



SCF

SUBNATIONAL CLIMATE FUND

QUARTERLY NEWSLETTER

March 2025



Catalytic
FINANCE FOUNDATION



PEGASUS
CAPITAL ADVISORS

Gold Standard
Climate Security & Sustainable Development

NEWS

NEW DONOR

Earlier this month, the **Korean International Cooperation Agency (KOICA)** announced a USD 1 million contribution to the Technical Assistance of the Subnational Climate Fund.

This contribution will strengthen the SCF's ability to develop a pipeline of potential projects with high scalability and impact.

Further information on our [website](#).



NEW PROJECTS

Since its inception, SCF has already approved grants for 40 projects in 21 different countries. In the first quarter of the year, the technical assistance committee approved **6 new studies for projects in Albania, Chile, Nigeria and Mexico.**



MARCH 2025



SUBNATIONAL CLIMATE FUND: BLENDED FINANCE FOR CLIMATE SOLUTIONS

The Subnational Climate Fund (SCF) is a global blended finance initiative designed to accelerate climate infrastructure solutions in 42 developing countries. It operates through two complementary components—a Technical Assistance (TA) Fund and an Investment Fund (IF)—that work in tandem to support the growth of mid-sized infrastructure projects and companies.

SCF targets key sectors such as sustainable energy, waste and sanitation, regenerative agriculture, and urban development.



SUSTAINABLE ENERGY SOLUTIONS



WASTE AND WATER MANAGEMENT



URBAN DEVELOPMENT SOLUTIONS



SUSTAINABLE AGRICULTURE

Across all its activities, it places strong emphasis on decarbonization, climate resilience, and delivering meaningful local economic development impact.

- **The SCF Investment Fund**, managed by Pegasus Capital Advisors, provides equity investments ranging from USD 5 to 75 million to support the growth of companies and commercial projects.
- **The SCF Technical Assistance Facility**, managed by IUCN, Catalytic Finance Foundation & Gold Standard, provides grants for feasibility studies, environmental and social safeguards, gender action plans, and other technical support that helps projects become investment-ready, enabling rapid scaling while ensuring environmental, social, and financial goals are met.

To explore initiatives currently under consideration for investment or that have received technical assistance, please visit the [Projects page](#) on our website.

Requests for technical assistance (TA) or equity investments should be submitted through our [online platform](#).

PROJECT INSIGHT

TERRAGRAN

Sector: Agriculture

Country: South Africa

Terragrán is an integrated agroforestry up to 2,000 ha farm of bamboo, alongside fruits and vegetables, and indigenous trees and shrubs on degraded land in Mpumalanga region of South Africa.

The project aims to generate revenue primarily through sale of bamboo pellets, activated carbon to industrial customers, and sale of fruits/vegetables to local communities.

THE CHALLENGE

South Africa's electricity sector is at a critical inflection point. Eskom, the country's state-owned utility, generates approximately 95% of national electricity—of which 83% comes from coal-fired power stations. This coal dependency has positioned South Africa among the world's highest greenhouse gas emitters. At the same time, the country has undergone an energy crisis, most notably manifesting in the form of loadshedding, an ongoing period of widespread national level rolling blackouts as electricity supply falls behind demand.

Nowhere is the impact of this model more visible than in Mpumalanga province, which produces the vast majority of South Africa's coal and hosts its major coal power stations. Environmental and social consequences are severe: air and water pollution levels are among the highest in the country, while deforestation driven by unsustainable land use adds further pressure to ecosystems already under strain.

In Emalahleni municipality, one of the key coal-producing hubs, the picture is stark. With a population of nearly half a million, 30% of residents live below the lower-bound poverty line. While the mining sector remains a dominant employer, the agricultural sector is in decline, and economic diversification remains limited. Unemployment in Mpumalanga exceeds 37%—well above the national average—with women disproportionately affected, facing an unemployment rate of over 51%.

This context underscores the urgency of a just energy transition: one that not only decarbonizes the power sector, but also delivers tangible social and economic benefits for the communities most affected by climate change and structural inequality.

SCF'S INVOLVEMENT

Terragr is working to receive an investment from SCF to help the business secure land of up to 2000ha (with intent to expand once initial production is at scale); implement an agroforestry plantation; buy equipment and build a production facility adjacent to the agroforestry production. Furthermore, the investment should look to engage local smallholder farmers, enabling them to convert into regenerative practices to participate in the broader agroforestry model and production system.

The project has also received Technical Assistance from the SCF for:

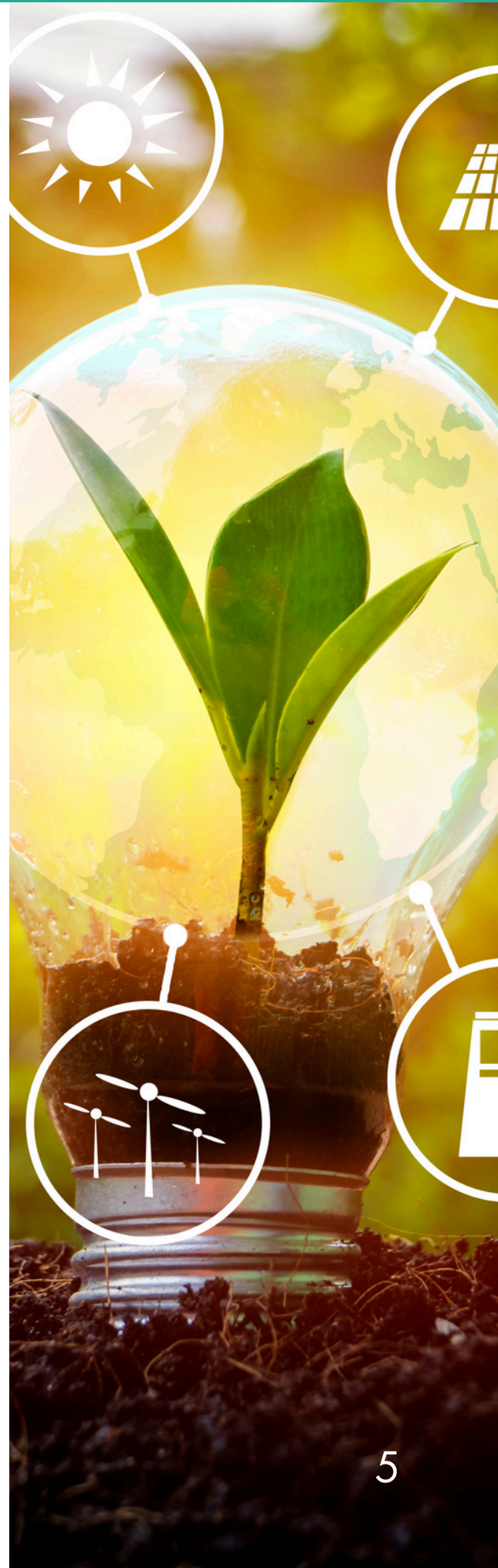
- a feasibility study on bamboo gasification
- a feasibility study on smallholder farmers engagement plan
- an Environmental and Social Impact Assessment

EXPECTED IMPACT



Further information:

www.subnational.finance/projet/south-africa-terragn/



FOOD FOR THOUGHTS

The Critical Role of Blended Finance Amidst Public Sector Retrenchment

The urgency for climate action has never been greater, yet the financial landscape is shifting in a way that threatens progress. At a time when climate-related investments must increase exponentially to meet global targets, major economies appear to be scaling back their commitments to climate finance. Governments are citing fiscal pressures, shifting domestic priorities, and uncertain international political situations as reasons.

The gap left by public sector retrenchment presents an opportunity to rethink how we structure climate and nature finance. The challenge is how we ensure that capital continues to flow to where it is needed most. We believe that blended finance is a major part of the solution.

Blended finance is a funding approach that uses public or philanthropic capital to attract and scale private impact investments. If we can move it from a catalytic tool to a mainstream solution then we can move beyond traditional concessional models towards approaches that unlock and de-risk private investment at scale. This allows private capital to securely move into the opportunity gap left by the current public sector constraints.

Blended finance has already demonstrated this ability to mobilize private capital, but the current environment demands more innovation and agility. SCF's approach— de-risking investments at the subnational level by combining public and private capital —has shown that well-structured financing vehicles can actually decentralize climate action. At the same time this approach delivers returns and avoids politics. However, scaling such models will require:

- **A strategic shift in concessional capital deployment**, ensuring that public and philanthropic funds are used where they have the greatest impact in unlocking commercial investment.
- **Greater engagement with institutional investors**, aligning risk-return profiles through credit enhancements, guarantees, and risk-sharing mechanisms that can be provided by public or philanthropic investors as was done, for example, by the Green Climate Fund for SCF.

The transition to a low-carbon, climate-resilient world cannot depend solely on government budgets and policy cycles. This is especially if we all share the sense of urgency that comes from almost daily news reports of climate disasters, in all parts of the globe, and every economic sector. The transition requires a systemic financial shift—a challenge that blended finance is uniquely positioned to lead.

By fostering collaboration between public, private, and philanthropic actors, we can turn today's funding challenges into tomorrow's investment opportunities.



SUBNATIONAL CLIMATE FUND

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