



Case study

BUILDING GREEN INVESTMENT PIPELINE THROUGH EARLY STAGE GREEN SMME SUPPORT INITIATIVES

PART 2

Showcasing FNF GreenPitch Challenge green SMMEs

Featuring STROOM, 2023 GreenPitch Challenge Top 10

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 2)

STROOM (Top 10: 2023 GreenPitch Challenge)

STROOM Electric Cargo Delivery System is a women-owned cargo e-bike design, manufacturing and on-demand delivery enterprise.

Linked to [2024 Electric Mobility Market Intelligence Report](#) investment opportunity: The micro-mobility sector, particularly two and three-wheelers, demonstrates a large opportunity in South Africa. The market size is currently estimated at 50,000 delivery drivers with a value of R2 billion for electric bicycles and is expected to reach R3.6 billion in 2030. The electric motorcycle segment is valued at R4.5 billion, with R7.5 billion for electric three-wheelers (GreenCape, 2024).

Economic benefits

- The use of electric-micro-vehicles for last mile delivery can result in more than 80% reduction in operational costs compared to ICE motorcycles.
- Increased cargo capacity allows for more parcels to be delivered in a single run coupled with increased advertising space which offers additional revenue streams.
- 90% of its components are sourced locally, which limits global supply chain reliance and increases price competitiveness with imported vehicles.

Social benefits

- The adoption of electric bicycles is facilitated by the lack of licensing requirements, contributing to increased job creation.
- STROOM's business model extends to serving township and rural markets. Their e-bikes are tailored for the unique terrain, supporting delivery in these areas where delivery via normal vehicles is prohibitively expensive. They have partnered with SHOVeBike in Soweto, Langa Bicycle Hub, and Hendrikse Deliveries in Stellenbosch/ Khayamandi, empowering communities with new jobs, business opportunities, and accessible green mobility and logistics solutions. Additionally, STROOM is piloting the use of their vehicles in the transportation of equipment in construction and development sites.

Environmental benefits

Reduction in tailpipe emission associated with ICE motorcycles.

Ecosystem support impact of GreenPitch Challenge participation

STROOM was introduced to potential future funders and ecosystem partners 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 Electric Vehicles Market Intelligence Report

Contact



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