SEED
promoting entrepreneurship
for sustainable development

Founding Partners
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FINANCING CLIMATE SMART ENTERPRISES

a link to SDG implementation

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adelphi

On behalf of:
Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
of the Federal Republic of Germany

www.seed.uno / www.adelphi.de

What would I like to achieve?

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- Explain what is a climate smart enterprise.
- Introduce some challenges and some opportunities of financing climate smart enterprises.
- Invite you or practitioner labs to create jointly with us and others.

SEED

- Since 2002 SEED is a global partnership for action on sustainable development and the green economy
- SEED is based on the understanding that the promotion of eco-inclusive enterprises is pivotal to a world of flourishing communities where entrepreneurship drives sustainable development.

- SEED's comprehensive programme triggers the full potential of market-based mechanisms to avert environmental degradation and tackle social problems. SEED builds the ecosystem for eco-inclusive entrepreneurship.

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- This work is supported by the International Climate Initiative of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.

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of the Federal Republic of Germany

- adelphi has been working for SEED from 2005 and since 2013 adelphi is host to SEED

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Climate Smart Enterprises

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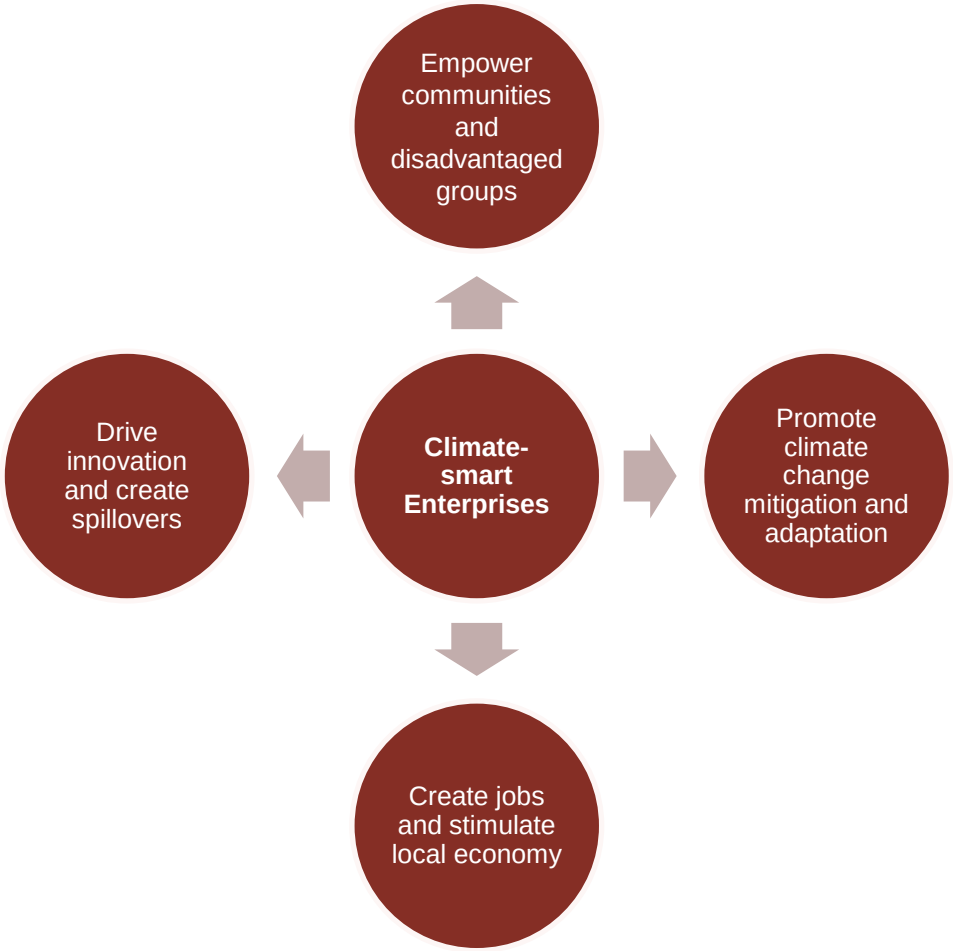
The private sector needs to take on responsibility:

- Design new business models to minimize environmental footprint
- Improve social impact of businesses on the global scale
- Reshape value creation to ensure future sustainability

Climate-smart Enterprises are an innovative way of doing business in the 21st century



What are climate-smart enterprises?

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- https://www.youtube.com/watch?v=JuO04A_oQhA

Green Heat - SEED Low Carbon Winner 2014, Uganda

SDG contributions of Green Heat

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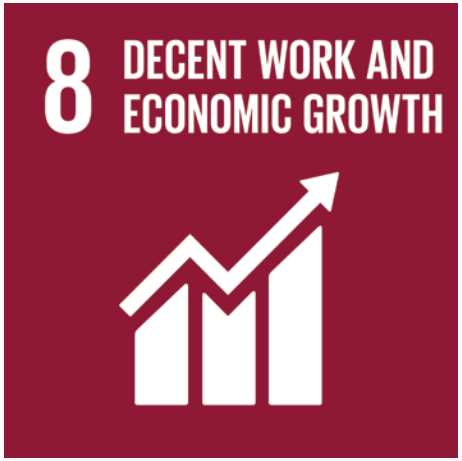

Which financing challenges is Green Heat facing?

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- Access to working capital
- Financing of expansion to other regions / countries
- Project financing for individual projects (e.g. pay as you consume plans etc.)
- Financing of customers loans (individuals, schools, municipalities, companies)

Challenge and Target Group

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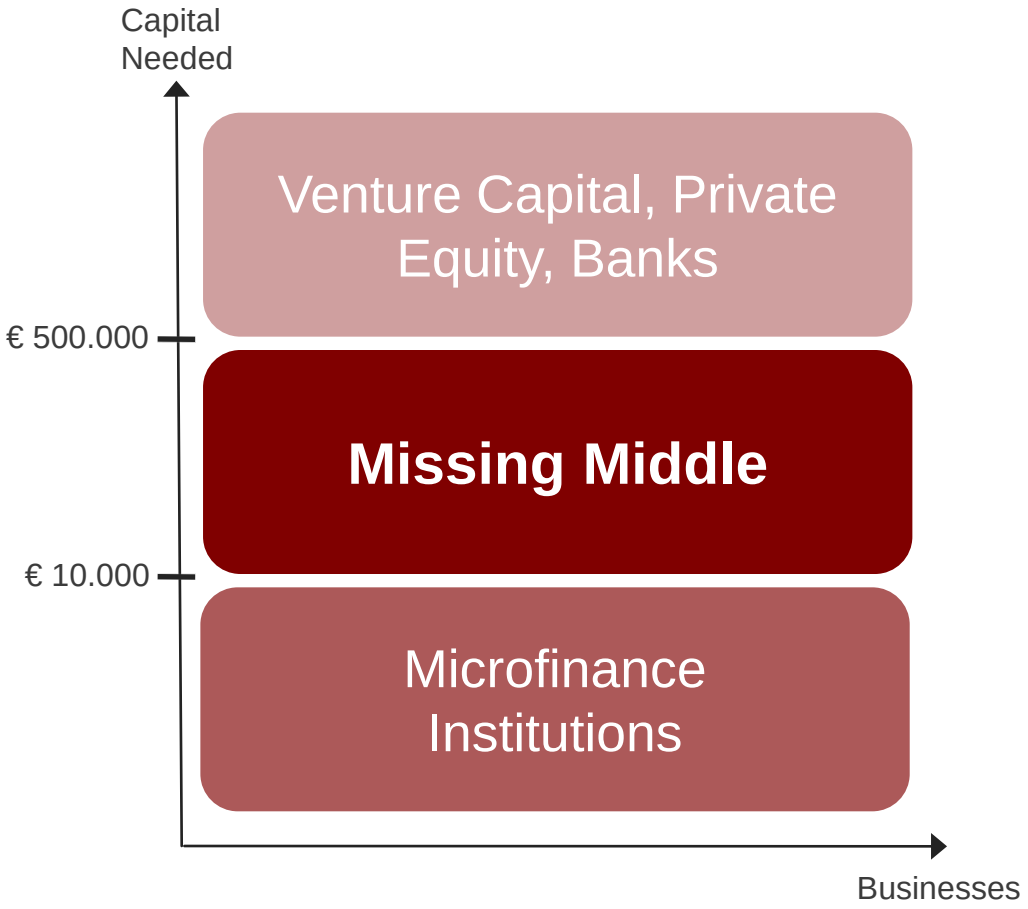
Challenge

- **Access to capital** is critical for small and growing eco-inclusive enterprises
- Small businesses need **small-scale investments** in order to grow and **upscale** their **operations**

Opportunity

- '**Missing Middle**' **SMEs** are the next wave of development in emerging and developing economies



The Gap of the Missing Middle

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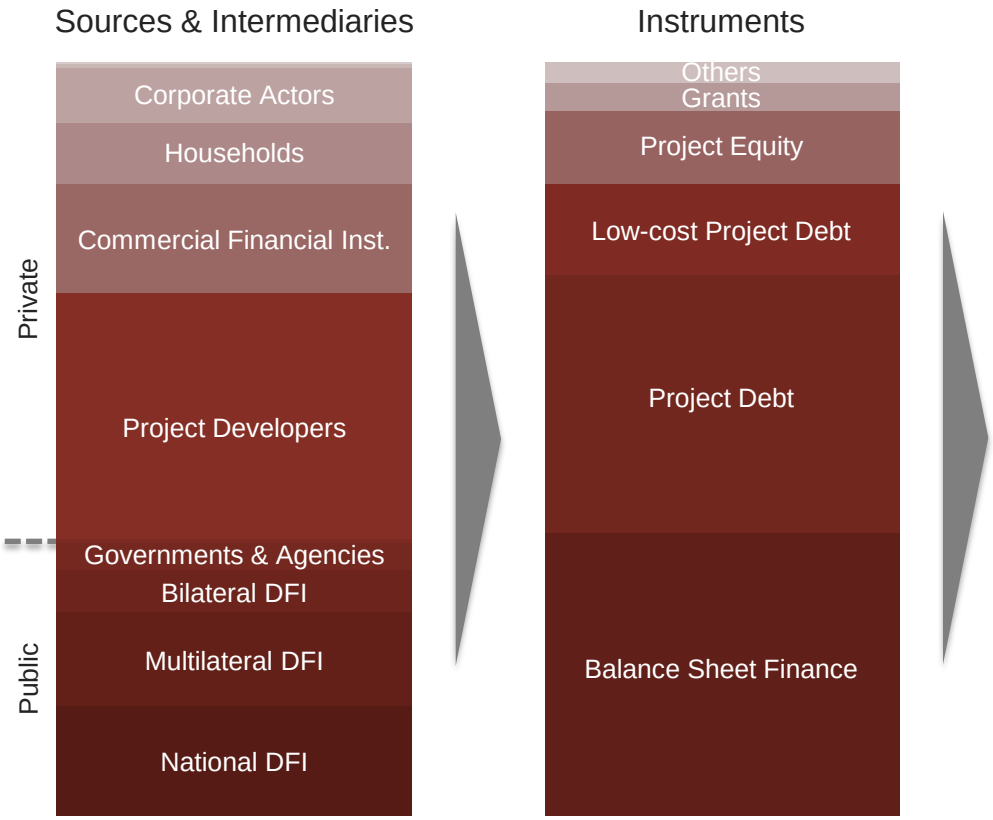
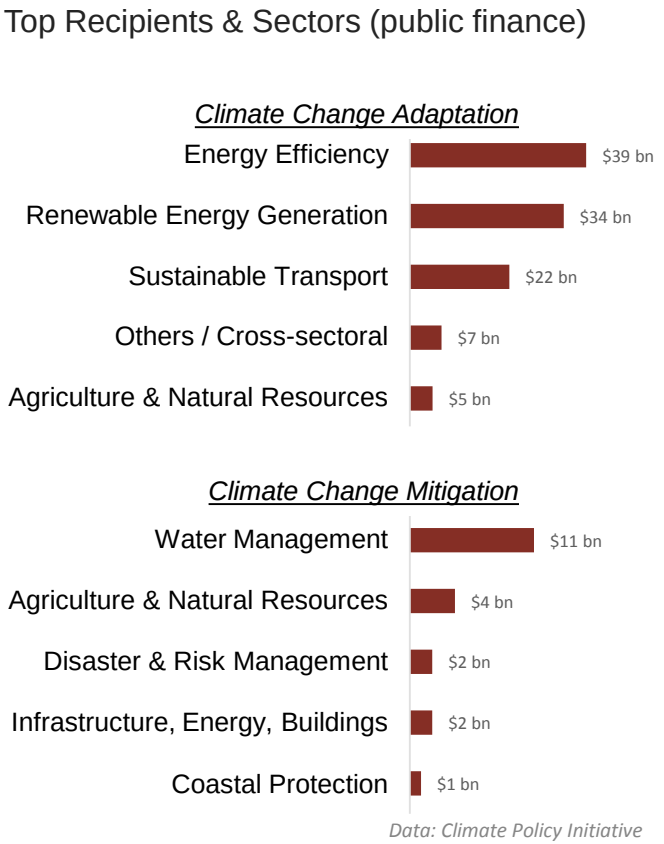
Climate-smart SMEs face a shortage of low-end financial products despite increasing climate finance ($410 bn in 2015/2016)





The actual question is – How to aggregate?

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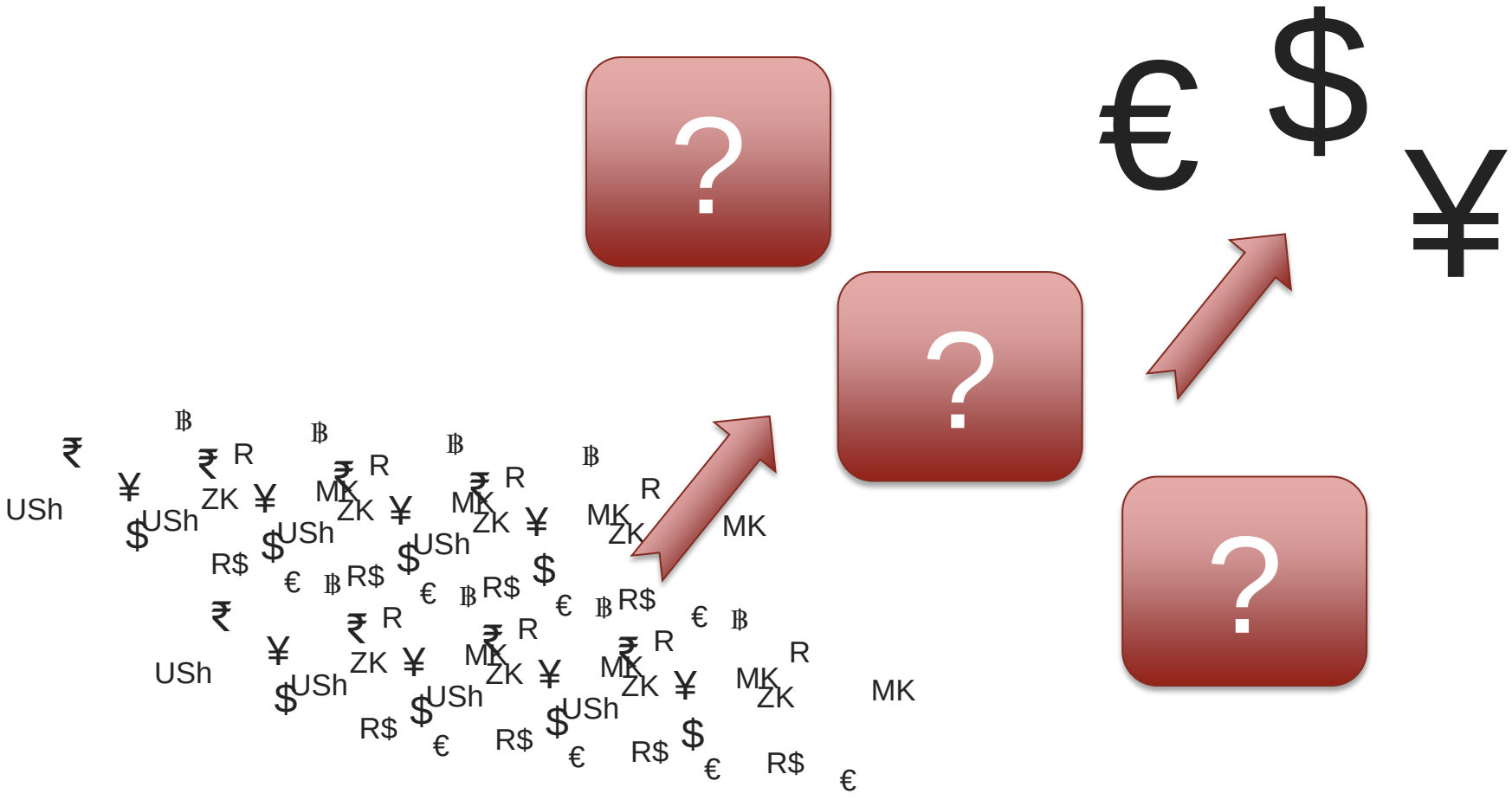

Key Challenges for financiers (example of South Africa)

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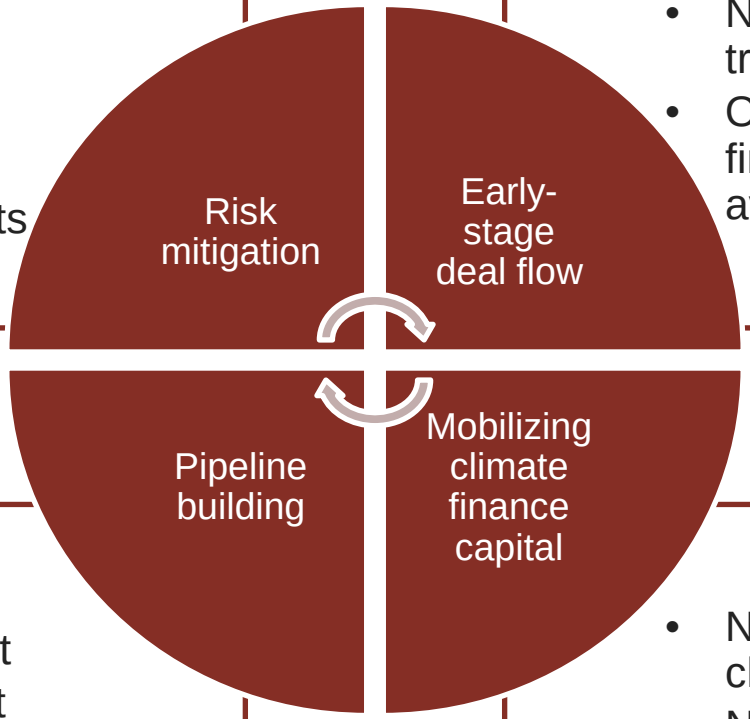
In the context of the South African business environment financiers face four key challenges which hinder the growth of climate-smart enterprises

- Unfamiliar business models
- No significant credit history
- High transaction costs



- No match with growth trajectories of investors
- Only a few early-stage financing products are available

- General lack of talent
- Limited management experience and finance knowledge

- No particular focus on climate-smart SMEs
- Need for coordination of public and private funding

Getting out of the (financing, climate, enterprise, social etc.) box

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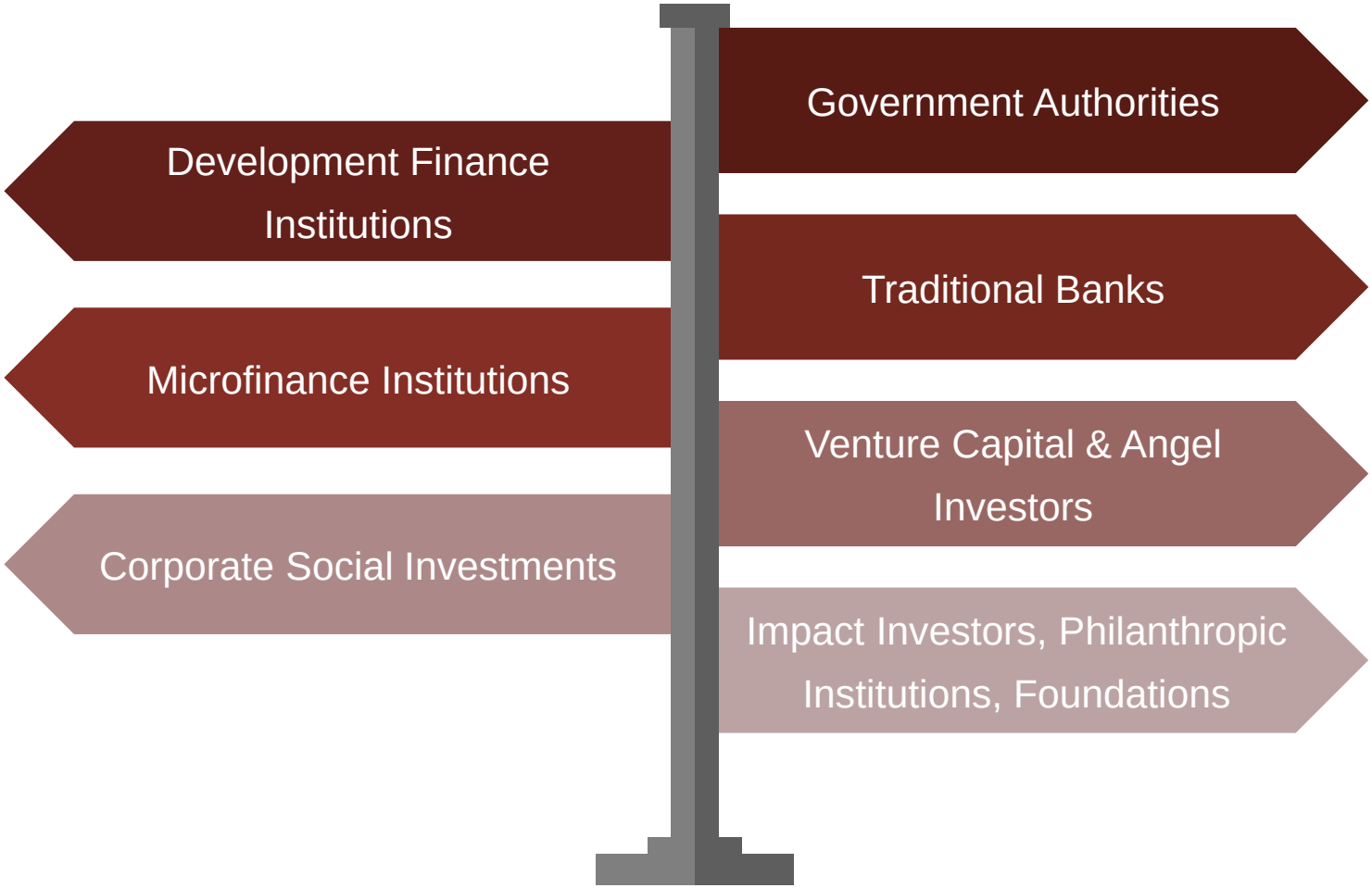

Financing Instruments

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Innovative Finance

Builds on well-established and successful instruments

Combines the strengths of private and public institutions

Meets the needs of climate-smart SMEs

	Innovation			Development Impact			Leading Examples
	New Product	New Market	New Participant	Mobilize Resources	Facilitate Matching	Deploy Funding	
Bonds			X	X	X		Johannesburg Stock Exchange
Guarantees		X	X		X		Multilateral Investment Guarantee Agency
Loans	X			X			Greenfund
Investment Funds		X		X	X		Green Energy Efficiency Fund
Awards and Prizes	X				X		The Green Alley Award
Development Impact Bonds	X					X	Early Childhood Development Impact Bond Impact Fund
Consumer Donations			X	X			Atmosfair

Data: Innovative Financing Initiative

What is more efficient & effective?

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Each enterprise individually accessing the financial market and attracting capital.

OR

The financial market (and services beyond) to provide a comprehensive, standardised but customisable service offer.

Practitioner Labs at a Glance

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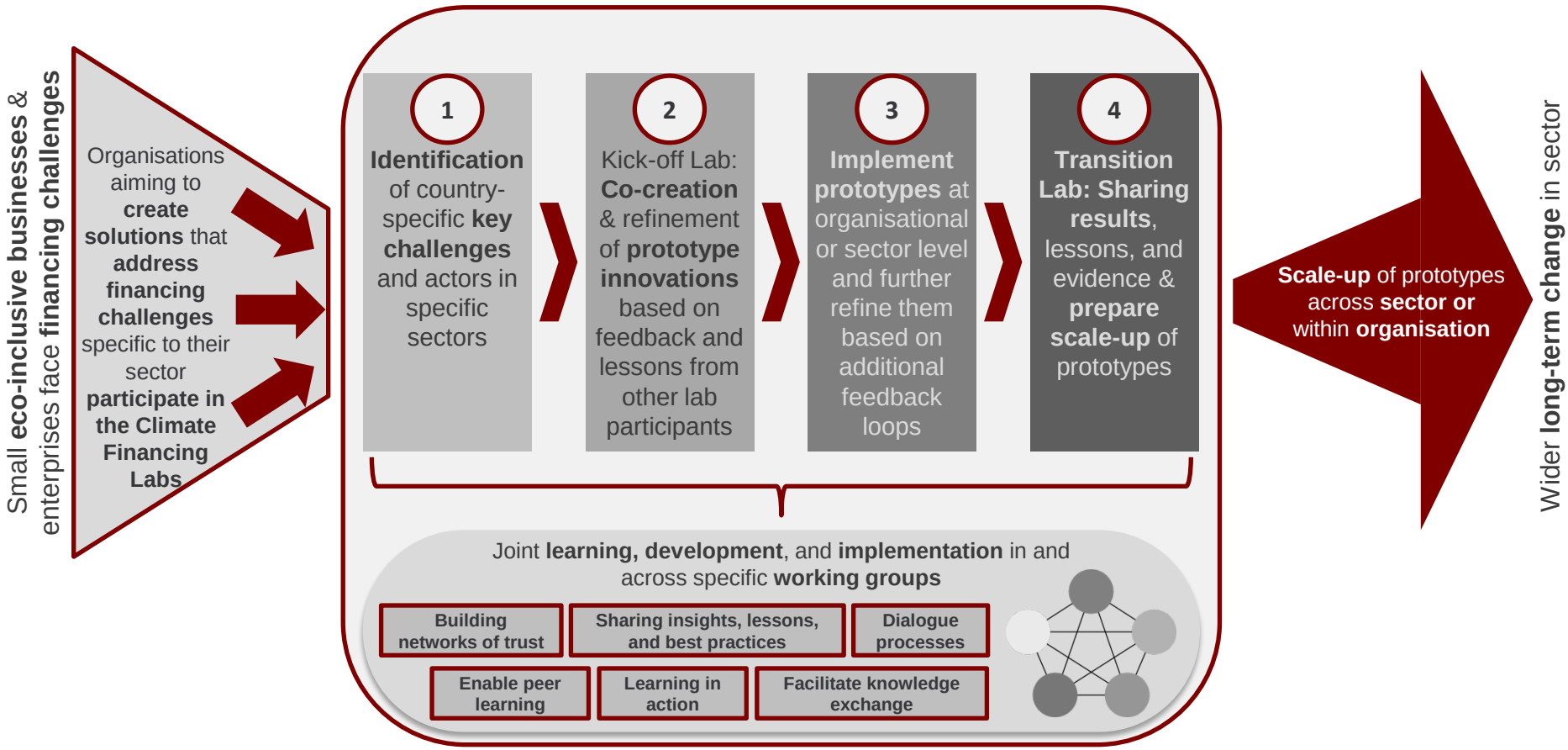
Practitioner Labs Climate Finance



Lab Process

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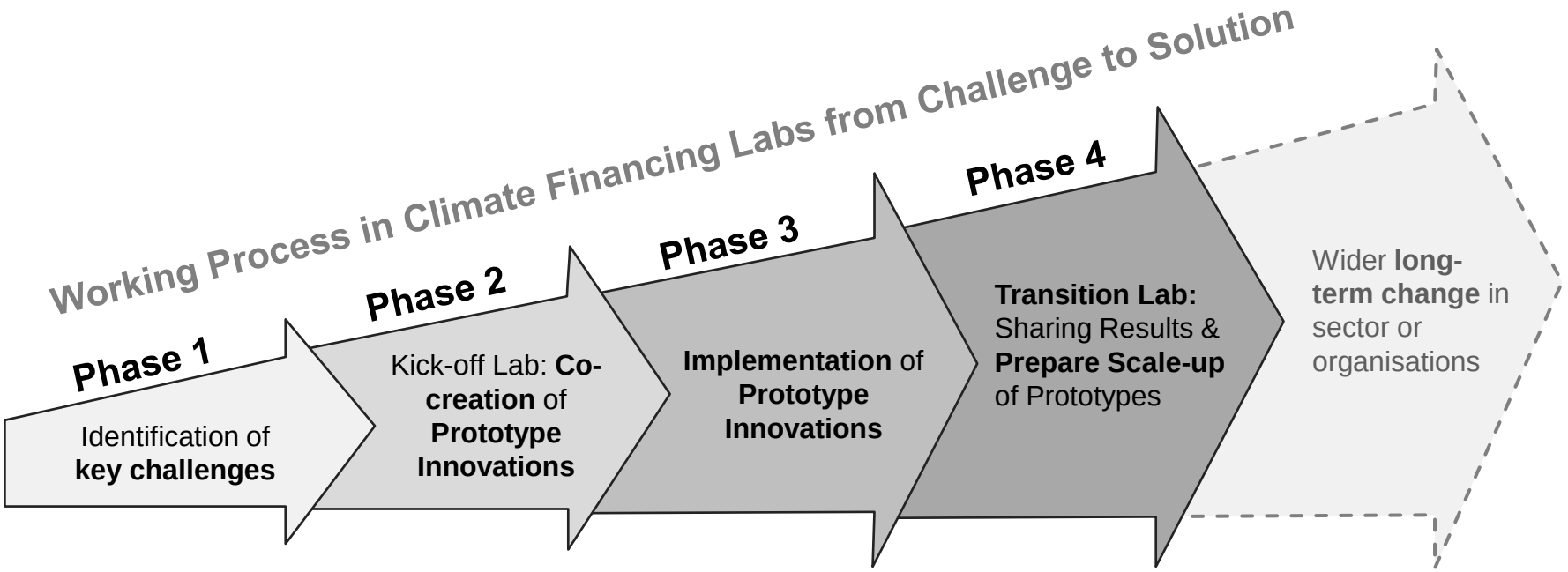
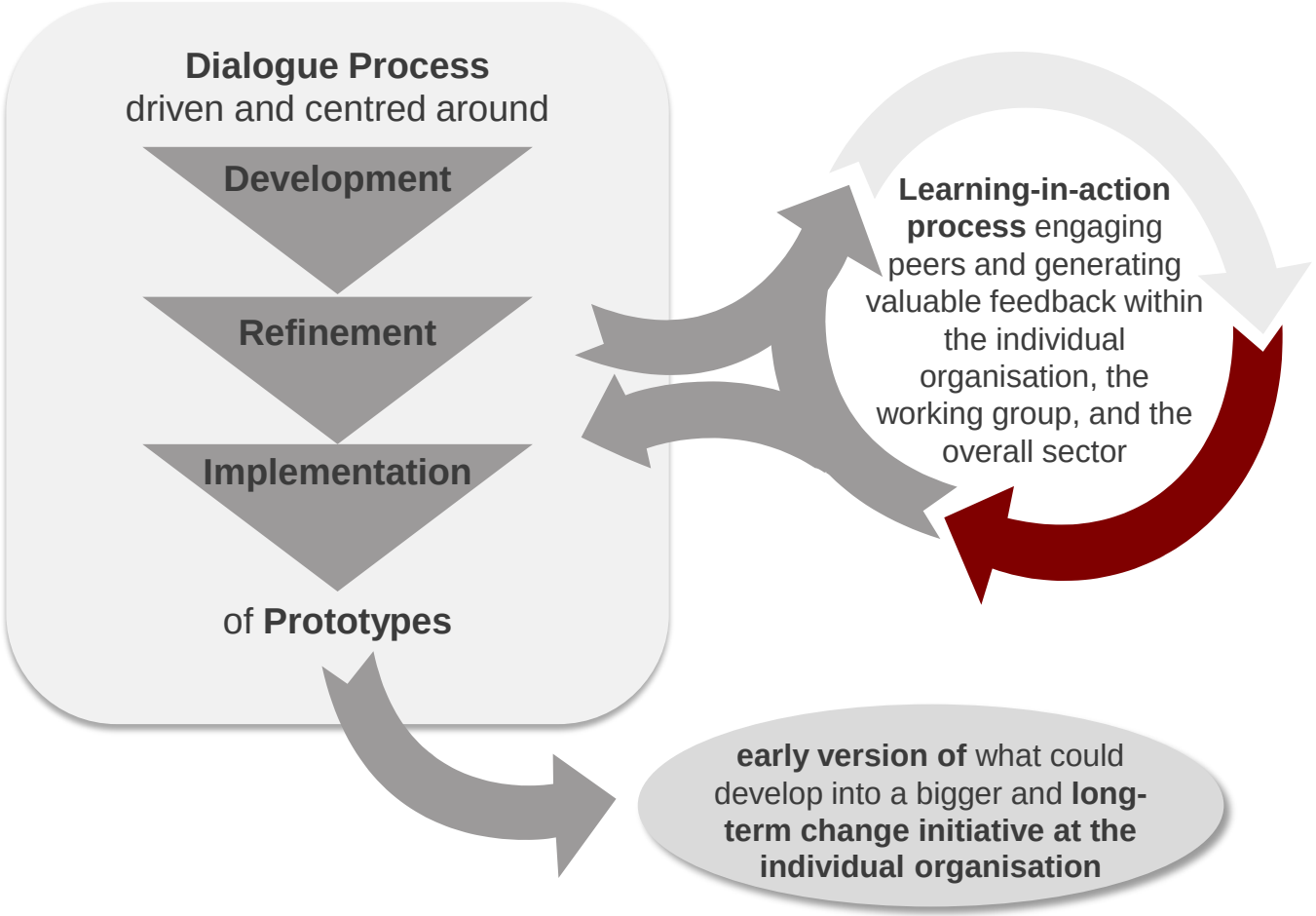


Prototype Development



Cooperation opportunities

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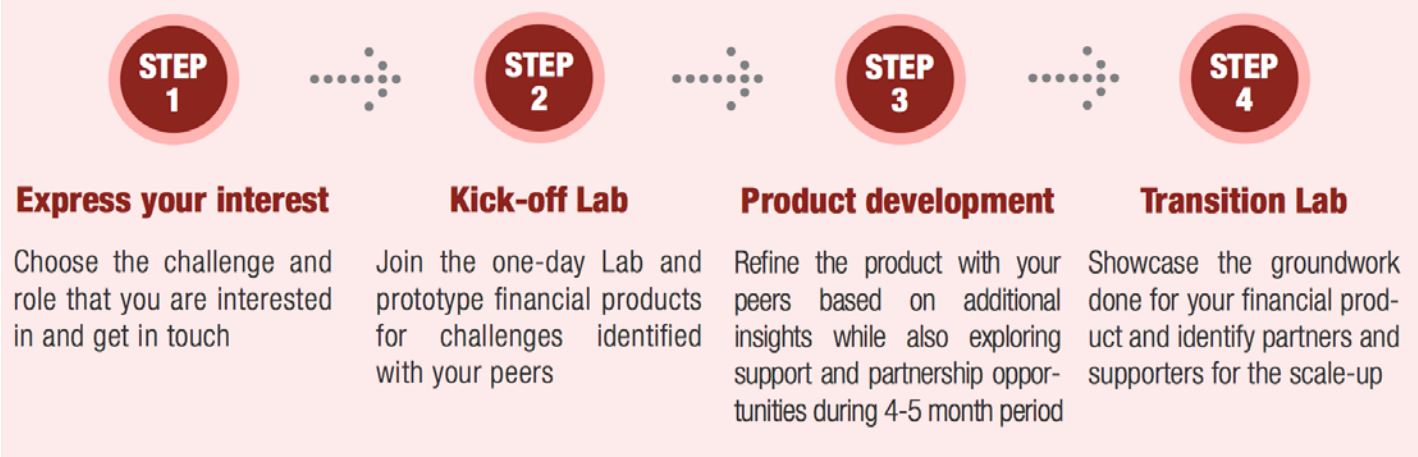
Implemented and suggest Lab dates for

- South Africa (March 2018)
- Uganda (June & November 2018)
- India (June & November 2018)
- Thailand (June & November 2018)
- 2019-2021 in Colombia, Ghana, India, South Africa, Thailand and Uganda



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Sahelia Solar, SAG-SEED Winner 2016

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