

Promoting green entrepreneurship – what are the stumbling blocks?

Small, medium and micro enterprises (SMMEs) are not only viewed as being critical for economic development and job creation but have the potential to be vital economic players to drive inclusive and sustainable development in low- and middle-income countries.

The drive to unlock barriers that “green and social entrepreneurs” face forms the basis of a research initiative launched by Trade and Industrial Policy Strategies (TIPS), together with the Green Economy Coalition (GEC). The programme, funded by the European Commission, aims to support sustainable finance reforms in favour of local green enterprises (LGEs).

The intention of this initiative – which seeks to promote small and social enterprises – is to gain a deeper understanding of green and social entrepreneur’s business challenges in South Africa to develop policy options for greater financial inclusion which will feed into the policy space around greening the economy.

As part of the research initiative currently embarked upon, TIPS and the GEC are conducting an online survey where green and social entrepreneurs can provide feedback regarding their unique business challenges. The information obtained will improve the understanding of the types of challenges faced by small businesses (particularly in terms of financial inclusion). The identification of signature issues will help formulate policy recommendations in line with entrepreneurs’ needs.

The window is still open, up to 20 February 2020, for Green and Social Entrepreneurs to voice their unique business challenges by completing the online survey (see: <https://forms.gle/tSEc8UA4QWaUuLVX8>), or they can contact TIPS should they have Internet, language or writing challenges.

Data obtained so far highlights the following:

- Funders do not fully grasp access to finance needs and have a limited risk appetite to offer finance solutions to local green entrepreneurs.
- Environmental, social and corporate governance (ESG) is compliance-driven, and thus not fully aligned with the intentions to truly back green investments.
- Sectoral barriers play a role that further contributes to layers of complexity navigating certification processes.
- Unnecessary application delays adds to extended implementation timeframes resulting to increased operational cost.
- Greater transparency from government departments to communicate and speed up certification approvals requires attention to fast track green business growth.

TIPS researcher Elize Hattingh explains that “given the challenges that SMMEs face, such as access to finance, the success of growing green businesses in South Africa is even more challenging. The public





and private sector can do more to support local green entrepreneurs for they offer much-needed green products and services that create positive environmental and social impact.”

She adds that the initiative draws on international research on the role of green and social enterprises which points to their potential to hasten national transitions to create low-carbon, inclusive and just sustainable economies. Hattingh explains that “LGEs are viewed as key adopters of radical environmental innovations (often neglected by established firms) in the production and manufacturing of environmental goods, services and technologies. Given their role as testing grounds for green innovations, which many established firms view as high-risk, LGEs have the agility to accelerate access to new markets and play a catalytic role in the diffusion and uptake of green innovations. Such enterprises can play a substantial role in developing inclusive pathways to sustainability and are at the forefront of climate responses and innovations (both adaptation and mitigation) and environmental sustainability.”

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