

Enabling Green and Inclusive Markets – A Case for Public-Private Collaboration

1) INTRODUCTION

The Donor Committee for Enterprise Development (DCED) comprises 23 bi- and multilateral donors, agencies and private foundations, aiming to promote economic opportunities and self-reliance in developing and emerging countries through private sector development (PSD). Since creating jobs and economic opportunities is commonly regarded as key for development, the DCED seeks to provide knowledge about effective methods and instruments which foster PSD and, thus, help to reduce poverty.

Against the backdrop of climate change and an increase in the scarcity of natural resources, creating sustainable economic growth patterns has evolved as a major concern on the (inter-)national development agenda. Consequently, designing and implementing projects which concurrently satisfy economic, social as well as environmental needs, is capturing growing attention. Creating socially inclusive, broad-based economic development, which does not compromise environmental integrity but rather utilizes opportunities from eco-friendly activities, requires substantial private sector engagement. The catchphrase *Green Inclusive Businesses Models* subsumes a variety of innovative business concepts that comply with the aforementioned criteria. Green Inclusive Business Models will play a decisive role within a sustainable development process.

However, in order to utilize and benefit from green inclusive businesses, developing and emerging countries have to create framework conditions that are conducive to these kinds of ventures. So as to investigate fundamental challenges and opportunities within different countries, the DCED's Green Growth Working Group has established a dialogue series entitled *Enabling Green and Inclusive Markets – A Case for Public-Private Collaboration*. The interactive panel discussions aim to provide a platform for success stories of innovative green and inclusive business models, to depict their societal as well as commercial advantages and to reveal major obstacles and how these can be surmounted in specific country contexts. Designed as a public-private dialogue platform, the panels intend to enable a close exchange between entrepreneurs, policy-makers and investors.

The second event of the dialogue series was held on 22nd October 2012, within the 15th International Business Forum in Pretoria. It focused particularly on the South African context and discussed challenges of climate investments from a business perspective and presented practical business-led approaches and solutions. The underlying concept was to identify opportunities where commercial objectives align with development objectives and the event explored new ways of cooperation. Also, the panel took up experiences and recommendations from the kick-off event hosted at the Rio+20 Conference in June 2012. Within this preceding panel discussion, Indian entrepreneurs applying green and inclusive business models entered into a concrete and fruitful dialogue with Indian policy makers and donor representatives about the facilitating role governments and donors can play.

2) THE SOUTH AFRICAN CASE: PANEL DISCUSSION AND PRINCIPAL RESULTS

Participants:

The session was introduced by a keynote speech from **Mr. Elias Masilela**, CEO of the Public Investment Corporation, member of Board at the United Nations Global Compact and member of the National Planning Commission. The subsequent panel comprised three representatives from South African companies, employing a green and inclusive business model.

- **Mr. Robert Aitken**; Managing Director of Restio Energy; Restio Energy provides consulting services focusing on providing access to modern and clean energy services for low-income households. Furthermore, the company distributes energy-efficient products.
- **Ms. Sarah Collins**; Founder of Natural Balance; Natural Balance developed and now produces and distributes a heat-retention-based cooking device called the Wonderbag.
- **Mr. Sifiso Dlamini**; General Manager of Nuon RAPS Utility; NuRa's business model centers around the installation and maintenance of solar home systems in off-grid areas.

It was complemented by:

- **Mr. Elias Masilela**
- **Mr. Sreyamsa Bairiganjan**; He is a lead-researcher for New Ventures India.

Additional and concluding remarks were given by:

- **Mr. Kim Nguyen Van**; Chair of the DCED Green Growth Working group and head of project of the GIZ's sectoral program Sustainable Economic Development. Additionally, **Denize Oztürk** from UN Global Compact advertised the final event of the series which will be held in the first part of 2013 in Istanbul and will focus on the Middle East and North African (MENA) region.

Discussion

A fundamental part of the discussion focused on the general role of the government in fostering green inclusive businesses. A small survey among companies, which was conducted in advance of the International Business Forum, indicated that political framework conditions are perceived to decisively influence the economic success of Green and Inclusive Business Models. Consequently, a more active and promoting role of the government was encouraged. Within the discussion, Sifiso Dlamini noted that government support for providing access to energy often remains too scattered and, as no coherent policy is applied, some efforts remain fruitless. Key note speaker Elias Masilela, however, was very clear in his message that businesses should not wait to be regulated. They should rather take the leadership, while at the same time the government should support this process by setting proper framework conditions which address business's bottom line. Creating an enabling environment (e.g. property rights, legal structures) will remain a government's task, though the private sector is responsible for innovating new ideas and technologies and to adapt them.

In his key note speech, Mr. Elias Masilela also outlined three major problems that cause the lack in sustainable growth in South Africa, which are (1) attitude inappropriateness; (2) lack of leadership; and (3) the flawed relationship between government and the private sector. In general, Mr. Masilela asked for a broader employment of sustainable practices and specifically a change of business attitudes towards *long-termism*. He claimed that "We need to know what we mean by sustainability, sustainability needs to be rooted in the environment in which you operate [...] both business and government need to start embracing long-termism". According to Mr. Masilela there is need to change the investment philosophy in South Africa towards growth and poverty reduction. However, it is also important to define sustainable investment not in academic terms but it rather needs to be understood in the specific context.

He also ascribed a powerful role to consumers, who can influence and determine the success of certain products through their spending decisions. The consumer can be described as the biggest regulator in the market. Sarah Collins endorsed this position that the consumer dictates the markets and in the end significantly shapes long-term sustainability. Nevertheless, certain government support in creating enabling framework conditions for green and inclusive businesses is still needed.

With regard to the specific framework conditions in South Africa the Free Basic Electricity Subsidy-System, which provides all households with the amount of energy sufficient for basic lighting and basic media access, raised some interest. Sifiso Dlamini argued that these subsidies – basically driven by the demand for universal access to energy – are a precondition for the profitability of his business

model. Although there was some agreement that subsidies might be needed to reach BoP-markets in many respects the panel was very clear in rejecting full government involvement through subsidies even in an initial stage of setting up a business, as it does not foster innovation.

Discussions also touched upon trade issues, as it was proposed to protect domestic production from cheap foreign competitors through trade barriers. However products like the “Wonderbag” show that such a protective policy might not always be a solution if you want to reach costumers at the base of the pyramid. To make it affordable for low income costumers using imported fabrics might be one solution to make green and inclusive business models competitive. Elias Masilela also made clear that leapfrogging does not depend on the level of imported products.

“Innovating for green and inclusive growth starts at the business level. From a DCED perspective it must be in our core interest to support an enabling ecosystem for companies and entrepreneurs that are willing to adapt or develop green and inclusive business models. Setting the right incentives for taking a long term business perspective is one important aspect of this” said Mr. Kim Nguyen Van, Head of DCED’s Green Growth Working Group.

In conclusion, the panel debate presented successful business cases and showed that there are large economic opportunities for green and inclusive companies in South Africa. At the moment, however, for various reasons, those opportunities remain largely underutilized. A consensus exists about the important role government needs to take in order to create an enabling business environment. This particularly comprises mainstreaming sustainability into its policy agenda, creating reliable and consistent policies, improving overall infrastructure and, thus, creating a positive investment climate and a supportive environment to conduct business. Nevertheless, it is particularly the private sector that needs to innovate and adopt new business models and technologies, which are marketable and that satisfy economic, social and environmental concerns. Mainstreaming sustainability throughout society and creating consciousness about the issue is crucial.

A number of similar impediments for green and inclusive business models were noted by South Africa and Indian businesses; mainly concerning the lack of funding, inadequate infrastructure, and insufficiently educated and trained labor. However, it also became apparent that the country context does matter as well. Particularly, different institutional and legal settings imply distinct opportunities to attract foreign investments – providing Indian enterprises with relatively better financial-investment prospects. In order to surmount obstacles and to improve the overall framework conditions, public-private dialogues as well as knowledge platforms are deemed to be crucial.

3) ACHIEVEMENTS SO FAR

Though it is too early to currently assess the impact of the event in South Africa, a number of outcomes have been noted, following the event at Rio+20 on green and inclusive businesses in India:

i) Focus on manpower training

All the companies that were a part of the panel are now thinking of how to engage with various donors and the government on manpower training. This was not there to see before the workshop. Even though the companies felt a manpower crunch, they did not know who to reach out to. Now, companies such as Greenlight and Waterlife are talking to government programs under the Indian Institute of Corporate Affairs (IICA) to see how they can get support to sustain some of the training activities. IICA is also doing its bit in reaching out to such social enterprises and understanding their

training needs. Similarly, OECD and BMZ have offered support to the social enterprise ecosystem by investing in manpower training.

ii) Creating a separate niche for social and green enterprises

Dr. Bhaskar Chatterjee, DG & CEO of the Indian Institute for Corporate Affairs (IICA) mentioned that he is working on creating a separate niche for social and green enterprises. This has been missing from the government dictionary so far. The Government of India recognizes private organizations, NGOs and civil societies. However it has not done much to understand any social green enterprise. This has changed post the panel at Rio +20.

iii) Nodal banks have an increased focus on social and green enterprises now

Post the coverage that some of the enterprises got in Rio, they were approached by government banking agencies such as NABARD (<http://www.nabard.org/>). Even though some collaboration and funding was also provided before the Rio-event, cooperation was intensified and broadened.

iv) Role of accelerators

For New Ventures itself, the initial event entailed positive reviews and feedback from all the companies, government and also investors. They have initiated specific project partnerships back in India and are moving to a more global model of independent functioning. Moreover, organizations such as ADB reached out to them and asked to set up new network across Philippines and other countries. A very similar offer has also come in from South Africa.

4) CONTINUING THE DIALOGUE SERIES:

Focusing on the general framework conditions and on how to create an enabling environment for green and inclusive businesses, the dialogue-series “Enabling Green and Inclusive Markets – A Case for Public-Private Collaboration” already investigated the particular cases of India and South Africa. Within a subsequent dialogue, which is planned for spring 2013 at [the UNDP Istanbul International Center for Private Sector in Development](#) in Istanbul/Turkey, additional light will be shed on the situation of green inclusive businesses in the MENA region. This final event will also review the series of events and the impact so far. Therefore, entrepreneurs and policy makers who have participated in one of the former events are warmly welcomed to share their experience, to exchange their visions and to connect themselves with other people and companies passionate about the same issues.

Contacts:

DCED Secretariat

Mr. Ashley Aarons

+44 1223 362 211

Aarons@Enterprise-Development.org

www.Enterprise-Development.org

DCED Green Growth Working Group, Chair:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Mr. Nguyen van Kim

Kim.nguyen@giz.de

+49 6196 791 396