Finance
Products

Policy recommendations: Best Practice

Ecosystem Support

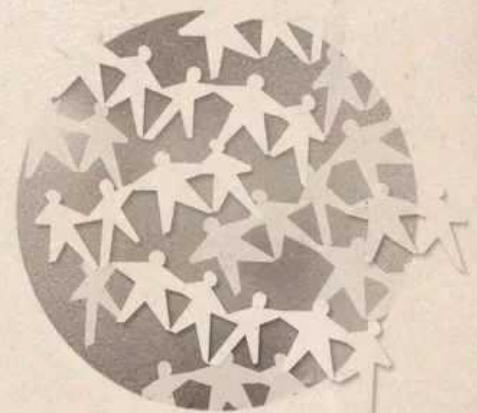
GREEN ECONOMY=



**LOW CARBON
GROWTH**



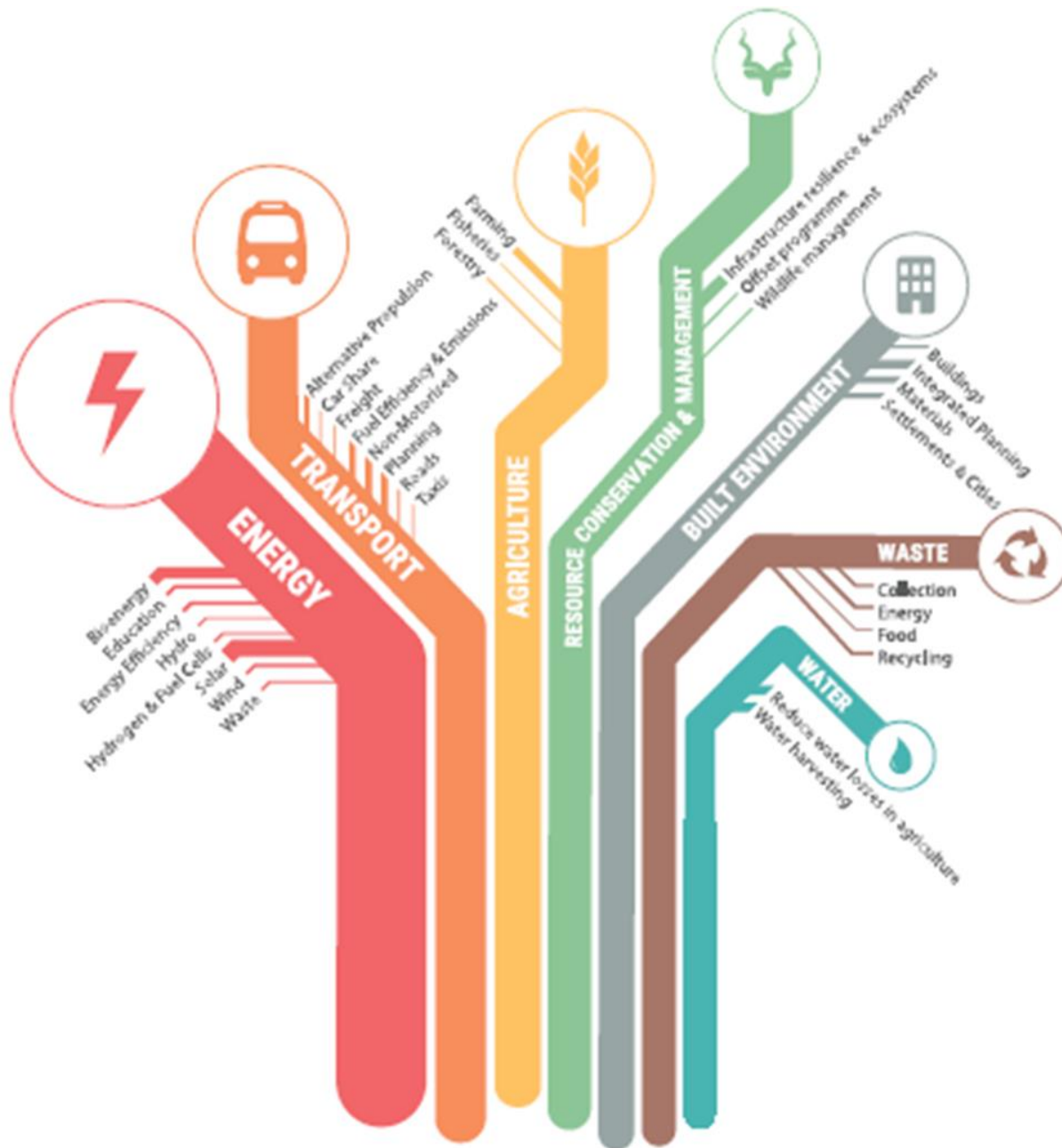
**RESOURCE
EFFICIENCY**



**SOCIAL
INCLUSIVITY**

=SUSTAINABLE DEVELOPMENT?



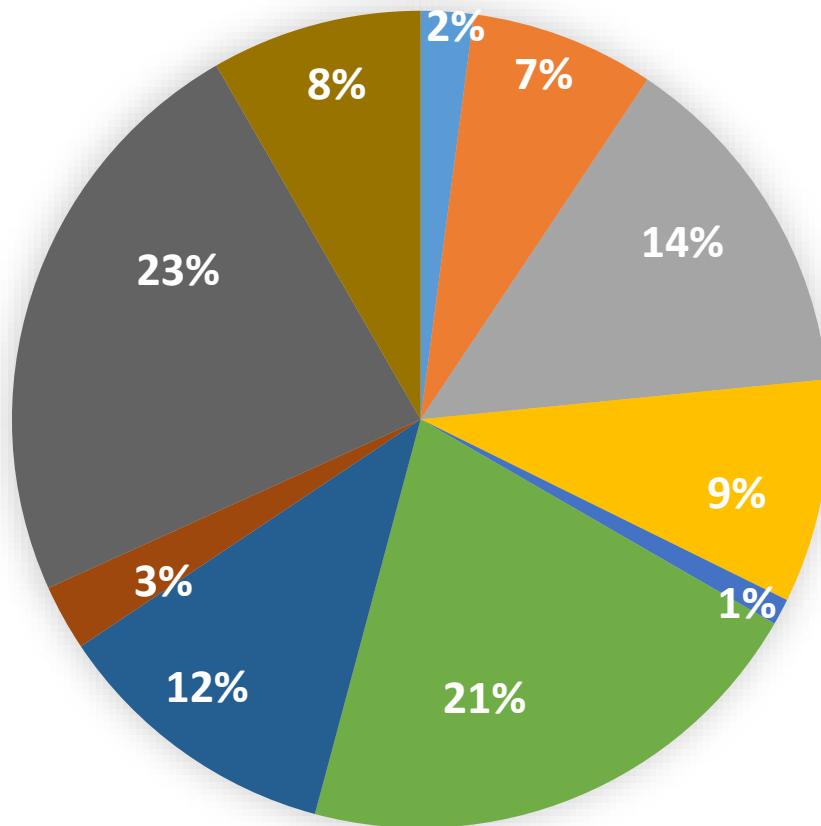


Support Across Green Economy Sectors:

Resource Conservation
Water
Waste
Agriculture
Energy
Transportation
Built Environment
Cleaner Production &
Consumption

LGE survey profile per sector

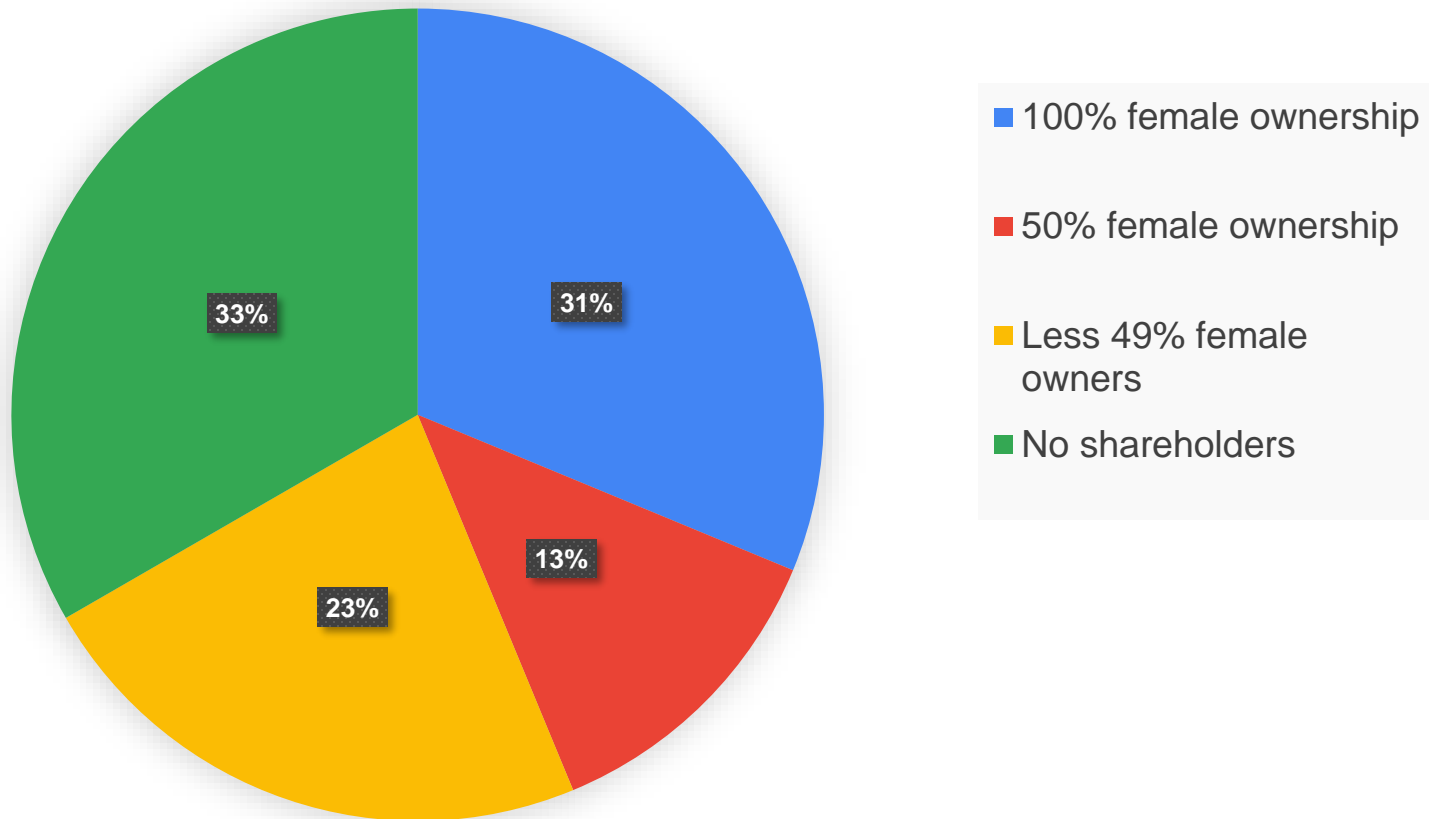
Green Economy Fields



- Agriculture/Farming
- Biodiversity / natural resource management
- Community Development
- Construction
- Education
- Energy
- Manufacturing (SCP)
- Transportation
- Waste

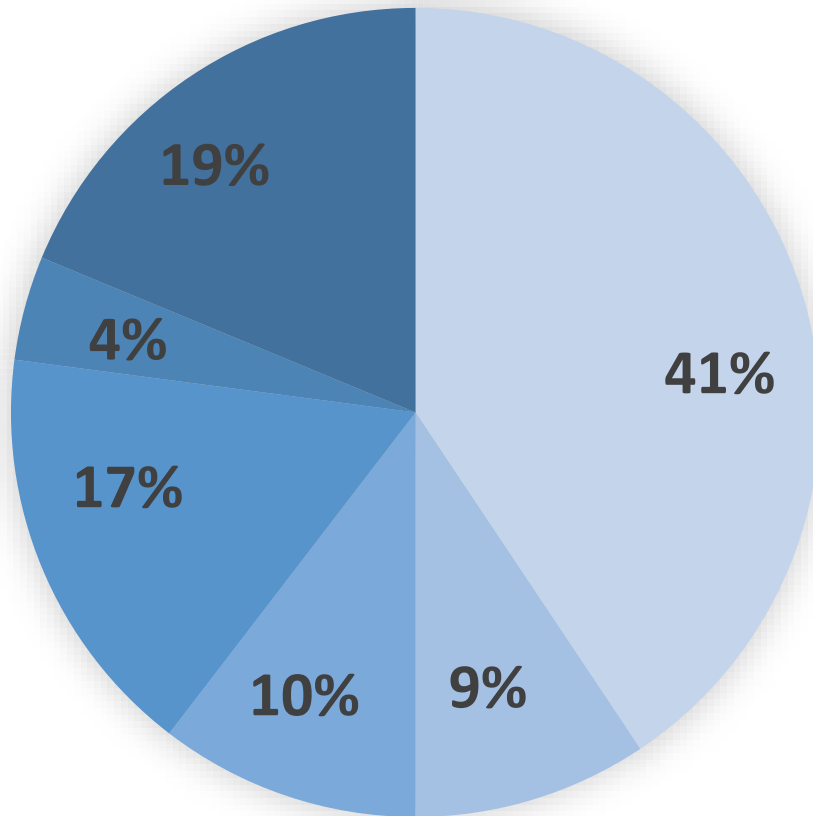
LGE survey : Inclusive of gender, youth, formal and informal SMEs

LGE Equity: Ownership Gender



LGE survey– Business Growth Cycle

Product Technology Development Stage



- Active in the market
- Not sure
- Manufacturing
- Testing/field trials
- Patent design
- Ideation (concept development)

Signature Issues: LGE challenges

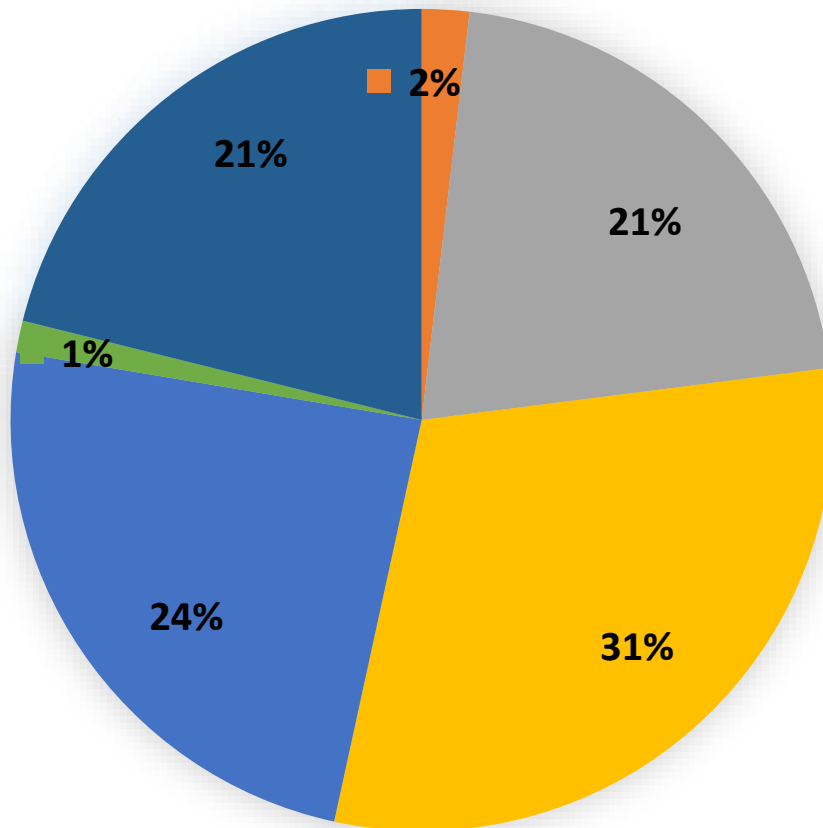


Challenges

- ▶ Sectoral barriers
- ▶ Long break-even cycles
- ▶ Inconsistent or unpredictable income and seasonal cash flows.
- ▶ Internal capacity & capability
- ▶ Access to markets
- ▶ Access to finance

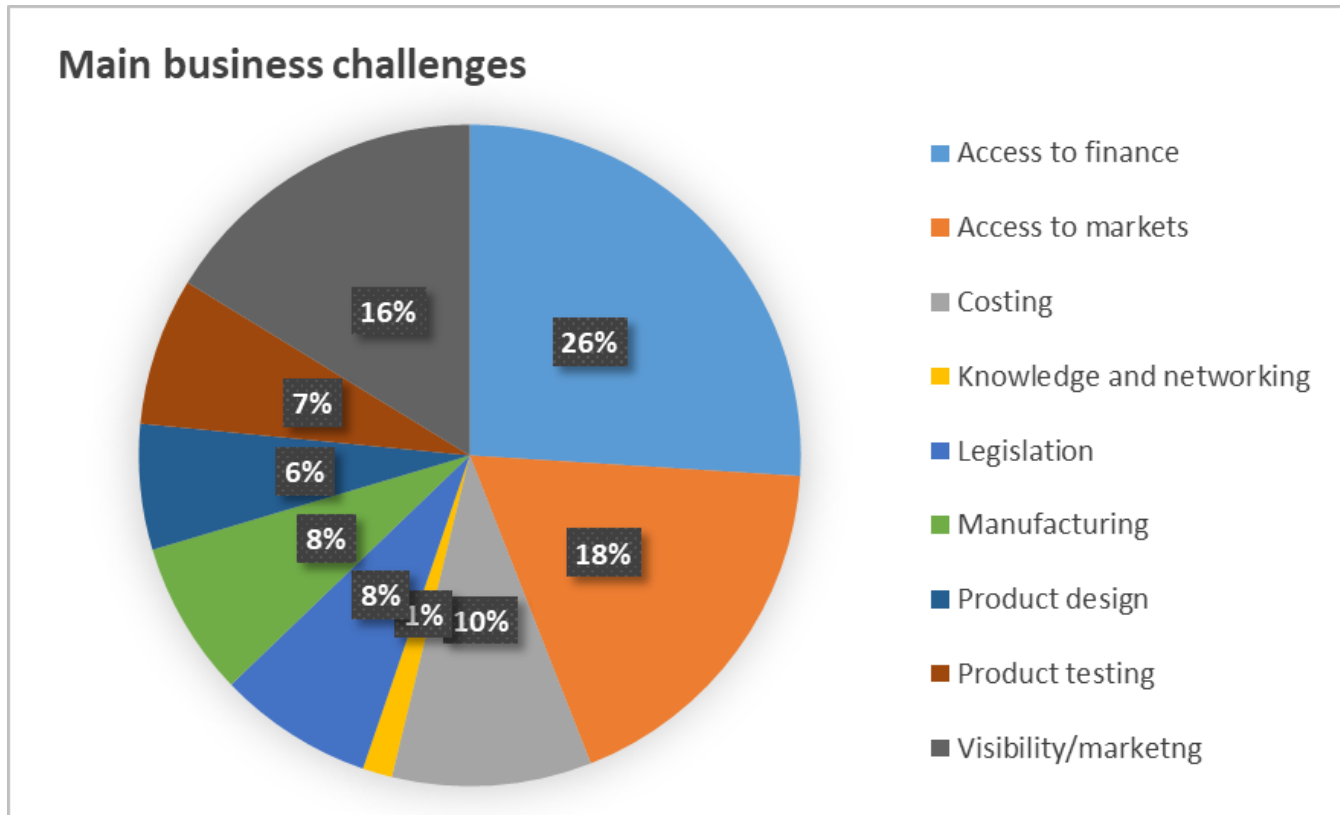
Challenges

LGEs internal difficulties/ barriers



- access to finance
- Human resources (staff)
- Knowledge gaps (business development or technical)
- Limited internal capacities
- other
- Required skills
- Sectoral difficulties/barriers

Challenges



TIPS CFA Survey, January 2021

Challenges

▶ Internal:

- Business development: LGE`s indicated challenges relating to pricing (product costing) to ensure there is a product market fit.
- Organisation: Legislative challenges were indicated (8%), but this was not a significant percentage.

▶ External

- Operational: This included access to finance challenges. The majority of LGEs (26%) experienced access to finance challenges pre-and post COVID-19. Other challenges in this category included challenges related to pre-commercialisation, namely product design 8%, product testing 7% and manufacturing 8%. A lack of access to finance to support these activities for LGEs in Technology Readiness Levels (TRL) 4-7 need attention and will require policy interventions.
- Customer Relations: LGE`s indicated that 16% is experiencing challenges with Visibility & Marketing, and 18% had access to market challenges. There was a single case mention of a lack of industry knowledge.

Challenges

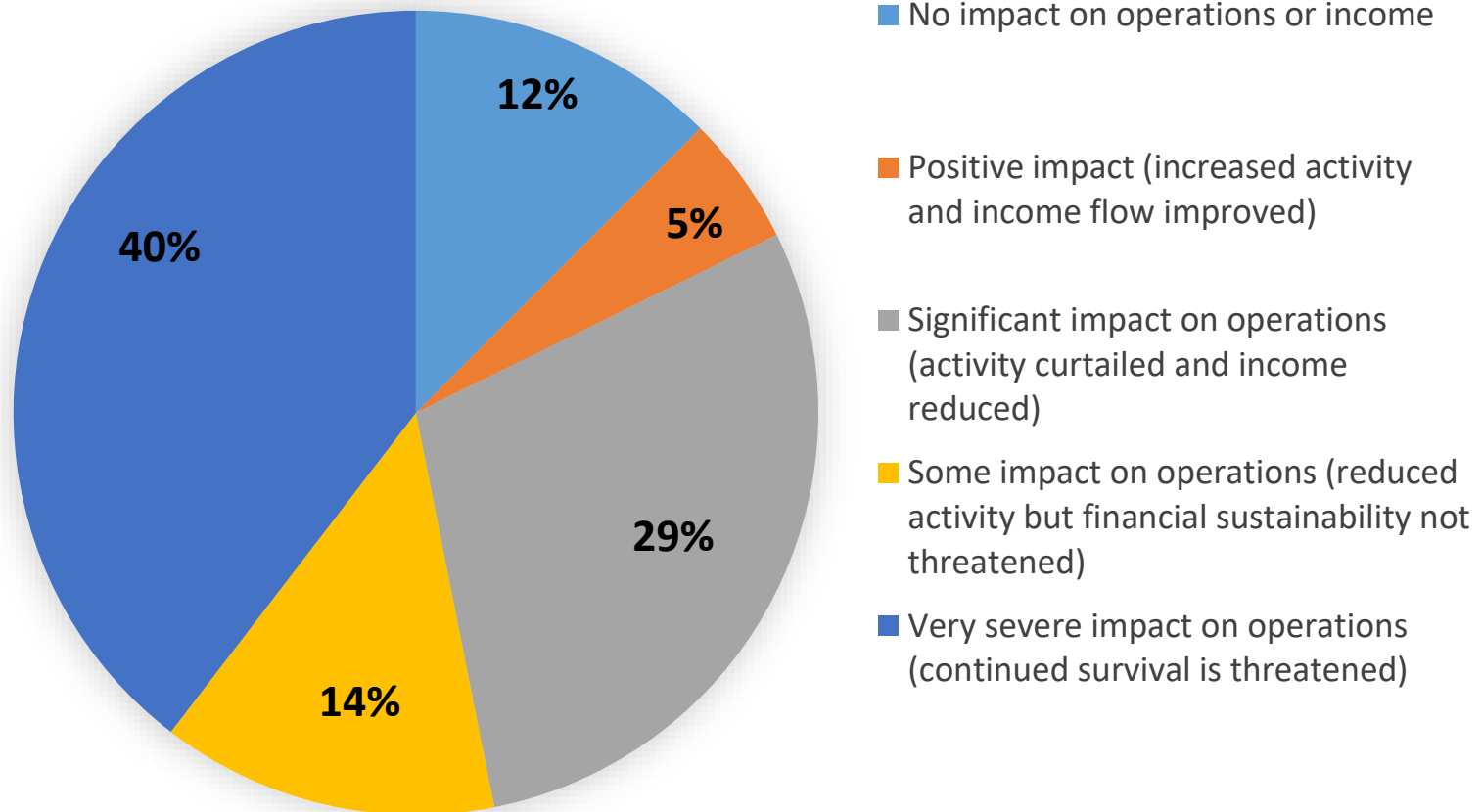
Barriers Score	
External	
Burdensome regulations/inadequate regulations/absence of regulation	
Lack of governmental supports	
Lack of demand	
Internal	
Internal capacities (skills and human resources)	
Unpredictable or low demand of green products and services	
Sectoral difficulties	

Challenges Summary

Main challenge you are facing as a business?	Responses
Access to finance	70
Manufacturing, product testing, product design	43
Legislation	21
Visibility/marketing	44
Costing	27
Knowledge and networking	5
Access to markets	19

Green Recovery to support LGEs from COVID-19 impacts

The impact of Covid-19 on LGEs



Offering support



Innovative Finance

► Guides to products:

- Green Cape guide:

<https://www.greencape.co.za/content/focusarea/green-finance-databases>

- The Green Outcomes Fund (GOF)

<https://greencape.co.za/content/sector/the-green-outcomes-fund>



Innovative Finance

- ▶ The Green Outcomes Funding incentivises local South African fund managers to : increase investment in green Small, Medium and Micro-sized Enterprises (SMMEs).
- ▶ The Green Outcomes Fund aims to achieve clearly defined green outcomes, encourage greater capital allocation to green businesses by local fund managers, and catalyse increased and higher quality, consistent, reporting of green impacts.
- ▶ Partnership officially signed on 31 January 2020 between National Treasury's Jobs Fund and GreenCape, the Green Outcomes Fund (GOF) provides outcomes-based matched (concessional) funding to local investment funds (our Catalytic Finance Partners) to support investments into local SMMEs that make a demonstrable contribution to South Africa's green economy, as well as job and enterprise creation in priority impact areas.
- ▶ This is also made possible by catalytic support from the FirstRand Foundation.

Innovative Finance

The Abadali EEIP was introduced by JP Morgan and aims at creating a positive and social impact in South Africa, they have 2 programmes.

- ▶ Abadali fund – The Abadali funding aimed at funding black owned businesses. The fund is expected to create over R300 million in funding by JP Morgan over the next eight years. These funds will be used to extend debt financing on flexible terms to selected, eligible black enterprises that do not fit the traditional underwriting criteria of “general commercial banking requirements”.
- ▶ Abadali grant – The Abadali grant is expected to extend R40 million in grants to majority black owned and controlled enterprises over the eight year period. Beneficiaries of this grant are large entities with at least 51% black ownership and where possible, majority black workers.

1. SA `s Green Economy Ecosystem

- ▶ Signs of support is increasing: examples include
 - **Youth Focus:** Youth Bridge Trust, Green Economy Academy
 - **Gender inclusion Focus:** Future Females Green Tech Programme
 - **Green Tech:** Endeavor GreenTech Ecosystem Builder
 - **Circular Economy** – cleaner production and consumption, The Fetola Circular Economy Accelerator

Youth Focus

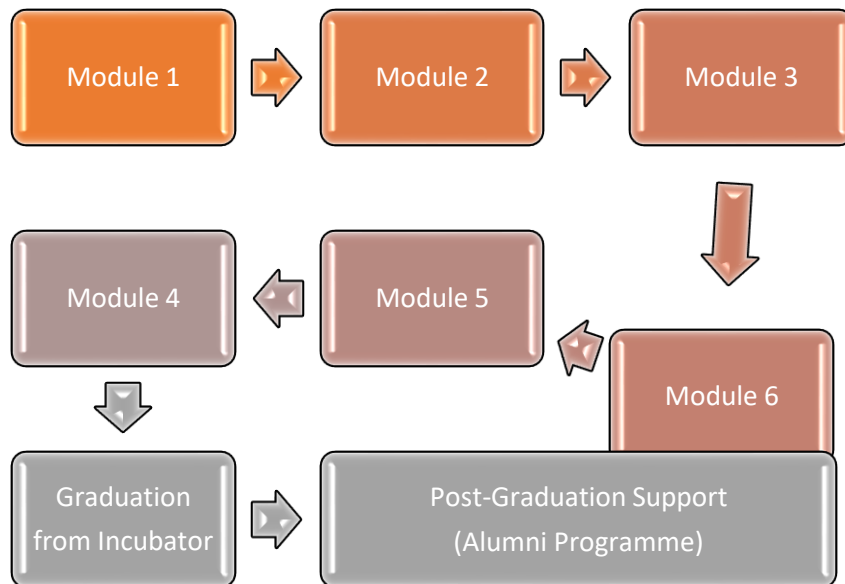
- ▶ Green Matter: Imvelisi
- ▶ Youth Bridge Trust: Green Economy Academy



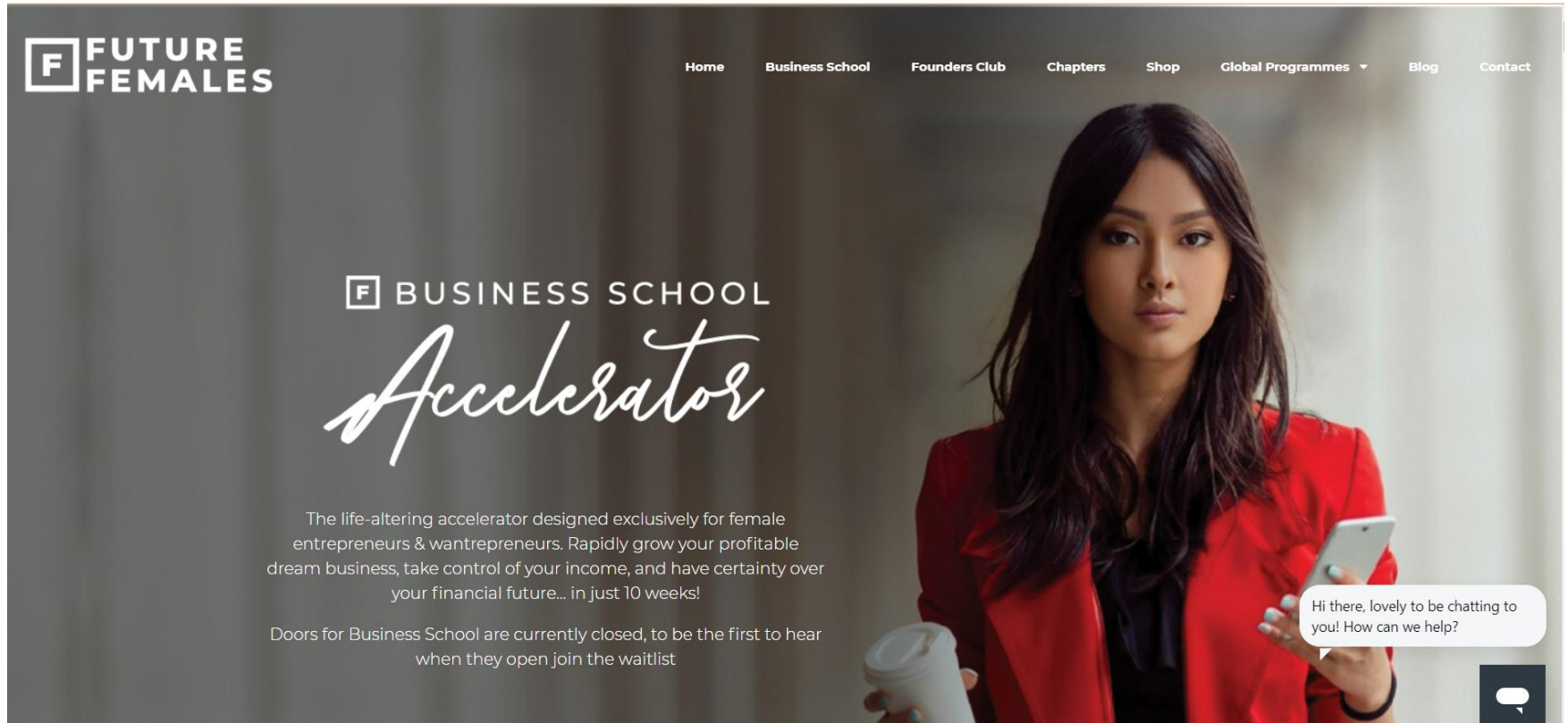
Green Economy Capacity Building – skills development

The solution:

Access to the Green Economy via E-learning modules



Gender Inclusion

The banner features a woman with long dark hair wearing a red blazer, holding a white coffee cup and a smartphone. The background is a blurred office setting.

FUTURE FEMALES

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F BUSINESS SCHOOL
Accelerator

The life-altering accelerator designed exclusively for female entrepreneurs & wantrepreneurs. Rapidly grow your profitable dream business, take control of your income, and have certainty over your financial future... in just 10 weeks!

Doors for Business School are currently closed, to be the first to hear when they open join the waitlist

Hi there, lovely to be chatting to you! How can we help?

Endeavor`s GreenTech Ecosystem Builder programme

GreenTech Ecosystem Builder programme



Still looking for a reason to join our GreenTech Ecosystem Builder programme? Read what previous HealthTech Ecosystem Builder attendees...

Endeavor`s GreenTech Ecosystem Builder programme

Business Boost!

BDS/Accelerator program offering requires a time commitment from the entrepreneurs to attend 2 x group coaching/workshop sessions per month of about 1.5 hours each over 6 months. Endeavor is a global company that works with high impact entrepreneurs to help them scale through access to funding, mentoring and resources.

The UK-South Africa Tech Hub, the British High Commission arm in South Africa, has partnered with us to run a GreenTech Ecosystem Builder. The objective of this engagement is to create a truly self-sustaining ecosystem in the GreenTech space, enabling the entrepreneurs on the programme to connect with funders, other entrepreneurs, policy makers, global mentors and potential end customers.

Best Practice Examples

- ▶ The Fetola Circular Economy Accelerator
- ▶ Fetola has partnered with JP Morgan and the Embassy of Finland to launch a business accelerator that will support the growth of over 100 small and emerging businesses across South Africa.

See: <https://fetola.co.za/circular-economy-ecosystem/>



Just Launched | Circular Economy Accelerator Boost

Circular Economy Accelerator Boost is an intensive, six-month programme designed to improve the success of established, small and medium enterprises (SMEs) active in the circular economy, environmental sustainability, recycling, waste reduction and related sectors.

Applications close on 20 August 2021.

There are only 50 places available for this intensive, six-month programme and the opportunity is open to all businesses who meet the following criteria:

- Alumni of a Fetola or other recognised, business development programme
- Active in the green or circular economy sectors
- Potential to scale
- Preference given to female-led, youth-led, rural and peri-urban businesses
- Preference given to Black-owned businesses, but all businesses are welcome to apply

Recommendations

To develop additional mechanisms to support LGE's and to expand the Green Economy Ecosystem:

- ▶ Sector focused decarbonisation strategies to link with Green Economy Ecosystem support for SME's in value chains
- ▶ A dedicated Green Recovery LGE Programme is required that facilitates access to finance and access to market
- ▶ Greater support to include Youth in the Green Economy – scale Youth programmes
- ▶ Increased Gender inclusion support in the Green Economy, access to finance
- ▶ To finance early stage start-ups (not only supporting post revenue SMEs)
- ▶ Capacity building to increased knowledge about the Green Economy – inclusive participation
- ▶ Greater visibility for SMEs on green market opportunities
- ▶ To link with the European Green Deal – SME risks and opportunities, market expansions for future trade
- ▶ To address policies for reporting on Environmental Goods, capacity building
- ▶ To support green product standards and certifications – can increase consumer take-up



Thank you!

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through research and dialogue

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