

# CLEANER PRODUCTION (CP) INVESTMENT OPPORTUNITIES IN AFRICA

Part of UNEP Project on CP Financing in Developing  
Countries

*Rosie Chekenya*

**ROSCAM - UNEP**

ATF Johannesburg 29<sup>th</sup> August 2002

# Outline

1. Challenge for Cleaner Production Investments

2. Proposed Regional Revolving Fund for CP Investments - **Overview**

3. Strengths for the Facility

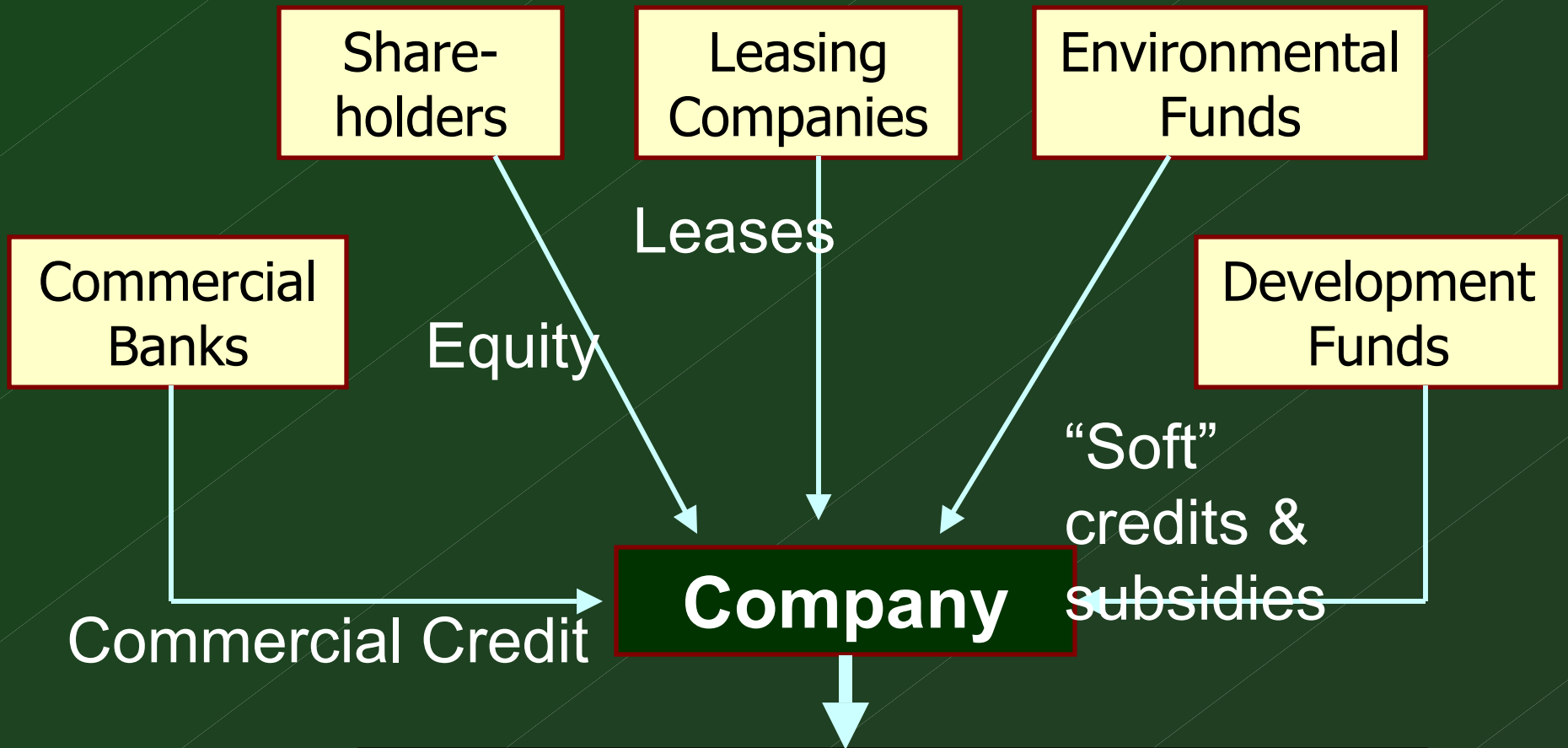
4. Role of ATF members

# Challenge for CP Investments

Lack of access to external financing due to:

- Financial Institutions' attitude to CP investments
- Inability to prepare bankable proposals
- Problematic accounting practices
- Inappropriate pricing of some natural resources
- Difficulties in incorporating intangible, future costs and savings into investment appraisal
- National issues affecting Investments

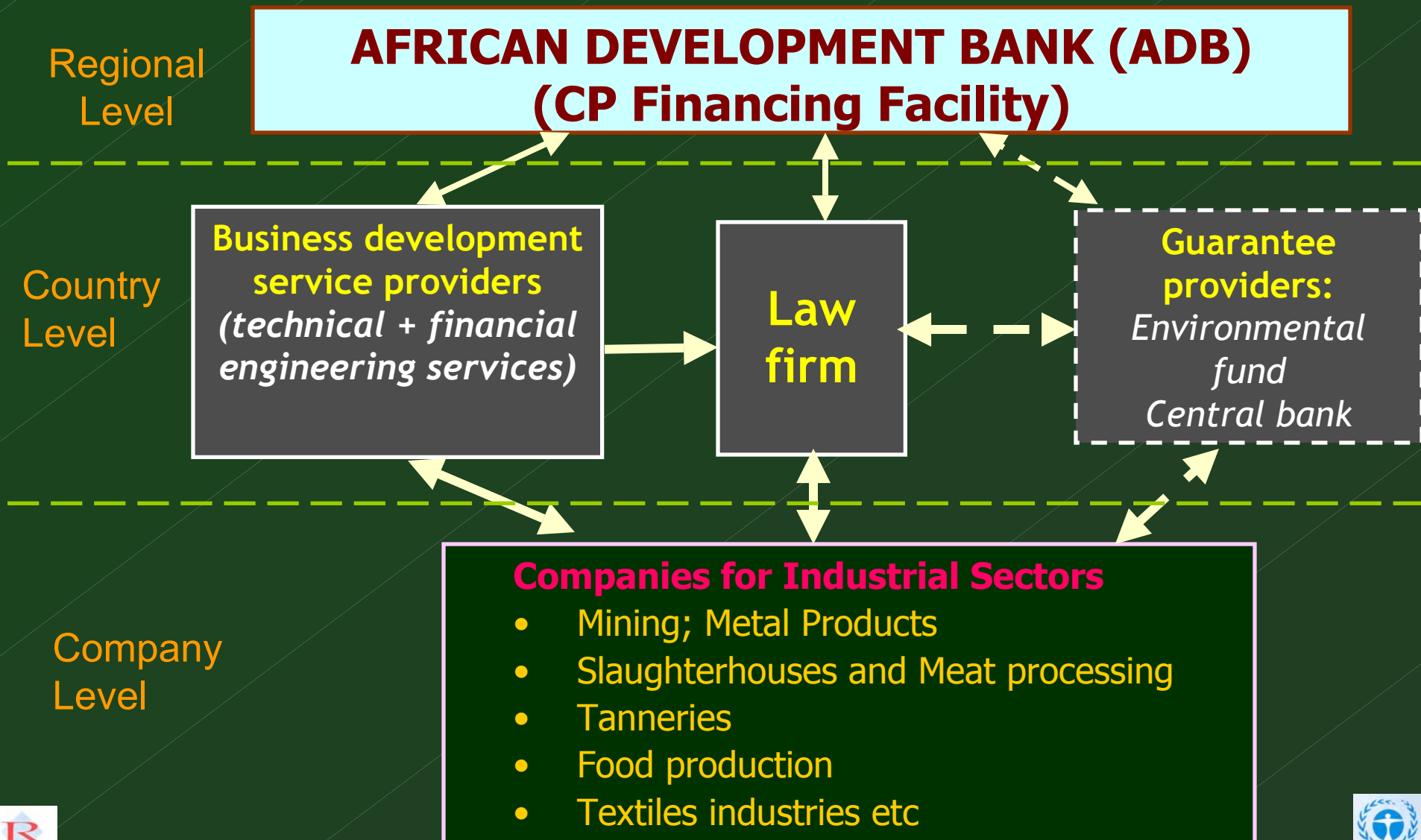
# Financing CP investments: Key funding channels



# Proposed Regional Revolving CP Financing Facility

- Not-for-profit: activities financed by interest on loans
- Finances on “favourable terms” investments with:
  - Preventive focus
  - Rapid payback
  - Environmental and economical benefits (“win-win projects”)
- Demonstrates environmental & economic benefits of CP investments to financiers & enterprises – ensure sustainability

# Regional Revolving Facility for CP investments...(2)



# Modus Operandi

- Seed funds from Donor placed with Regional Bank
- BDSP at National levels work with industry to:
  - identify, appraise & prepare investment proposals
  - loan applications
  - monitor programmes

# The Law Firm

- Draws contract between company and Business Development Services Providers;
- Keeps legal documentation related to contract
- Registers collateral
- Provides legal information related to the contract(s) as required
- Enforces legal relevant commitments



# Guarantee providers

- Guarantee providers shares risks with lending institution so that the lender will be compensated for maximum 50% of the loan on default.
- Optional at country level to support cases that may fail to raise required collateral

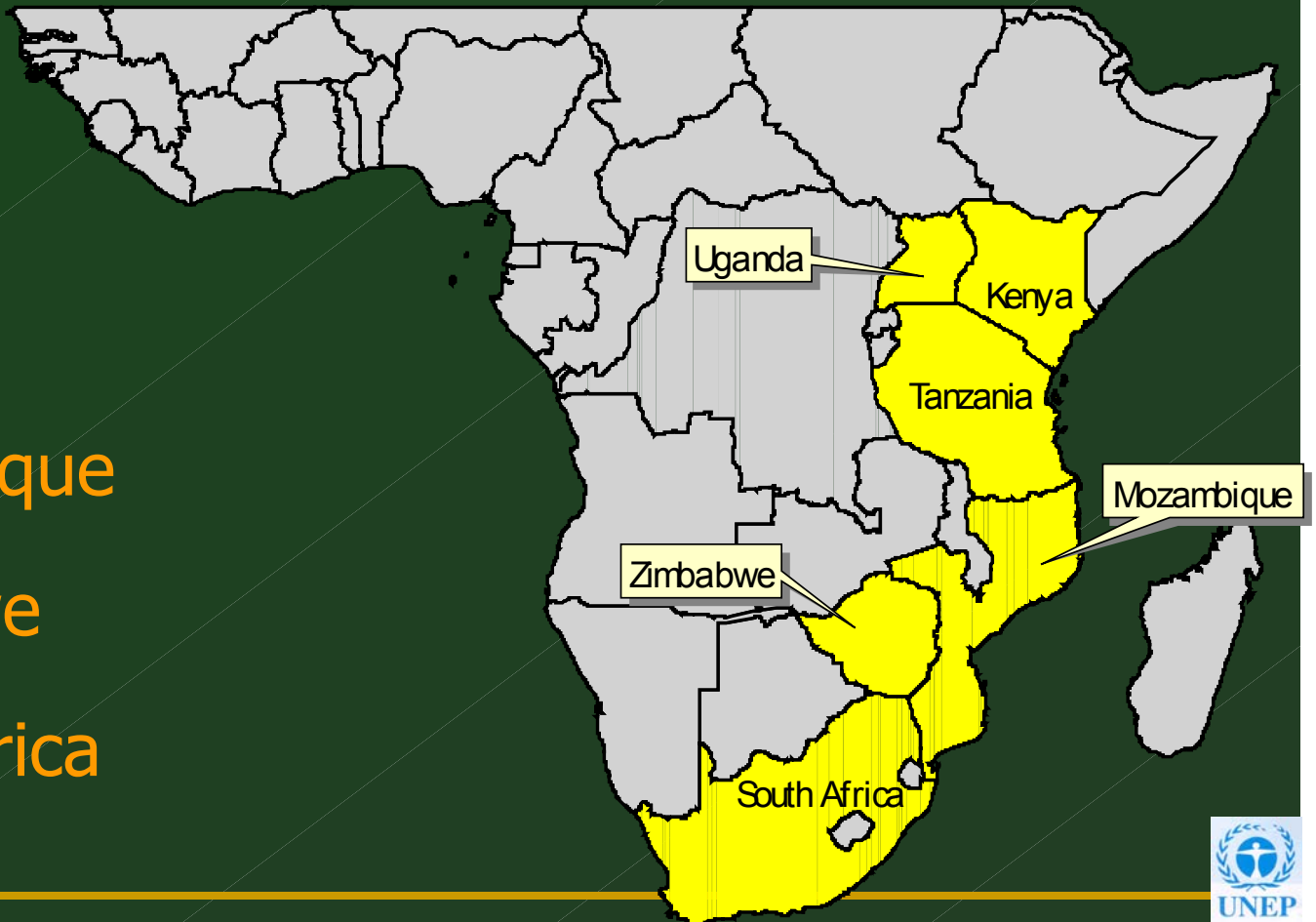
# Tasks for Industry

- Participating in CP training programmes
- Providing data and documents to BDSP
- Providing to BDSP and Legal company the collateral for the loan security & signing contract with Guarantee provider
- Signing contract with ADB
- Cooperating with BDSP post financing monitoring programs & providing environmental and economic data as required.

# Demonstration of Demand

Strong demand for the facility noted in the following countries so far:-

- Uganda
- Kenya
- Tanzania
- Mozambique
- Zimbabwe
- South Africa



# Strengths for the Facility

- Lower cost of borrowing
- National industries protected against adverse investment perceptions
- Competition for funds increases activity
- Opportunity to exchange experiences

# Business Development Services Providers

- CP promotion activities; training and communication between companies and governmental and financial institutions;
- Assist company in developing investment project and loan application according to set format;
- Provide information on applicant's financial status supported by audited financial statements
- Prepare project progress and completion reports to present as borrower's disbursement requirements

## Business Development Services Providers...(2)

- Provide Law firm annexes of contract (project description with expected economical and environmental benefits)
- Assist financing company in communicating with applicant and preparation of loan documents
- Assist in project monitoring and supervision: from procurement to progress follow up according to implementation plans

# Role of ATF members

- Contribute to the Structural design of the facility
- Promote financing facility among FIs
- Promote training in Environmental Cost Accounting to Financiers and Insurance Companies