



GREEN
OUTCOMES
FUND

The Green Outcomes Fund (GOF)

Webinar Series Part IV: Inclusive Finance for Local Green Entrepreneurs in South Africa



PRESENTATION OUTLINE

1. Context of the fund
2. What the fund has achieved?
3. Observations and lessons learnt



WHAT IS THE GREEN OUTCOME FUND?

- Green Outcomes Fund (GOF) is a first-of-its-kind blended-financing structure
- It provides outcomes-based matched concessionary capital to existing and emerging local investment funds to promote investments in green Small Micro-Medium Enterprises (SMMEs) in South Africa by paying for green outcomes generated .

Objective:

To incentivize local fund managers to use new approaches and financing models, targeting high potential and fast-growing SMMEs operating in South Africa's green economy.

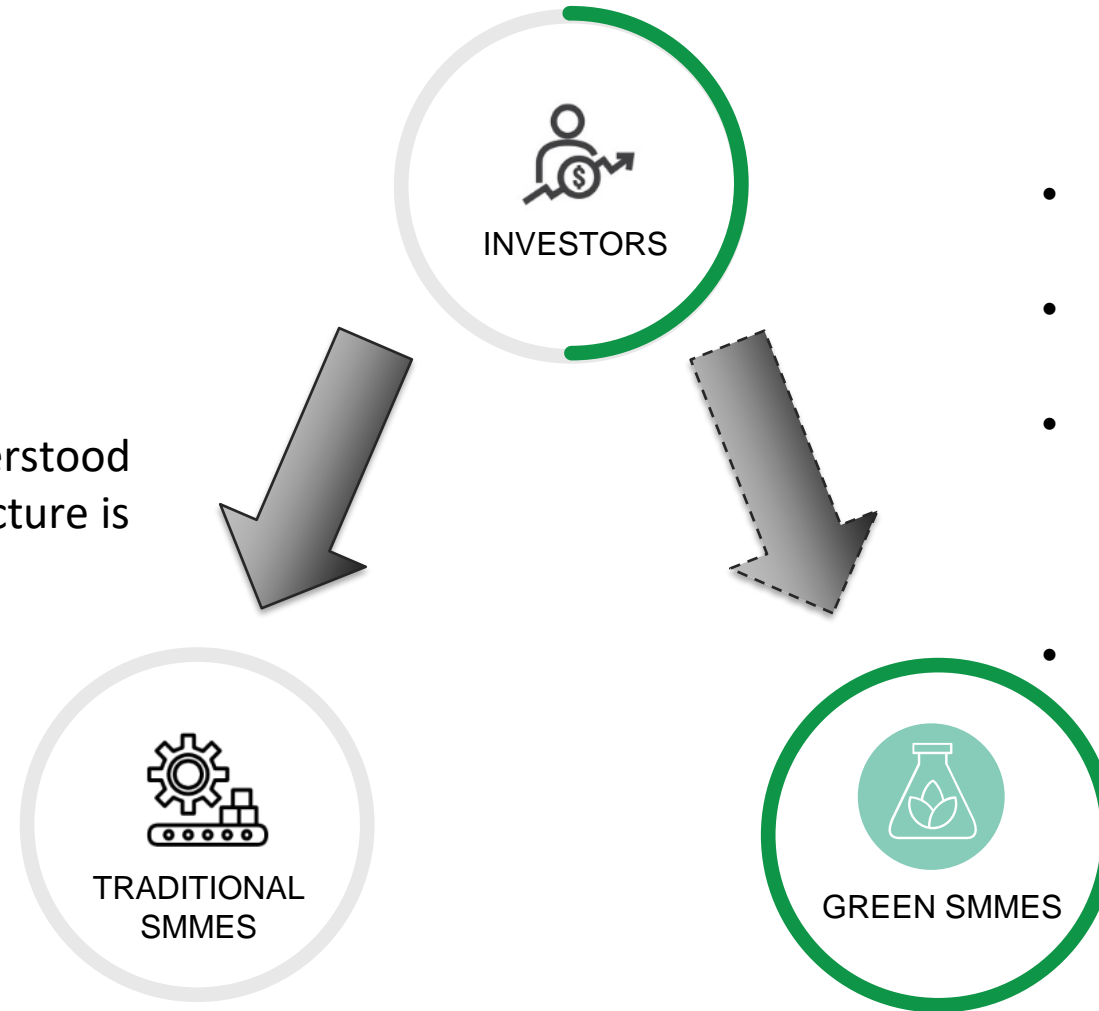
Design Partners:





THE GAP

- Business as usual
- Risks and returns understood
- Ecosystem & infrastructure is developed



- Many unknowns including risks and returns.
- Many SMME's are start-ups and technologies are new.
- Ecosystem and infrastructure requirements and needs are being developed and not well understood
- Developing systems is expensive

THE DESIGN



Designed to **incentivise and support** local fund managers to increase investment in green SMMEs.

- Positive effect on **society**
- Positive effect on the **environment**
- **Struggle to access finance**



DONORS

- Want to catalyse **impact at scale**
- Looking for **social & environmental** impact
- Want to use funds **responsibly**

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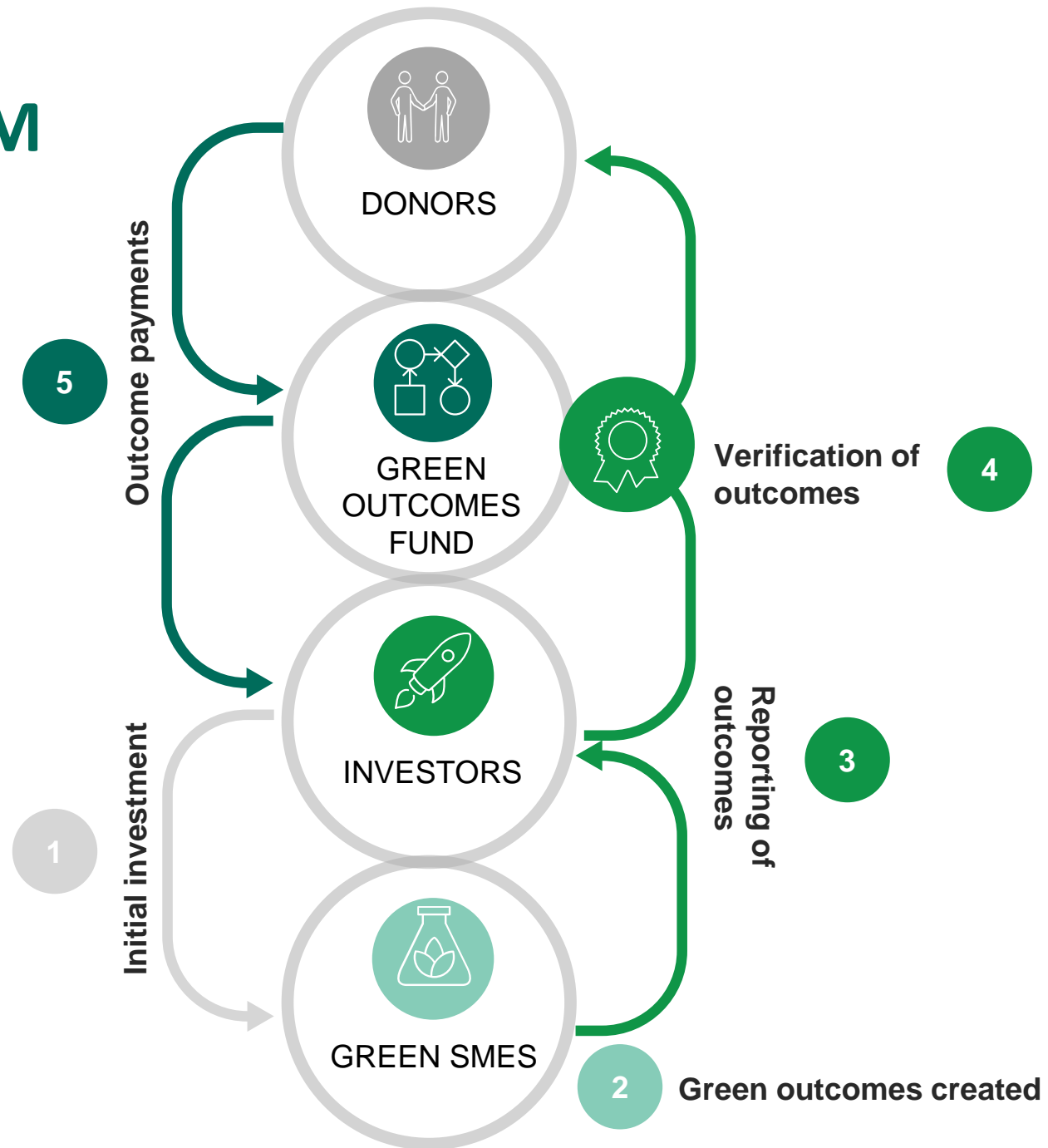
It does this by **paying for outcomes** e.g. green jobs.

INVESTORS

- Perceived **risks & costs** limit investment into early-stage green businesses

GREEN SMES

THE MECHANISM





USE OF OUTCOMES FUNDING



1

BUSINESS
DEVELOPMENT
SUPPORT



2

TECHNICAL
ASSISTANCE



3

IN-HOUSE
TECHNICAL
EXPERTISE



4

ON-
LENDING/
INVESTING



5

SUBSIDIZED
COST OF
CAPITAL

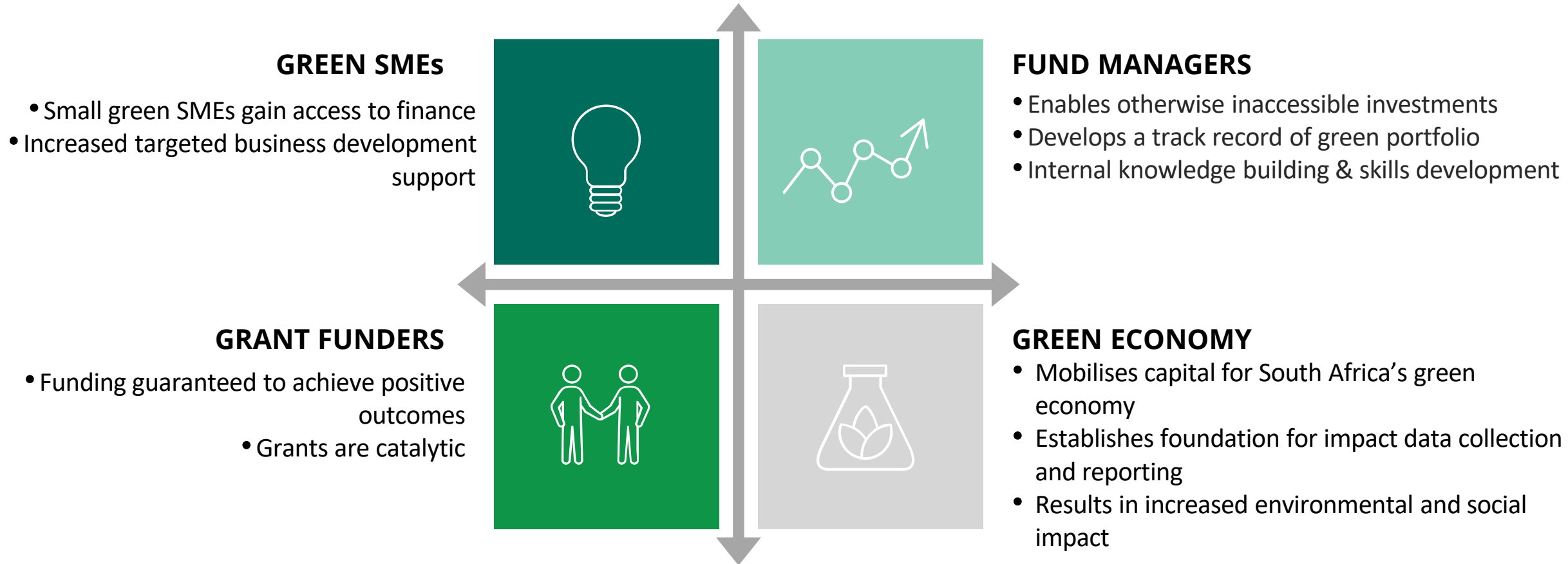


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INNOVATIVE
PRICING
MODELS

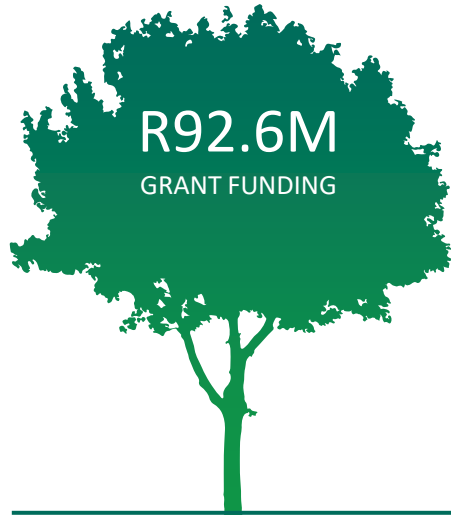


THE IMPORTANCE OF AN ECOSYSTEM APPROACH





CATALYTIC FUNDING





GOF SUITE OF GREEN OUTCOME METRICS

ENERGY

- Persons reached by reliable clean energy grid/source that were without prior access to the traditional energy grid
- Energy Generation - total installed capacity
- Energy Efficiency - Generic energy saved based on deemed savings values per unit installed

WATER

- Water intensity
- Wastewater treated

WASTE

- Waste to landfill avoided
- Avoided waste incinerated
- Waste recycled / reused
- Chemical recovery

SUSTAINABLE AGRICULTURE

- Soil Organic Carbon
- Synthetic chemical fertilizer reduction

- Green sector, permanent direct jobs created
 - Green sector, indirect jobs created



TOTAL INVESTED AND OUTCOMES PAID



Total invested: 83 million rand



Green SMMEs that received investment: 8



Outcomes Paid: 4,5 million rand



OBSERVATIONS

- Covid-19 relief funding was essential to support green SMMEs during the early stages of the pandemic
- GOF promoted investment in green SMMEs by participating funds
- Business development and technical assistance are areas of support required by SMMEs
- Investments encouraged job creation
- The GOF SMME participants are from a range of different sectors
- The SMMEs have used the investments to promote growth.



LESSONS ...

Green Outcomes Fund

- Impact of Covid 19
- Limited interest from the broader South African fund manager market -fund manager perception of the Green space
- Deep sector knowledge and assistance is vital
- Maintaining current and comprehensive operating guidelines mitigates operational risks
- Complexity of establishing pricing for outcomes



LESSONS

Fund Manager

- Poor quality and quantity of the SMME Pipeline
- Cost of investing in Green SMMEs (Due diligence and verification and monitoring)
- Slow response times of SMMEs
- Funding requests falls outside of mandate

SMME

- Immature monitoring and reporting systems and associated costs
- Time lag in investment to generating impacts
- Green metrics are limited under GOF – specific to individual businesses and should be flexible
- How are permanent versus fixed term jobs as a social outcome considered under GOF



**THANK
YOU**

