



## Case study

# BUILDING GREEN INVESTMENT PIPELINE THROUGH EARLY STAGE GREEN SMME SUPPORT INITIATIVES

## PART 1

Showcasing FNF GreenPitch Challenge green SMMEs

Featuring BioAge, 2023 GreenPitch Challenge pre-growth winner



**This case study is written for:** Investors and grant funders that want to stimulate investment into early stage green economy projects, linked to green economy market intelligence investment opportunities.

## Key insights

- The cleantech sector in South Africa has a diverse range of small, medium and micro-sized enterprises (SMMEs). These SMMEs are driving the curation and creation of solutions that the country needs to mitigate some of the worst impacts of climate change.
- SMMEs in South Africa are in need of technical, financial and networking support in order to stimulate investment and job creation into the green economy; as well as for South Africa to achieve net zero and its NDCs.
- This case study is part of a series that showcases GreenPitch Challenge Top 10 finalists, highlighting how their participation has provided opportunities for them to develop and grow.



## The green investment pipeline challenge

### Nurturing early stage green SMMEs

The South African Climate Finance Landscape 2023, a technical report prepared for the Presidential Climate Commission, highlighted that South Africa requires on average climate focused investment of ~R334 billion p.a. to meet its net zero by 2050; and ~R535 billion p.a. to meet its nationally determined contributions (NDC) by 2030.

The annual average climate finance investment is currently ~R131 billion p.a. The report further highlights there is unmistakably a low risk appetite in early-stage funding and venture capital for green sector small, medium and micro-sized enterprises (SMMEs) in South Africa. Conversely, financiers and funders in South Africa lament a low availability of green investment-ready pipelines.

Compounding the low access to climate finance is the evidence that grant funding and concessional debt account for less than 3% p.a. on average of climate finance flows in South Africa. It could be argued that green SMMEs in South Africa are in need of technical, financial and networking support in order to stimulate investment and job creation into the green economy; as well as for South Africa to achieve net zero and its NDCs.

Mounting pressure for South Africa to successfully navigate a just transition away from heavy coal reliance in its energy sector adds a further complexity and urgency to job creation in the South African economic context.

Globally, SMMEs are engines for job creation and economic growth. Their agile nature allows them to pivot quickly, even during times of acute shock. South Africa has experienced a number of acute shocks and chronic stresses. From energy insecurity and dramatic increases in the price of electricity and petrol, to droughts and climate change forecasts predicting an increasingly water-stressed region. These stresses and shocks create the context and opportunity for SMMEs to lead the innovation in developing new technologies and business models. The cleantech sector in South Africa has a diverse range of SMMEs that are driving the curation and creation of solutions that the country needs to mitigate some of the worst impacts of climate change.



## Towards a solution: The FNF GreenPitch Challenge

### Positioning early stage green SMMEs in green economy investment opportunity value chains

The FNF GreenPitch Challenge, an initiative that GreenCape has run annually since 2018 with various partners (primarily supported by the Friedrich Naumann Foundation and the City of Cape Town respectively), seeks to address both sides of the climate finance demand. It serves to source a potential pipeline for green investors, support green SMMEs' journey towards investment readiness, creates opportunities for investment ready SMMEs to connect with potential investors and showcase greentech innovation. The challenge has had various prize sponsors throughout the years, including RMB Ventures, LaunchLab, Sarebi, Google Startups for Sustainable Development, The Ethical Agency, Grindstone and AltGen.

The pitch challenge requires that SMMEs link their solutions directly to the investment opportunities identified in GreenCape's annual market intelligence reports. This ensures value-chain alignment to the bigger green economy investment opportunities.



## Showcasing GreenPitch alumni (Part 1)

### BioAge (Winner: 2023 GreenPitch Challenge pre-growth category)

Biological Agricultural Era (BioAge) is an agri-biotech start-up that integrates propitious solutions for the agricultural sector of South Africa. Their flagship product Nitro-Gro is a liquid organic fertilizer and plant bio-stimulant.

**Linked to [2024 Sustainable Agriculture Market Intelligence investment opportunity](#):** The global market for biostimulants has been estimated at around \$2 556 million in 2021 and is projected to grow with a compound annual growth rate (CAGR) of around 10%. The potential addressable South African market size is estimated between R353–R707 million. This is based on a 100% uptake by farmers currently practicing conservation agriculture in South Africa. The market is currently dominated by seaweed extract-based biostimulants, due to South Africa's abundant coastal resources. However, the increased demand for sustainable products and the growing awareness of the business case for organic fertilisers among farmers present opportunities for new entrants like BioAge to enter offering alternatives to conventional biostimulants. (GreenCape Sustainable Agriculture MIR, 2023).

### Economic benefits

- The use of biostimulants has shown to result in an increase in yield and quality.
- Reduced reliance on volatile input costs along with improved crop resilience to extreme weather conditions, protects farmer's yields and farmer's economic stability.

### Environmental benefits

- Increased soil health and biodiversity by increasing bacterial and fungal biomass and enhancing soil microbial activity.
- Improved soil health increases the soil's capacity to store carbon and reduces the amount of greenhouse gas emissions from unabsorbed fertilisers.
- Biostimulants have been found to activate certain plant responses which improve their resistance to certain abiotic factors such as drought and other extreme weather events.

## Ecosystem support impact of GreenPitch Challenge participation

BioAge was accepted into the Savant Build programme as a result of their participation in the 2023 GreenPitch Challenge.

## Resources

### GreenPitch Challenge videos



Innovations for Water Resilience Competition 2018



FNF GreenPitch Challenge 2019



The 2022 GreenPitch Challenge



2023 FNF GreenPitch Challenge highlights



2024 Sustainable Agriculture Market Intelligence Report

## Contact



GreenCape's Green Finance team

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