

***Draft Proposal:
Create a Community Of Practice for
Channeling Climate Finance to Small &
Medium Enterprises On The Ground In Africa
(Missing Middle)***

Prepared by:

Paul Stevers
Shahdab Qadri
Yasin Salyani

Climate Solutions Advancement Network (ClimateSAN)

A Project of Think Renewables Group, Inc.
Ryerson University's Clean Energy Zone
44 Gerrard Street East
Toronto, ON
www.ClimateSAN.org
steversp@thinkrenewables.ca

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This proposal has been created by [Climate Solutions Advancement Network \(ClimateSAN\)](#), a project of [Think Renewables Group \(TRG\)](#). ClimateSAN is focused on promoting awareness of the reality of climate change and facilitating investment in solutions that adapt or mitigate this change (Climate Solutions) in order to help accelerate implementation of these solutions.

The proposed initiative may be implemented in partnership with [Canada Africa Partnership \(CAP\) Network](#), a non-profit which facilitates partnerships between Canadian and African communities, providing capacity building and resources to advance local community development efforts. In addition, it may also be implemented in partnership with a US based non-profit called [CharityHelp International \(CHI\)](#). CHI was founded by the founder of TRG, Paul Stevers.

1. INTRODUCTION

Although it's contribution to climate change pales in comparison to other continents, Africa is the continent most vulnerable to the impacts of climate change. Climate change is bringing increased droughts and flooding, the spread of waterborne diseases, biodiversity loss, and decreases in food production to the most vulnerable populations in Africa.

According to [UNEP](#), between 75 and 250 million people on the continent are projected to be exposed to increased water stress due to climate change. In some countries, yields from rain-fed agriculture could be reduced by up to 50 percent. Global warming of 2°C would put over 50 percent of the continent's population at risk of undernourishment. Projections estimate that climate change will lead to an equivalent of 2 to 4 % annual loss in GDP in the region by 2040. Assuming international efforts keep global warming below 2°C, the continent could face climate change adaptation costs of US\$ 50 billion per year by 2050.

On a positive note, Africa can play an important role in addressing the climate crisis because of its comparative advantage in renewables. This has been widely acknowledged by diplomats leading the push for climate solutions. Most recently, Ngozi Okonjo-Iweala, incoming Director General of the World Trade Organization (WTO) [highlighted](#) the role Africa can play in the fight against climate change, saying "With an abundance of solar, wind, and geothermal resources, African countries already have a comparative advantage in renewables. The falling costs of green technologies provide a propitious moment to be on the delivery end of the new energy revolution."

Also widely acknowledged is the fact that there isn't enough flow of investments into Africa to aid this effort. At Africa Climate Week in March 2019, President of Ghana Nana Akufo-Addo observed: "One major issue of concern to us is the need to streamline access to international climate finance to complement national funding." A survey for the same Africa Climate Week revealed that access to climate finance at scale remains one of the biggest challenges and more than half of the countries have had problems mobilizing international and national climate finance. And yet two thirds of the countries started implementing their NDCs, and around 80% have started implementing mitigation and adaptation measures to achieve the NDCs.

There are a considerable number of initiatives underway to facilitate project development and financing including:

- a. [Private Financing Advisory Network \(PFAN\)](#), and its listing of [Investment Ready Projects](#)

- b. [IRENA's Project Marketplace](#) and [Project Navigator](#)
- c. [ClimatePlace - A Blended Climate Finance Marketplace](#)
- d. [Convergence](#) - Platform for Blended Finance
- e. [Africa Guarantee Fund \(AGF\)](#)
- f. UNDP's new [Carbon Payments for Development \(CP4D\) facility](#)
- g. [CrossBoundary Energy Access](#)

Even though these initiatives are available and underway, the very large financing gap still exists. Fortunately, many large financial institutions have already expressed alarm about climate change and some of them are coming together to launch initiatives to increase funding for climate action. For example, the Coalition for the International Platform for Climate Finance (C4IPCF) is advocating that those within the multilateral system create an [International Platform for Climate Finance \(IPCF\)](#). The C4IPCF proposes that this IPCF mobilize at least \$1 trillion of new investment capital every year for the next 15 years to help put the world on the path for a net-zero transition. The C4IPCF includes more than 70 organizations and is being led by Aviva Investors, which has over US\$465 billion in assets under management. The total amount of assets under management by members of this coalition is over US\$7 trillion.

There are several challenges for the IPCF to facilitate substantial flows of funding for climate action in developing countries. To help it overcome these challenges, this proposed initiative would demonstrate how a range of complementary existing initiatives can be scaled-up. The C4IPCF is welcome to utilize and expand any of these demonstrated scale-up strategies to create a robust climate action pathway to increase climate finance in developing countries.

2. PROBLEM STATEMENT

Having established the potential that exists in Africa for tackling climate change, and the willingness and zeal among the people to implement climate solutions, we have identified the lack of project development capacity and funding as the key problems. Despite the presence of a number of initiatives that are underway to facilitate project development and financing, there exists a gap between the amount of financing needed to implement climate change projects by Small and Medium Enterprises (SMEs) in Africa and the amount of funding that is flowing for these projects. We have further identified five main reasons to why this gap exists:

- a) Impact funds have a relatively limited pool of capital compared to large institutional investors and High Net Worth (HNW) individuals. This limited pool of capital is insufficient for large scale action on climate change.
- b) Many investors including HNW individuals and institutional investors are not familiar with how to de-risk their investments including investing through experienced impact funds.
- c) The cost of servicing the debt portion of a project is too high in many cases. This often causes investors to not be able to justify the risk-return trade-off for investing in projects in Africa.

- d) There isn't enough incentive grant funding available to make many investments in climate related projects profitable. For example, some countries in Africa provide grant funding for projects while others don't. Foundations and non-profits are not able to channel enough grants to projects in Africa to help them take-off.
- e) Many SMEs on the ground in Africa often do not present their projects in the form of commercially viable and investment-ready ("bankable") proposals at the standard expected by investors, which is likely due to a knowledge and skill gap.

3. PROPOSED SOLUTIONS – CLIMATESAN INITIATIVES

ClimateSAN is focused on promoting awareness of the reality of climate change and facilitating investment in solutions that adapt or mitigate this change (Climate Solutions). To increase investment in Climate Solutions in Africa, it is proposing the following initiatives that leverage existing resources and proven mechanisms to expand investor participation, especially by large institutional investors:

- a) Utilize available services and resources that facilitate the creation of "bankable" projects such as Private Financing Advisory Network (PFAN), International Renewable Energy Agency (IRENA) and CrossBoundary Energy Access. For example, PFAN helps project developers create the "bankable" projects by providing one-to-one business coaching at no cost to the project developer. IRENA helps project developers in the following ways:
 - An online platform called Project Navigator by IRENA helps developers create "bankable" projects in developing countries. There is no cost to register for this and therefore anyone can evaluate its capabilities and features at no cost. It aims to help project developers by "improving project proposals with guidance on project timelines and development approaches" and investors and financiers by "facilitating the efficient use of renewable energy funds and lower transaction costs."
 - Entrepreneurship Support Facility in West and Southern Africa is one of IRENA's regional initiatives supporting small and medium sized renewable energy entrepreneurs. IRENA provides mentorship support and advisory assistance to small and medium-sized renewable energy (particularly Solar PV) entrepreneurs on technical issues, business management and operations, and project proposal refinement. It also supports entrepreneurs to successfully bring their innovative ideas to execution.
- b) Promote and host a series of online events that educate and provide information to investors and project developers about the following:
 - Online platforms profiling investment opportunities such as [IRENA's Project Marketplace](#), [Convergence's Platform for Blended Finance](#), and [ClimatePlace's Blended Climate Finance Marketplace](#)
 - Strategies for de-risking investments such as the ones mentioned in the report entitled "[Expanding Institutional Investment into Emerging Markets via Currency Risk Mitigation](#)" by USAID, Sarona Asset Management, EMPEA & Crystalus.

- How impact funds, which have experience investing in developing countries, can reduce the risk of investing for HNW investors and large investment funds. Then introduce some large investment funds to experienced impact funds such as, [Saron Asset Management](#), which is one of the founders of the [Canada Forum for Impact Investment and Development \(CAFIID\)](#).
- Introduce the International Platform for Climate Finance (IPCF) and explain how it could facilitate and accelerate the flow of funds from large institutional investors to impact funds, which invest in projects in developing countries.

ClimateSAN will invite other organizations to help host and promote these events. This includes UN [High Level Champions](#) (HLC) team, CAFIID and ClimateFast. For an example webinar planned by ClimateSAN, see [Appendix A](#).

- c) Organize and host a series of private meetings between large institutional investors and impact funds, which invest in projects in developing countries, in order to encourage the flow of funds into these projects.
- d) Encourage project developers to seek free information resources and assistance to develop their project proposals from organizations like PFAN, IRENA and CrossBoundary. When project development assistance from other sources are not available, ClimateSAN will provide advisory services to help project developers develop investment ready proposals and help facilitate the funding of these proposals.
- e) ClimateSAN will help project developers with information about incentive grant funding that are available from large financing institutions such as, [United States Agency for International Development](#) (USAID). Since not all countries in Africa provide grant funding, having access to incentive grant funds from such financing institutions is often necessary to make projects adequately profitable to attract private investment and increase the availability of future “bankable” projects.
- f) ClimateSAN will invite technical and business departments at universities and colleges to encourage their faculty and students to develop their projects and/or work with SMEs to develop “bankable” projects. In addition, ClimateSAN will seek to build partnerships with selected technical and business schools in Africa that are currently training students to create “bankable” project proposals.
- g) ClimateSAN may work with [CharityHelp International \(CHI\)](#) to host events in the US for institutional investors and impact funds that invest in projects in developing countries, to stimulate the flow of funds to projects in Africa.
- h) ClimateSAN intends to engage existing associations of non-profit and for-profit groups to encourage the creation of more climate-related “bankable” projects. For more information see [Appendix B](#).
- i) After the IPCF is finalized and launched, ClimateSAN would modify its program where needed so that it complements and supports the IPCF, especially in the area of increasing private sector funding for climate action in developing countries.

ClimateSAN will require funding that will help get these initiatives off the ground, be operational and self-sustaining. To keep our initial costs low, we will work with experienced project developers and impact funds. Once we get a pipeline of transactions and earn fees, we can start to help inexperienced project developers. The following sections highlight project priorities, deliverables, timelines and how we propose to make our initiatives self-sustaining after the initial funding.

Given below are some diagrams that help illustrate our activities. The first one (Figure 1) outlines expected information flows to and from project developers in developing countries. The second one (Figure 2) illustrates our main planned methods of engagement to facilitate funding for Climate Solution projects in developing countries. The final one (Figure 3) outlines the expected main investment and lending flows that we expect to occur to fund Climate Solution projects in developing countries.

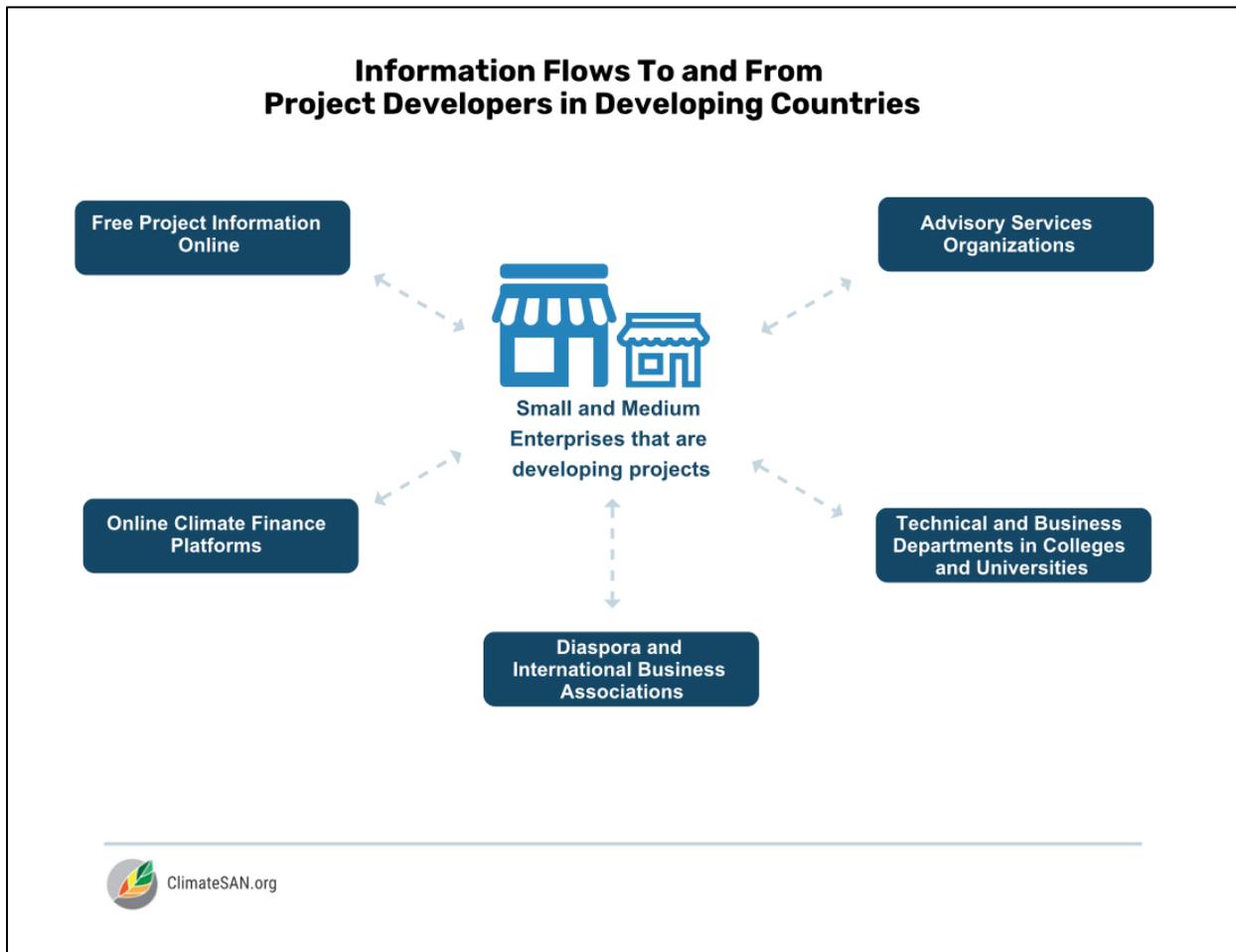


Figure 1: Information Flows to and from Project Developers in Developing Countries



Figure 2: Methods of Engagement to Facilitate Funding for Climate Solution Projects in Developing Countries

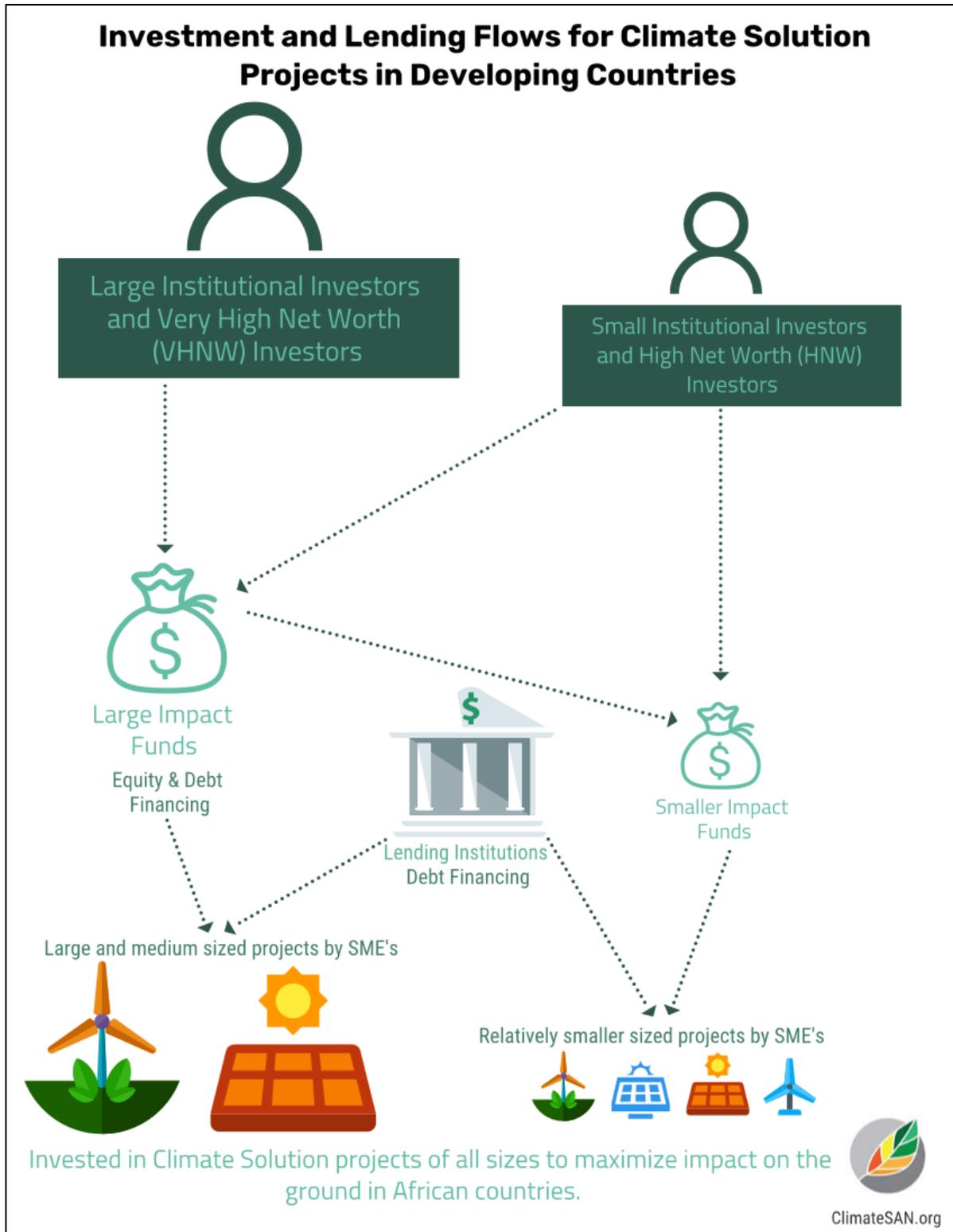


Figure 3: Investment and Lending Flows for Climate Solution Projects in Developing Countries

4. PROJECT PRIORITIES

a) The primary focus of the project proposal is:

- To host a series of online events that educate and provide information to investors and SMEs including project developers.
- To connect SMEs that have “bankable” projects to impact funds that are focused on investing in developing countries. This includes hosting private meetings between these groups.
- To connect institutional investors and HNW individuals, who are concerned about climate change, to impact funds that are focused on investing in developing countries. This includes hosting private meetings between these groups and/or individuals.

b) The secondary focus of the project proposal is:

- To reach out to institutional investors that have urged governments and political leaders to increase climate action. For instance, a record 631 institutional investors managing more than \$37 trillion in assets have urged governments to step up ambition to tackle the global climate crisis by signing a statement prepared by the Institutional Investors Group on Climate Change (IIGCC) about this issue.
- To reach out to HNW individuals, who are concerned about climate change to invest in projects in developing countries through impact funds.
- To invite foundations to provide grant funding to incentivize selected projects in developing countries so that they are more attractive to investors.
- Increase the number of “bankable” projects available for investment by implementing the steps specified in 3 d-f.

5. PROJECT DELIVERABLES AND TIMELINE

The objective of the project proposal is to increase the number of projects funded in developing countries. This objective can be achieved by hosting a series of webinar events and meetings that will further help to meet the following targets:

- a) Our minimum deliverable target is to get at least 3 investable projects funded and attain at least 1 investment from an institutional investor into an impact fund. This target should be met within two months after the first webinar event has occurred.
- b) Our goal is to get at least 15 investable projects funded by impact investors and 5 investments from institutional investors into impact funds within 12 months of the start of this project.
- c) We expect the impact of our project to at least double every year for the next 5 years. For example, our goal would be to have at least 30 “bankable” projects funded and 10 investments from institutional investors into the impact funds in the second year of this project.

6. GOING FORWARD - SUSTAINABLE MODEL

Once the project takes off, to create a sustainable business model and to grow its operations, ClimateSAN will often charge fees for its services in:

- a) Facilitating investment from large investors including institutional investors into impact funds.
- b) Facilitating investment from impact funds into project developers in developing countries. In many cases, ClimateSAN would not charge a fee to facilitate the first investment but then would charge for advisory services to facilitate subsequent investments.
- c) Facilitating debt financing including bank loans guaranteed by the Africa Guarantee Fund (AGF).
- d) Evaluating and monitoring the social impact of the project (Note: This work may be completed by our potential partner in this project, CAP Network).
- e) Helping impact funds identify and aggregate investments with several project developers.
- f) Facilitating grant funding from donors to enable projects to become sufficiently profitable to attract private investment. (These types of projects enable donors to multiply the impact of their grant since the grant funding needed for a typical project is often only a small fraction of the total cost of this project).
- g) Providing advisory services to project developers to help develop “bankable” proposals and help facilitate the funding of these proposals.

7. POTENTIAL PARTNERS

ClimateSAN could potentially partner with the following organizations to develop and execute the project initiatives outlined above:

- a) [CAP Network](#), which is leading the [Africa Climate Action Initiative \(ACAI\)](#).
- b) UN [High Level Champions](#) for Climate Action.
- c) [CharityHelp International \(CHI\)](#), which is a US based non-profit founded by Paul Stevers.
- d) [Coalition for International Platform for Climate Finance \(C4IPCF\)](#), which is led by Aviva Investors.
- e) [SouthSouthNorth](#), an organization that supports national and regional responses to climate change through policy and knowledge interventions, partnerships and deep collaboration.
- f) [NDC Partnership](#) - Through this partnership, members leverage their resources and expertise to provide countries with the tools they need to implement their NDCs and combat climate change to build a better future.

- g) [United States National Renewable Energy Laboratory \(NREL\)](#) which aims to transform energy through research, development, commercialization, and deployment of renewable energy and energy efficiency technologies.
- h) [Climate and Development Knowledge Network \(CDKN\)](#) - since 2018, CDKN has been led by South Africa-based [SouthSouthNorth \(SSN\)](#), working closely with its partners [Fundación Futuro Latinoamericano \(FFLA\)](#) in Quito, [ICLEI – Local Governments for Sustainability, South Asia](#) in Delhi, as well as the [Overseas Development Institute \(ODI\)](#) in London.

7. PROJECT COST ESTIMATE FOR COMPLETE PROJECT

An estimate will be provided for the cost of funding the first 2 years of operation of this project. After this time period, we expect the revenues generated by this project will enable it to become self-sustaining.

8. PROJECT COST ESTIMATE FOR INITIAL DEMONSTRATION

a) Scope of work:

- Host one online event (webinar) that will educate and provide information to investors and SMEs including project developers (See [Figure 2](#)).
- Host one private online meeting to connect an SMEs that has a “bankable” project to an impact fund that is focused on investing in developing countries (See [Figure 2](#)).
- Host one private online meeting to connect a group of institutional investors from the Coalition for the International Platform for Climate Finance (C4IPCF) to impact funds that are focused on investing in developing countries (See [Figure 2](#)).
- Host one private online meeting between one or more representatives of the [Private Financing Advisory Network \(PFAN\)](#) and group of impact funds that are focused on investing in developing countries (See [Figure 2](#)).

b) Cost estimate:

- Event preparation and promotion: _____
- ClimateSAN staff time to host events and facilitate meetings: _____
- ClimateSAN staff time to complete events and meetings follow-up: _____

Total Cost: _____

An estimate will be provided for these activities in the near future.

APPENDIX A

Planned Webinar:

Title: Reducing Investment Risks to Increase Private Climate Finance in Africa

A. Topics to be covered during this webinar:

1) Introduce online project marketplaces:

- a. [Private Financing Advisory Network \(PFAN\)](#), and its listing of [Investment Ready Projects](#)
- b. [IRENA's Project Marketplace](#) and [Project Navigator](#)
- c. [ClimatePlace - A Blended Climate Finance Marketplace](#)
- d. [Convergence](#) - Platform for Blended Finance

2) Introduce strategies to de-risk proposed investments, such as through the ways recommended in the below reports:

- a. ["Expanding Institutional Investment into Emerging Markets via Currency Risk Mitigation"](#) by USAID, Sarona, EMPEA & Crystalus.
- b. World Bank report: [De-risking in the Financial Sector](#)
- c. Introduce the [Africa Guarantee Fund \(AGF\)](#), which can guarantee part of a project that they are considering to invest in. An example project is [OneWattSolar](#) that has successfully utilized guarantees from AGF and is in the process of issuing a US\$15m+ Green Bond Financing that is currently over-subscribed and is expected to close on or before February 28, 2021.
- d. Introduce UNDP's new [Carbon Payments for Development \(CP4D\) facility](#) and how it can reduce risk of investing in projects in developing countries.

3) How impact funds, which have experience investing in developing countries, can reduce the risk of investing for individual investors and large investment funds. This session could highlight the work of some impact funds, which are also members of CAFIID.

4) How the [International Platform for Climate Finance \(IPCF\)](#) could facilitate and accelerate the flow of funds from large institutional investors through smaller impact funds to invest in projects in developing countries via the process outlined earlier in this webinar.

B. Planned webinar length: One Hour

C. Organizations participating and also planned to be invited to participate:

- Lead organization: [Climate Solutions Advancement Network \(ClimateSAN\)](#)

These organizations will be invited to participate:

- [Canada Forum for Impact Investment and Development \(CAFIID\)](#).

- UN [High Level Champions](#)
- [Coalition for International Platform for Climate Finance \(C4IPCF\)](#)
- [CAP Network](#), which is leading the [Africa Climate Action Initiative \(ACAI\)](#)
- [ClimateFast](#)

D. Target audiences:

- Individuals and organizations in developed countries who are seeking funding for their projects located in developing countries, especially in Africa.
- Fund managers who are interested in investing in developing countries, especially in Africa.
- Individuals and organizations in developing countries, especially ones in Africa.

E. Planned outcomes of webinar:

This event is intended to do the following:

- Help organizations and individuals who are seeking funding for their projects and/or businesses located in developing countries to understand better how they can attract funding by reducing financial risks of their respective investment opportunities.
- Create more awareness of online platforms displaying investment opportunities in developing countries.
- Help fund managers understand better how to reduce the risk of investing in developing countries, especially in Africa.
- Help fund managers from large investment funds (e.g. Aviva Investors) learn about smaller impact funds that are specializing in investing in developing countries. As a result, this should build a connection between investment managers of these large funds and smaller impact funds.
- Lead to a better understanding of how to reduce the risks of investing. In addition, the improved connection between investment managers large investment funds and smaller impact funds will increase the amount of investing in developing countries.
- Create more public awareness about the importance of large funds investing in smaller impact funds so these smaller funds can invest in more projects and/or businesses in developing countries.

This webcast could become a template for more events that can be hosted in other developed countries to increase the flow of funds to developing countries for climate action. Subsequent events could be followed by "round-tables" between staff from large investment funds and smaller impact funds.

APPENDIX B

Existing Collaborative Models that can be Utilized and Scaled-Up for Climate Action

1. Several non-profit organizations currently focused on facilitating climate action. For example, the [Canada Africa Partnership \(CAP\) Network](#) recently launched its [Africa Climate Action Initiative \(ACAI\)](#). Through this initiative, organizations in Africa and Canada are working to develop proposals to implement several different climate-related projects in Africa. This collaborative approach can be a template for many other non-profit organizations to use to accelerate climate action.
2. There exist many international business associations, such as the [Canada-East Africa Business Chamber of Commerce](#), that facilitate cooperation between business-people in developed and developing countries. Through these associations, we can encourage many business-oriented people living in developed countries to collaborate with business-oriented people living in developing countries to help create many more “bankable” climate-related projects.

APPENDIX C

Detailed Information Flows Figure

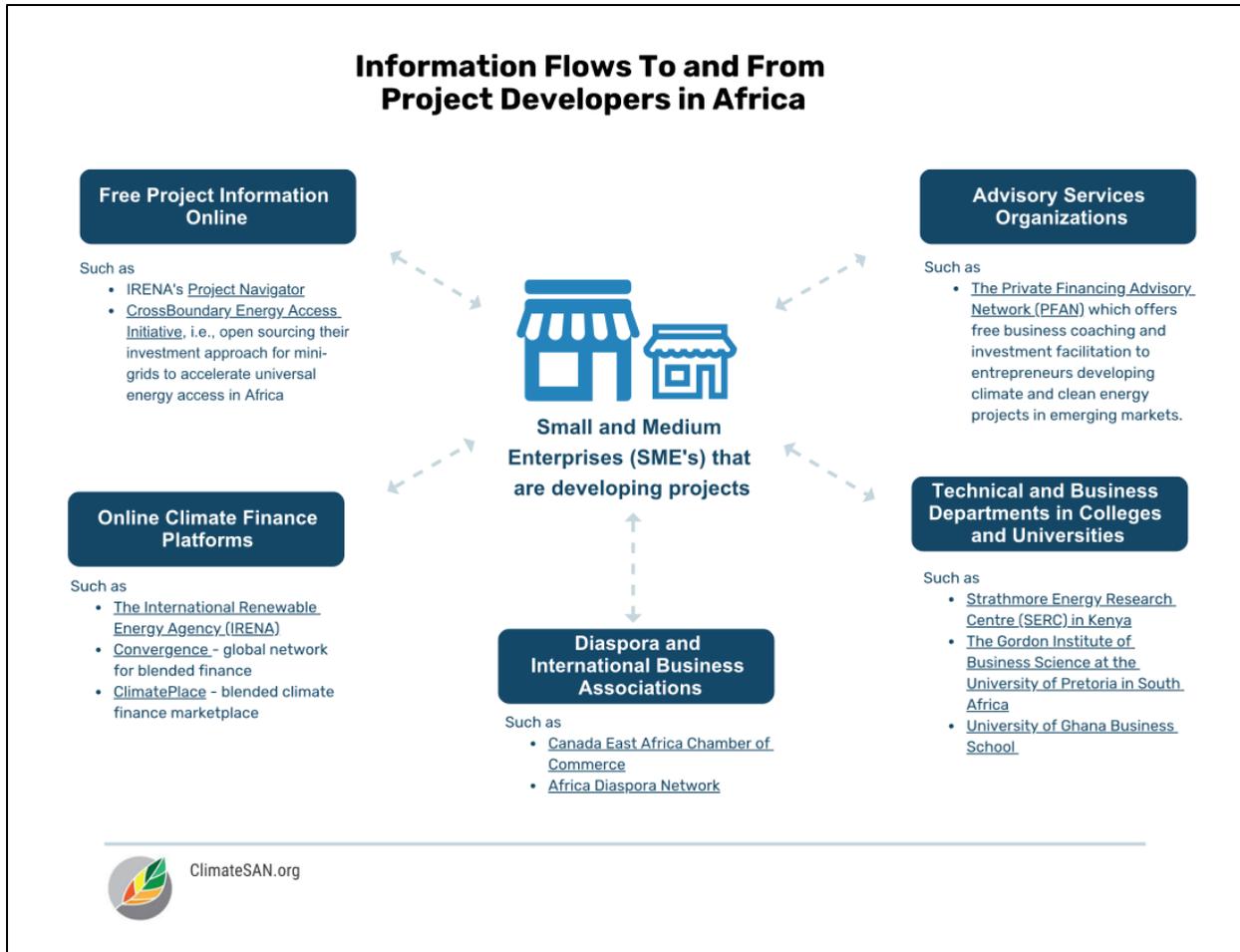


Figure 4 : Detailed Information Flows to and From Project Developers in Africa

APPENDIX D

Reference Articles and Documents

1. [“Responding to Climate Change”](#), UNEP Webpage.
2. [“Africa Can Play a Leading Role in the Fight against Climate Change.”](#) Brookings, Brookings, 30 Jan 2020.
3. [“U.N. Chief Calls for More Climate Finance for Poor Nations as 2020 Goal Slips”](#), World Economic Forum, 14 Dec 2020.
4. [“Global Subnational Climate Fund \(SnCF Global\) Equity”](#), Pegasus Capital Advisors (PCA), 9 December 2020.
5. [“How Africa Can Improve Mobilization of Climate Finance for Sustainable Development?: UNDP in Africa.”](#) UNDP, UNDP, 18 Mar. 2019.
6. [“Record 631 institutional investors managing more than \\$37 trillion in assets urge governments to step up ambition to tackle global climate crisis”](#), IIGCC, 9 Dec 2019.
7. [“Global Handbook of Impact Investing: Solving Global Problems Via Smarter Capital Markets Towards A More Sustainable Society”](#), Elsa De Morais Sarmento (Editor), R. Paul Herman (Editor), 1 December 2020.
8. [“Broken Connections and Systemic Barriers: Overcoming the Challenge of the Missing Middle in Adaptation Finance”](#) report by Mandy Barnett & colleagues, Global Center on Adaptation (GCA), 23 December 2019.
9. [The African Mini-Grids Community of Practice by Africa](#) by The LEDS Partnership, 2018