

## Media release

### Empowering Local Green Entrepreneurs: The Key to Combating Climate Change in South Africa

For release: Wednesday 31 July 2024

It is often said that SMMEs (small, medium and micro enterprises) are the backbone of any successful economy. Rightfully so, they are a significant source of job creation and upliftment in many communities across South Africa. But what if we considered SMMEs as a solution to the negative impacts of climate change in the country?

This may sound far-fetched, but the reality is that SMMEs play a vital role in our country's Just Transition. As a nation, South Africa has committed to achieving net-zero emissions by 2050, which is 26 years from now, and the clock is ticking. Studies have shown that climate change disproportionately affects the most vulnerable. Therefore, there is a greater need to address issues related to inclusion and building resilience in our communities. Thus, how we respond to climate change is of vital importance. If we are going to talk about the Just Transition and "leaving no one behind," then we need to take a closer look at our communities, and this is where SMMEs play a crucial role.

Within the green economy, local green entrepreneurs are essential in responding to the challenges brought on by climate change, as they are quick to adapt and meet these challenges head-on. However, studies have indicated that the failure rate for SMMEs in South Africa is alarmingly high, despite providing a wide range of services and products that ensure localization, community development, and the upliftment of the most vulnerable.

Many green entrepreneurs are often motivated by the most pressing issues facing their communities, such as a lack of waste disposal facilities. Take, for example, [Micgalaw](#), a green business founded by two young women, Phumodzo Muthyani and Mbali Mokgosi, in the community of Orange Farm in Johannesburg. These local green entrepreneurs saw the issue of plastic waste in their community and utilized their love for fashion and the environment to create beautiful bags and accessories using upcycled plastics. Within the last five years, they have diverted nearly 100,000 tons of plastic waste from being landfilled. Actions such as this underscore the nature of these green entrepreneurs in South Africa, seeing an issue in their community and dedicating themselves to solving it while providing green services and products and uplifting their community.

There are many other local green businesses like Micgalaw solving the issues facing their communities across South Africa, in various sectors ranging from waste to energy and water. However, these local green entrepreneurs face a myriad of challenges, especially those who are newcomers to the green economy. Many are innovators by nature, not businesspeople, and they require support and skills related to business management and navigating governmental policies. Furthermore, they face broader challenges related to the business environment in the country, as it tends to cater to larger, more established firms.

These green entrepreneurs face issues such as cumbersome application processes for licenses and finance, prohibitive interest rates, a lack of credit guarantees, and the continued perception that green businesses are high-risk. They also encounter regulatory mismatches, with a lack of supportive policy frameworks, burdensome regulations, and bureaucratic governmental red tape. Support for local green entrepreneurs does not necessarily

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have to be financial. Attention also needs to be given to support structures that provide these entrepreneurs with the tools to succeed and to become less grant dependent. There is commendable work being done by South African organisations such as Indalo Inclusive, which has led to the establishment of a fund for green businesses, that also goes beyond the provision of financial assistance and provides those non-financial tools needed to succeed. Initiatives like these go a long way in providing much-needed support for local green entrepreneurs in South Africa. However, much more needs to be done to create an enabling environment for these green entrepreneurs to succeed and continue building resilient communities in the country.

If we are to adhere to the Just Transition, this shift needs to be not only about ecological sustainability and solving the energy crisis but also about fostering economic and social inclusivity. Local green entrepreneurs are key to unlocking the opportunities of the green economy, but they need to be supported in a way that ensures their success so that our communities can thrive.

*By TIPS Economist, Dr Michael Hector*

**More about the closed workshop at the TIPS Annual Forum 2024:**

**Workshop: Opportunities and Barriers for SMMEs in Just Transition towards a Low Carbon Economy**

**Date: 31 July**

**About the Workshop**

The Green SMME Opportunity and Business Barriers workshop for a Just Transition Inclusion focuses on youth and female inclusion in new green industries.

**What to expect?**

This will be an opportunity to gain insights from our TIPS research findings and collaborate with other senior policymakers to workshop the list of recommendations to ensure greater inclusion of SMME opportunities in the water, waste, and energy sectors.

This will be the first time we bring sectoral stakeholders together in one room to ensure cross-coordination across policy areas and programmatic interventions. Sectors include:

- Renewable Energy and Energy Efficiency
- Responsible Water Management
- Sustainable Waste Management

We are looking to solve challenges and put our heads together for sound policies that can address these challenges.

**Workshop outcomes:**

- To identify business opportunities for SMMEs
- To unpack green business barriers for local green entrepreneurs
- To put forward recommendations for policy interventions
- To foster collaboration across stakeholders

**Stakeholders**

Engagement with a broad range of stakeholders will occur during the workshop. Discussions will include SMME opportunities and green business barriers. The following stakeholders were invited to participate: representatives from the National Government (NT, DMRE, DFFE, DSBD), Industry Bodies, Private Sector, Research Organisations, Academia, Business Development Organisations (Incubators, investors, supplier developers and enterprise developers) and SMMEs (youth-owned, female-owned, people with disabilities-owned and black-owned).

**The workshop outcomes will confirm the following:**

1. Is there a place for early-stage marginalised MSMEs to participate in new green industries in a Just Transition context?
2. What business opportunities are opening for these MSMEs?
3. Who are they (characterisation): ownership identity, business stage (maturity level), and geographical location?
4. What is their role at the local community level to drive economic development and address environmental challenges?
5. What are their unique business barriers (sectoral analysis: energy, water and waste sectors)?
6. How can they be better supported to overcome business barriers and continue participating in Just Transition opportunities to build a more just/inclusive low-carbon economy?
7. Who are the ecosystem stakeholders that can support these MSMEs?
8. What type of business development support is available? What is missing?
9. What type of financial support is available to strengthen their access to more inclusive finance?
10. Can these MSMEs become more agile? Or do they need to be more robust due to a low/limited capacity as suppliers to state and bigger businesses?
11. Policy recommendations?
12. Key actors in the Green Economy Ecosystem to be engaged?

**Issued by:** *By TIPS Economist, Dr Michael Hector*

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