



Green Economy Enterprise Development and Investment

Building economic resilience through partnerships that support early-stage innovation in the start-up eco-system



Purpose

This case study describes the resilience based rationale and outcome of the GreenPitch Innovation Challenge, hosted by GreenCape and the Friedrich Naumann Foundation for Freedom (FNF), in partnership with Invest Cape Town, an initiative of the City of Cape Town.

In response to the economic challenges that the City of Cape Town faced before, and as a result of the Covid-19 pandemic lockdown, it continues to emphasise the role of the City to build resilience by maintaining and ensuring a base for economic stabilisation. This is done through the continued provision of quality basic services and the enabling of business facilitation, retention and

expansion through the Department of Enterprise and Investment, and the promotion of local innovation.

Within this resilience investment landscape, start-ups, although small, play a huge role in local economic growth and have a direct impact on the cities in which they are located. Alibaba impacted Hangzhou, Microsoft changed Redmond and Google transformed Mountain View, California. This reinforcing pattern of a local city and start-ups working together creates the opportunity for economic dynamism by spurring innovation and improved employment patterns required for local economic resilience.

What is resilience?

In human terms, resilience refers to “the ability of an individual to recover from setbacks, adapt well to change and to keep going even when facing difficult circumstances”. A resilient Cape Town is a compassionate, connected, and capable City, where Capetonians collaborate across households, communities and institutions, to build collective responses to the current and future social, environmental and economic challenges.

For more information on our green finance support work visit the GreenCape website: <https://www.green-cape.co.za/content/sector/green-finance> To contact GreenCape, email us at: info@greencape.co.za

The case study discusses:

- How continued investment into early-stage green innovation strengthens the resilience of the local economy, thereby helping to survive and adapt during unexpected shocks.
- The importance of collaboration and collaborative techniques in supporting green economy eco-system innovation.
- How partnerships can be mobilised to stimulate green business growth through supporting early-stage innovation.
- The circular economy potential embedded in early-stage innovation and entrepreneurship support.

It is written for:

- Cities and regions that are seeking to harness early-stage entrepreneurship towards developing market-driven and decentralised smart-city responses to climate change challenges.
- Cities and regions focused on building economic resilience through innovation, enterprise development and job creation.
- Businesses and entrepreneurs that are looking to capitalise on climate-induced business opportunities.
- Funders and other organisations seeking to replicate similar programmes.



KEY INSIGHTS

- ✓ Building on the systemic knowledge accrued through previous iterations of innovation challenges run in partnership between GreenCape, FNF and the City of Cape Town provided key learnings for the expansion of the support networks that could be made accessible to the green SMME eco-system.
- ✓ Multi-stakeholder collaboration is a key part of the resilience journey if cities are to generate holistic solutions to climate-related stresses and other shocks.
- ✓ Pitching events are key to driving innovation and start-up success -pitching events are the best place to test ideas, to recognise its weak sides and strong sides and to improve public speaking skills.
- ✓ Trouble-shooting for load shedding during the pitch challenge event provided a new level of event coordination risk management insight, to build resilience on an operational level within the context of South Africa's current energy supply challenges.

Background

Insights, developed by GreenCape through the implementation of multiple projects, have highlighted that despite their vital role in local development, start-ups, much like Small, Medium and Micro-Sized Enterprises (SMMEs), often struggle to take full advantage of local market opportunities and lack the global assets required to succeed in competitive and fast-growing sectors.

In terms of national policy, SMMEs are considered engines for national job creation and economic growth, and their agile nature allows them to pivot quickly, also during times of acute shock. South Africa's reliance on a

legacy energy utility, the increasing price of electricity, the water-stressed nature of the region, and global shifts in technologies and business models have provided an opportunity for green SMMEs in the form of significant demand for cleantech solutions. Due to the developing nature of the sector, the cleantech sector in South Africa is almost exclusively made up of SMMEs. These green SMMEs form a relatively small and fragmented community that struggles with information asymmetry and a lack of coordination. Businesses are usually under-resourced or not experienced enough to take advantage of market demand.

As companies in an early and high-growth stage, SMMEs often struggle to access the assets required to create a competitive advantage in one of the fastest-growing green economies in the world.

Assets in relatively short supply in the domestic economy include:

- knowledge of best practices
- international brand names
- financial assets
- networks
- de-risked business models
- highly skilled employees
- innovative and tested technologies

Towards a solution

Concept:

An impact investment pitch challenge, in partnership with the City of Cape Town. This project speaks to the need for spurring innovation in the green economy.



The GreenPitch Innovation Challenge drew learnings and was able to expand on the highly successful 2018 Innovations for Water Resilience Competition model. It has also resulted in the 2020 City of Cape Town Innovation challenge being hosted later this year.

GreenCape and the Friedrich Naumann Foundation for Freedom (FNF), in partnership with Invest Cape Town, an initiative of the City of Cape Town, invited innovators and entrepreneurs with economically viable green economy innovation business ideas to enter the FNF GreenPitch Challenge 2019. The City of Cape Town's Department of Enterprise and Investment was a strategic partner for this challenge since they have a focus on business support for SMEs.

The entries had to align with at least one of the Green Economy sectors and identified investment opportunities highlighted in the 2020 GreenCape Market Intelligence Reports overview video. The video was produced in partnership with FNF for the FNF GreenPitch Challenge 2019.

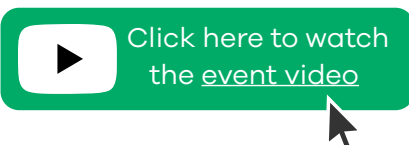
From more than 40 nationwide entries, the following five innovations were announced as the Top 5:

- Thulani Khumalo for Technological Plumbing Solutions **[Water]**
- Xola Keswa for Organic Matters **[Sustainable Agri]**
- Nkanyiso Madlala for Energy Efficiency (Pty) Ltd **[Energy]**
- Elijah Djan for Nubrix **[Waste]**
- Emma Algotsson for Kompost-It **[Waste]**

The Top 5 were invited to pitch to a panel of judges at a "shark tank-style" networking event, hosted in Cape Town on 12 December 2019. They had the opportunity to network with potential investors, business incubators, local government decision-makers and green economy experts.

Additionally, the competition, a shark tank-style pitching contest, aimed to do the following:

- Provide entrepreneurs with an opportunity to showcase and share their innovative green technologies, products and solutions;
- Convene support stakeholders (business development service providers, investors, government officials) together with entrepreneurs (finalists and attendees), providing an opportunity to network with stakeholders that could further assist in addressing their entrepreneurial needs to make an impact on the water crisis;
- Assemble a high-quality judging panel with representatives from FNF, the CoCT, GreenCape, the Western Cape Provincial Government, The LaunchLab and Nedbank to provide a diverse and in-depth evaluation of the showcase innovations;
- Provide entrepreneurs with individual feedback from the panel of judges after the competition regarding their competitive advantage, areas of improvement and suggestions for business growth, as a mechanism to improve their business case and enhance their growth for maximum impact on the water crisis;



THE FNF GREENPITCH CHALLENGE 2019

SELECTED FINALIST

Elijah Djan
Nubrix

12 December 2019



Impact

The impact of the FNF GreenPitch Challenge was as follows:

- There were 40 entry applications received for the GreenPitch Challenge by local and nationally based green economy entrepreneurs;
- As part of the journey towards resilience, GreenCape, FNF and Invest Cape Town offered their support to innovators and entrepreneurs in the green economy landscape. The winner, Nubrix, received in-kind business development support worth R 30 000, through GreenCape in partnership with FNF.
- Five (5) top innovators (finalists) participated and were awarded Certificates for Participation and recognition for setting an exceptional water-conscious standard.
- Through connections made during the event, finalists have been invited to participate in other networks that contribute to their business development.
- The finalists were given PR exposure through the event's publicity efforts.



"We are always looking for opportunities to create an enabling environment that attracts investment that generates economic growth and job creation in the City, strengthening and promoting Cape Town's status as a high-performance, African business hub that supports big ideas and innovation. The City of Cape Town's Enterprise and Investment Department, through our Invest Cape Town initiative, is excited to be part of this event to offer our expert knowledge, and to support and assist with identifying development opportunities to small and medium-sized businesses in the green economy, which is one of our key catalytic growth sectors."

**Alderman James Vos,
Mayoral Committee member
for Economic Opportunities
and Asset Management.**

Supporting early-stage innovation in the green economy builds economic resilience in Cape Town, in three ways:

1. Providing green SMMEs with needed eco-system interaction

In a fragmented and nascent cleantech community, innovation challenges also serve as an opportunity for local SMMEs to interact with each other, as well as with entities in other sectors. This peer-to-peer connection strengthens the cleantech eco-system internally, while also helping to bridge any gaps between cleantech and other sectors.

2. Collaborating with businesses and forming industry partnerships to create a resilient local economy.

Around 80 investors, government officials, green economy professionals and members of the media attended the competition. The entrepreneurs were able to make connections that assisted them in their enterprise development journey.

3. Creating beneficial synergies and providing business support to emerging SMMEs and entrepreneurs.

As part of the journey towards resilience, GreenCape, FNF and Invest Cape Town offered their support to innovators and entrepreneurs in the green economy landscape. The winner, Nubrix, received in-kind business development support worth R 30 000, through GreenCape in partnership with FNF. This support allowed Nubrix to navigate the market better, adapt their business model to local trends and unlock possible growth opportunities.

IN THE CONTEXT OF CAPE TOWN'S RESILIENCE STRATEGY, THIS ENTERPRISE & INVESTMENT CASE STUDY ADDRESSES

Stresses / Shocks



Economic crisis



Rapid urbanisation



Unemployment



Infrastructure failure

Qualities of a resilient city



Job-creating city



Adaptable city



Robust city



Flexible city



Resourceful city

RESILIENT CAPE TOWN PILLARS

PILLAR 1:

People
Compassionate,
holistically healthy city

PILLAR 2:

Place & Space
Connected, climate
adaptive city

PILLAR 3:

Economy
Capable, job
creating city

PILLAR 4:

Disaster readiness
Collectively,
shock-ready city

PILLAR 5:

Governance
Collaborative,
forward-looking city

PILLAR 3

Cape Town is a capable, job-creating City

VISION

Capetonians turn the challenges of resource constraints and rapid technological change into new opportunities.

GOAL 3.1

Foster green economic growth

GOAL 3.2

Enable enterprise development in the informal economy

GOAL 3.3

Connect the workforce with a changing economy

GOAL 3.4

Collaborate with businesses to achieve a resilient local economy

WHAT IS THE GREEN ECONOMY?

The working definition for the green economy as it relates to Cape Town is: "expanded economic opportunities created through the provision of goods and services and the use of production processes that are more resource-efficient, enhance environmental resilience, optimise the use of natural assets and promote social inclusivity."