




**ANALYSIS FOR
POLICY MAKERS**
INSIGHTS FROM THE
GRASSROOTS

Growing Green and Inclusive Entrepreneurship for Sustainable Development in South Africa

IMPRINT

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Caspar-Theyß-Str. 14a, D-14193 Berlin
Germany
www.seed.uno | info@seed.uno

Authors:
(GIBS): Mira Slavova
(SEED/ adelphi research): Amélie Heuër,
Rainer Agster
For further information, contact:
Amelie Heuer (amelie.heuer@seed.uno)

Layout/Design: alma grafica UG
www.almagrafica.de

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The findings, interpretations and conclusions expressed in this publication are those of the authors based on interviews and site visits to the enterprise and do not necessarily reflect the views of SEED or Adelphi Research.

CONTENT

- | | |
|---|----|
| 1. Stimulating the green and inclusive business sector in South Africa | 6 |
| 2. Research framework and consultations | 8 |
| 3. Delivering sustainable development on the ground; how to overcome challenges to achieve TBL impacts? | 8 |
| 4. Policy implications | 12 |

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SEED 2014 – 2016 Research

Demonstrating Sustainable Development on the Ground Through Locally-driven Eco-entrepreneurship

Social and environmental entrepreneurship, also known as green and inclusive entrepreneurship or eco-entrepreneurship, could play a critical role in achieving a global Green Economy. By embracing the added values of social improvement and wise resource management eco-enterprises that have won a SEED Award are living proof that entrepreneurial partnerships between various stakeholders can create innovative and novel solutions for delivering sustainable development at the grassroots and be economically sustainable.

Over the last ten years, SEED has awarded **200 SEED Awards** to eco-enterprises in 37 countries. While the value of eco-entrepreneurship in delivering sustainable development is increasingly recognised and harnessed in the development sphere, there is still very little data available on the triple bottom line impact of these enterprises and their contribution to sustainable development.

In the last year SEED has observed the progress and impacts of 13 SEED Winners in Colombia, India, Kenya, South Africa, Uganda and Viet Nam, interviewing 60 respondents, resulting in 13 case studies. This report aims to bring those findings together to help fill that gap by generating insights for policy and decision-makers on the role of green and inclusive enterprises in achieving sustainable development, and on enabling factors that can help them overcome barriers and reach scale and replicate.

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About SEED

SEED strengthens the capacity of small grassroots enterprises in developing countries to enhance their social, environmental, and economic benefits, builds bridges between entrepreneurs and policy makers and stimulates exchange and partnership building.

SEED was founded by the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and IUCN (International Union for Conservation of Nature) at the 2002 World Summit on Sustainable Development in Johannesburg and is hosted by Adelphi Research gmbH, based in Berlin, Germany.

Adelphi Research (AR) is a leading think-and-do tank for policy analysis and strategy consulting. The institution offers creative solutions and services regarding global environment and development challenges for policy, business, and civil society communities.

About the Gordon Institute of Business Studies (GIBS)

Founded in 2000, the University of Pretoria's Gordon Institute of Business Science (GIBS) is an internationally accredited business school, based in Johannesburg, South Africa's economic hub. As the business school for business, we focus on general management in dynamic markets to significantly improve responsible individual and organisational performance, primarily in the South African environment and increasingly in our broader African environment, through the provision of high quality business and management education.

In May 2015 the annual UK Financial Times Executive Education rankings, a global benchmark for providers of executive education, once again ranked GIBS as the top South African and African business school. This is the 12th year running that GIBS has been ranked among the top business schools worldwide. In October 2014 the GIBS MBA was ranked among the top 100 business schools globally in the prestigious Financial Times Executive MBA Rankings. GIBS is the only business school in Africa to appear in this ranking.

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of Business
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Executive summary

While South Africa is the second largest economy in Africa and has a relatively high GDP per capita, poverty, (youth) unemployment, inequality, food insecurity and environmental degradation are some of the greatest challenges faced by the country. Evidence shows that social and environmental enterprises that apply green and inclusive business models can play a significant role in addressing those challenges on the ground, and in turn, in achieving sustainable development. With the follow-up to the National Sustainable Development Strategy through a Policy Action Plan with some of the key actions likely to be around the role of SMMEs, the informal sector and gender in a green economy, it is essential for policy makers to understand the impact of those enterprises and how their scale-up can be promoted through policy interventions. On the basis of case studies in South Africa, SEED has identified the most recurrent social, economic and environmental impacts (Triple Bottom Line impacts) that are delivered by those enterprises:

Social impacts

- Creation of employment and income opportunities at the Base of Pyramid (BoP)¹
- Provision of training and development of transferable skills
- Increased access to food and improved nutrition and diet
- Encouragement of women empowerment and gender equality

Economic impacts

- Promotion of local business development through micro- entrepreneurship
- Building resilience at the BoP
- Introduction of innovative value chains

Environmental impacts

- Enhancement of environmental awareness amongst communities
- Adoption of sustainable practices: organic farming and conservation
- Reduction of waste

¹ Business strategies that focuses on products, services, and enterprises to serve people throughout the base of the world's income pyramid.(Prahalat, 2004)

Data shows that these enterprises experience numerous challenges in achieving their triple bottom line goals and in scaling those up. While most have found resourceful ways to overcome challenges, such as multi-stakeholder partnerships, more enabling eco-systems are needed in order to support their growth and replication. Five main recommendations are brought forward below:

1. Coordinated and targeted support skills building

To help social and environmental enterprise in developing competitive, differentiated products, and product strategies, coordinated and targeted support programmes around building innovation and marketing skills are essential, including programmes in the early ideation phase.

2. Transitioning from grants-based models to revenue generation

To various extents, many social and environmental enterprises rely on grants from government agencies and international donors, rather than market development and revenues. For these enterprises to achieve self-sustaining financial stability, "growth" support programmes need to be developed to facilitate the transition from grants-based models to revenue generation.

3. Local government and communities take on the role of incubators

Local government and the local community are the primary stakeholders and immediate beneficiaries of social and environmental enterprises. Adequate financial and skill resources need to be allocated to enable them to incubate and support TBL enterprises.

4. Promote gender balance and youth inclusion

Women are well-represented among social and environmental enterprises, both at the operational level and in leadership and their values are attuned with gender issues. Gender based barriers, such as land ownership, access to education or skills development need to be recognised.

5. Business Tax incentives for the incorporation of triple bottom line impacts

There are still few incentives for SMMEs² to follow green production and procurement practices. Tax incentives will stimulate SMMEs to include those in their supply chain from sustainable procurement to sustainable waste disposal practices.

² Small, micro and medium enterprises

1. Stimulating the green and inclusive business sector in South Africa

1.1 Moving towards Sustainable Development Goals in South Africa

The principles of sustainable development, which were derived from the Brundtland Report in 1987, offer a framework in which human development is pursued without compromising natural resources and ecosystem services for current and future generations. Within this context, the now widely known concept of Triple Bottom Line (TBL)³, which emerged in the late 1990s and early 2000s (Elkington, 1998a, 1998b, 2004), has increasingly found support within the policy environment as it offers a holistic understanding of enterprise performance, focusing not only on profits, but also on the people who produce and benefit from them; and on the planet whose natural resources are subsumed within production processes. This holistic approach to sustainable development gained even more significance in 2000 when policymakers committed to ambitious “Millennium Development Goals (MDGs)⁴, covering the scope from eradication of extreme poverty to ensuring universal primary education by 2015”. Fast forward fifteen years and the international community has now identified a set of Sustainable Development Goals (SDGs) and a Post-2015 Development Agenda that are to be adopted in September 2015. There is broad agreement that in the post-2015 period MDGs and SDGs will converge towards a single core development agenda (i.e. Post-2015 Development Agenda), focused on inclusive and environmentally friendly development policies and strategies.

Turning the spotlight on South Africa, sustainability policies have been formulated in three phases, following the World Summit on Sustainable Development, held in Johannesburg in 2002. Between 2003 and 2008, the government department currently known as the Department for Environmental Affairs (DEA) undertook an analysis of existing economic, social and environmental trends. It led to the formulation of an informed vision, communicated through the National Framework for Sustainable Development (NFSD), approved in

2008. Building on NFSD, a strategy for the period 2011-2014 was formulated with a clearly specified action plan endorsed by the South African Cabinet; the National Strategy for Sustainable Development and Action Plan (NSSD 1) (Nteo, Tshangela, & Phooko, 2011) which specified a system of institutional arrangements and five strategic priorities: enhancing integrated planning and implementation, encouraging efficient use of natural resources, developing a green economy (UNEP, 2013), building sustainable communities and responding effectively to climate change. Evaluations of the progress towards NSSD 1 are expected feed into the development of a Policy Action Plan (2015-2020), which will likely address actions around the promotion of green SMMEs and their development; the role of the informal sector; and how to enhance gender equality in the Green Economy. While South Africa does not lack sustainable development strategies and well-quantified goals for reducing social inequality and environmental decay, critics believe that a lack of commitment to implementing those policies has resulted in an uncoordinated response to the challenge (Rennkamp, 2012).

1.2 Implementing the Green Economy in South Africa through green and inclusive entrepreneurship

In distilling the MDGs the notion of a ‘Green Economy’ emerged; growth and employment that result in improved well-being and social inclusion, while alleviating environmental threats and ecological scarcities, i.e. green and inclusive growth, and is now considered to be one of the key tools in achieving sustainable development.

Achieving growth through entrepreneurship

Small business development presents a seedbed for achieving growth by addressing the challenges of job creation, economic growth and wealth re-distribution, making entrepreneurship a major contributor to a healthy economy. Within the context of emerging economies such as South Africa, SMMEs are deemed as important sources of employment, innovation, and business development (I. Booyens, 2011; Irma Booyens, Molotja, & Phiri, 2012). SMMEs contribute to the

empowerment of local citizens and to increased competition within niche markets, resulting in improved quality of products and services (Chamberlain & Smith, 2009).

Within the South African context, the government has sustained continuing policy efforts aimed at promoting and facilitating small business development. A range of SMMEs is defined within the National Small Business Act, as early as 1996 (PRESIDENT’S OFFICE, 1996, 2004). Support for SMMEs forms an important part of the strategic vision of the Department of Trade and Industry (DTI) for ensuring broad-based economic participation and inclusive growth (South Africa & Department of Trade and Industry, 2011). In support of small businesses, a number of public agencies (e.g. Small Enterprise Development Agency (SEDA), Ntsika Enterprise Promotion Agency (NEPA)) have been established within the domain of DTI, which currently offers as many as 23 different support schemes to qualifying enterprises (Greeff, 2014). Yet, entrepreneurship in South Africa remains at levels which are disconcertingly low (Herrington, Kew, & Kew, 2014; Maas & Herrington, 2006; Simrie, Herrington, Kew, & Turton, 2011). In a country with some of the highest unemployment rates in the world, entrepreneurship is failing its promise of job creation and the sector is dominated by owner-manager businesses, with no employees. Strategies for small business development (DTI, 2003, 2005), have resulted in only marginal increase in established business prevalence rates⁵ from 1.7% in 2006 to 2.3% in 2011 (Simrie et al., 2011).

Transitioning to green and inclusive growth

Yet, to achieve greener and more inclusive growth, SMMEs need to incorporate social and environmental objectives (TBL) into their business model from the outset. Social and environmental SMMEs that apply green and inclusive business models therefore offer a concrete approach to achieving the transition to a Green Economy on the ground. Within this context, South African SMMEs with their high innovative capabilities are in position to contribute to the transition towards a more inclusive and cleaner economy in the country. Social and environmental SMMEs in South Africa, tend to share the capital and financing

challenges widespread throughout the sector. They are enabled by strong ties to their communities of operation, and access to knowledge and technical partnerships. The 2009-2012 SEED survey among the South African applicants and recipients of the SEED Awards shows that agriculture (36%), training (29%) and health/ social services (25%) are their leading lines of business.

In summary, while strong political commitment to promoting green growth has been demonstrated by DEA and reflected in the NSSD 1, and the agendas on business development and inclusiveness have been propelled through DTI policies (e.g. Broad-Based Black Economic Empowerment (DTI, 2013)), the results of those efforts have remained limited. Consequently, the success of triple bottom line sustainability lies at the interface of these two public bodies, and the ability of their respective agencies to implement the commitments.

1.3 Voicing grassroots learnings for policy

The concept of the Green Economy, which is highly pertinent to the Post-2015 Development Agenda, has become indispensable to governments and understandings how they could better promote the emergence of green economies are much needed. By working with a wide range of partners, SEED seeks to address precisely this knowledge gap and to provide suitable economic analysis.

In 2010 SEED started its first country pilot in South Africa, which operates along exactly the same lines as the global SEED model. South Africa presents an informative case because SEED Winners are faced with a particularly stern collection of challenges, commonly encountered by new enterprises operating within complex institutional environments. SMMEs are confronted with the high financial performance demands characteristic of dynamic markets (CDM, 2014). This report focuses on the organisational capacities and the environmental characteristics, necessary in order to allow fragile SMMEs in South Africa to meet demands for triple bottom line sustainability, and aims to present in-depth insight into the national dynamics, operational challenges and policy environment of SMMEs. By looking at the scaling-up process we are trying to answer the question: “What are the barriers and enablers of growth for social and environmental enterprises in South Africa?”

³ TBL considers the social (people) impact, environmental (planet) impact and financial (profit) performance of an organisation or business

⁴ UN General Assembly document A/RES/55/2, Sept. 8, 2000

⁵ Percentage of 18-64 population who are currently owner-manager of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months

2. Research framework and consultations

As concerns with accomplishing MDG and SDG goals have become inextricably lodged within social and policy debates, scholars studying SMMEs have developed understandings of enterprises embedded within complex institutional environments. Such enterprises have become known as hybrid businesses. They are conspicuous by embodying multiple institutional logics, such as profit maximising objectives, social responsibility and environmental sustainability goals and have been faced with the challenge of striking a balance among their different performance objectives. In trying to do so they are often confronted with the risk of mission drift i.e. focusing on a single aspect of their mission (e.g. profit) in ways that progressively lead to the abandonment of other priorities (e.g. people, planet). The current study has looked how SEED Winners in South Africa progress in achieving their TBL objectives, taking into account challenges they encounter along the way, and success factors that have enabled them to move forward.

The study, which is part of the overarching 2014-2016 SEED research project, integrates for policy-makers the findings of five case studies in South Africa: Claire Reid Reel Gardening, FEED, IMAI, Mooi River Recycling Center and Muthi Futhi (details available at Annex 1) as well as consultations from the SEED South Africa Symposia. The data for the cases studies was collected through a mix of quantitative and qualitative feedback received from those five South African social and environmental enterprises that have won a SEED Award, using an extensive research design (Bymolt, Posthumus, Heuër, & Henkel, 2015) consisting of multiple data collection tools; 5 questionnaires, 20 interviews with lead representatives, business partners, and beneficiaries, and 5 visual inspections on site⁶. Understandings of progress towards business, social and environmental impact were derived from qualitative data analysis, based on the participants' self-assessments.

⁶ Due to their scale, the SMMEs often did not have the resources to extensively monitor and document their performance and impact. Consequently, incompleteness of the qualitative and quantitative data was a recurring issue in the analysis

3. Delivering sustainable development on the ground; how to overcome challenges to achieve TBL impacts?

3.1 Triple Bottom Line Impacts

Economic Impacts

Fostering entrepreneurship

The most obvious economic impact is the creation of enterprises which contribute to reducing unemployment and to increasing tax revenue at the national level. In addition, these social and environmental enterprises stimulate micro entrepreneurship and the creation of cooperatives. With business skills training some workers and beneficiaries were able to reinvest additional income into micro-businesses; in one case the set-up of a cooperative helped informal workers transition to the formal sector and in another case the community owned 50% shares of a trust.

Building resilience at the BoP

By generating income diversification for low income households, the enterprises provide new livelihood opportunities often for marginalised members of the

communities. In doing so, the purchasing power of those households is increased, which contributes to growing the national economy. At the same time those households are able to invest additional income into children's education, housing, food, health and energy, making those households more resilient to shocks.

Introducing innovative value chains

Each enterprise created either a new products or introduced a service, new to a specific area, in order to address local issues (such as access to food, deforestation or lack of waste management). In each case, value was added to locally available, but so far unused, raw materials, creating new value chains that can be replicated in the country.



Social Impacts

Employment and income creation at the Base of Pyramid (BoP)

Certainly, job creation and income generation for marginalised groups are not only direct benefits, but those typically drive the enterprises' objective. While the numbers of direct workers remain reasonably low (between 9-70), it is estimated that hundreds more indirect jobs may be created along value chains. Even more importantly, the enterprises employ groups that are most likely to lack access to employment or income such as women (single headed of households), youth, informal waste pickers or subsistence farmers. As a result they empower entire households at the base of the pyramid that previously lacked any source of income.

Trainings and transferable skills development

Education and skills training geared towards disadvantaged groups were typically acknowledged as the leading measures for achieving social impact; indeed the five enterprises have provided training to nearly 3,000 adults and children. Of importance is that those receiving training generally have had little to no access to education in the past. For this reason education and skills is not geared towards career progression, but towards practical transferable skills such as efficient and organic farming, food preservation, hygiene and waste management, but



also towards basic business and administration skills.

Contribute towards improved food availability, nutrition and diet

Three out of the five enterprises worked in sustainable farming primarily to address the still prevalent issue of food insecurity in South Africa. Through innovative models, non-income-dependent measures, such as subsistence and community farming and by introducing more efficient farming practices, the enterprises were able to minimise food waste and increase access to food for thousands of low income households.

Gender empowerment

In terms of impact on gender mainstreaming, SMMEs clearly recognised the role of women in advancing their social missions. Indeed between 55-75% of the workforce was female, with a large proportion of women in managerial and decision-making positions. Yet, gender inclusiveness was balanced by SMMEs with their need for the right skills and abilities and enterprises acknowledged issues of gender balance and their embeddedness within communities where excluding male workers is not helpful in fostering community relations. Leveraging community support from husbands and families emerges as an effective social impact strategy, rather than gearing activities exclusively towards women. Norms of community cohesion were a distinct enabler of gender equality.



Environmental Impacts

Raising awareness

In terms of environmental impact, the enterprises focused largely on knowledge outcomes, raising awareness and the mechanisms for delivering environmental impact included extensive trainings in terms of green practices, job related training on operations such as propagation and cultivation or waste management, as well as community outreach. Green practices alleviated the risks of production and the need for health and safety trainings. Nonetheless, commitment to environmental standards remained largely informal.

Adoption of sustainable practices: organic farming and conservation

Each business model aimed to introduce environmentally friendly products and services, ranging from organic farming practices in poor areas, to reducing the use of toxic chemicals, to the protection of indigenous medicinal plants by cultivating commercially selected endangered plant species. At the same time, the enterprises aim to minimise their environmental footprints along the value chain and introduce sustainable mechanisms such as rainwater harvesting and drip irrigation to combat

depletion of groundwater, solar energy and carbon sequestering.

Reducing waste

While only one enterprise in the case studies focused directly on waste management, this sector is well represented under SMMEs in South Africa. Indeed 32% of the SEED Winners in South Africa work in waste management. The envisaged benefits consist of improved community knowledge of waste management, increasing recycling practices and reduction of landfills. By formalising waste reclaiming, the enterprise contributed to the improved custodianship outcomes at the landfill sites including, fewer toxic materials being deposited on the site, fewer fires burning out of control, less water pollution, and increased levels of recycling.

Waste was not the primary focus of the other enterprises. Yet, some took waste under consideration by re-using (agricultural) waste in the form of composts, by reducing food waste through preserves, or by introducing biodegradable products.

3.2 Success factors and challenges in growing social and environmental enterprises

The progress towards achieving impacts is directly reliant on the business performance of the enterprise. For this reason, this section sets out the main success factors that helped the enterprises progress and the most common challenges they faced while growing their businesses.

Multi-stakeholder partnerships are essential to social and environmental enterprises

The difficulties experienced by the enterprises in developing their business and consumer markets clearly point to the significance of networks, brokerage services and intermediaries in driving business sustainability. Indeed, partnerships with commercial, public sector, local and community organisations and the social capital mobilised through them, were a direct enabler of business sustainability as well as of social impact.

Partnerships with commercial partners were primarily formed on the basis of corporate social responsibility agenda, rather than on the basis of strict business interest.

The partnerships established with public sector organisations such as provincial governments, public agencies and research institutes contributed considerably to the provision of support services to the enterprises and they contributed primarily by providing technical input to the small enterprises.

While some of those partnerships were formalised through a Memorandum of Understanding (MoU), it is noteworthy that the majority was based on trust and remained informal. This is a crucial factor in the partnership management. The enterprises in the case study sample highlighted partnerships as helpful in growing their businesses; the importance of nurturing such partnerships through communication and by generating mutual benefits was considered instrumental to their success.

In addition, partnerships with dedicated government department can provide support for instance in creating market linkages, however they could prove obstacles to forming partnerships with additional government bodies.

Community engagement from the outset is paramount to create ownership

With their concrete contributions to operational resources and their awareness of community needs, partnerships with local municipalities and civil society organisations proved most valuable in enabling not only the organic growth of SMMEs but also their social impact. In most cases it has enabled the enterprises to access new networks at the base of the pyramid. Paramount to the process, is the engagement from the outset, including in the decision making process, so as to create ownership amongst the local communities, without which the longevity of the operations can be at risk. This was particularly evident in the cases of Reel Gardening, IMAI and Muthi Futhi.

Investments in infrastructure development and equipment secure operational sustainability

Ensuring business sustainability was repeatedly understood by SMME leadership as guaranteeing the reliability of operations, and involved considerable capital investments. Therefore, infrastructure development and fixed capital investments were often a priority. Building of facilities and acquisition of equipment such as machinery, transport vehicles and computer systems, were often an essential first step in executing the operational model of the enterprises. The main obstacle however was accessing the start-up capital for those purchases. SMMEs were able to do so through donor grants and awards schemes, such as the SEED Awards.

Diversifying revenue streams to attain financial sustainability

The five enterprises highlight the emergence of hybrid models; new operating models where business approaches are used to deliver social and environmental benefit, combining for profit and non-for-profit mechanisms. While making profit was often not the primary aim of these businesses, when asked to define their business targets, all aimed to increase productivity and become financially self-sustaining.

Indeed, in contrast to highly donor or publicly funded NGOs, each enterprise generates revenues from sales of products and services. One of the most common limitations is the lack of financial resources to scale up the operations to a level that generates enough income to cover operations. As a solution the enterprises tended to derive financial stability by complementing those direct sales with additional grants from local government agencies, or international donors, which enabled them to scale up operations.

Lack of stable employment conditions

Each enterprise provides new or additional income opportunities and on average employs 38% of their workers on full-time basis. The other workers can only be engaged on a part-time or seasonal basis, for which the enterprises are not able to offer supportive benefits packages.

The enterprises from the case study sample often addressed the lack of employment continuity through training in transferable technical skills, such as organic farming and waste management, but also by providing education on basic business management. Through those trainings, SMMEs aimed to provide the workers with new skills which could help them obtain additional employment elsewhere.

Lack of skilled labour

As these social and environmental enterprises work primarily at the base of the pyramid, employees and casual workers are often unskilled and have lacked access to higher education. While skill development is one of the main social impacts of the enterprises, indeed each enterprise has provided various sorts of training, such as organic farming, waste management, business administration or food processing to nearly 3,000 people and children, scarce technical knowledge, as well as scarce business strategy and financial understanding, is a leading barrier. It affects the quality of products, their marketing, their product development and in some cases, the financial management of the enterprises. Lack of funding to employ skilled resources or to provide more specialised training is a recurrent issue.

To address this recurrent problem, the enterprises have in most cases called upon expert

partners, such as NGOs, research institutions or government to provide the necessary expertise.

Lack of effective marketing and certification affects the access to wider markets

Developing innovative, competitive and differentiated products, as well as effective product marketing strategies were also perceived as one of the main avenue for achieving business sustainability. Nonetheless, SEED Winners were consistently challenged by the task. Defining a product and packaging its advantages in succinct and convincing market messages, delivered to potential customers via appropriate channels and touchpoints remained an important barrier for the enterprises. While most knew their target audiences, lack of time, financial resources and marketing skills constrained them from reaching out.

To address this issue, the enterprises often remarked on their need for specialist services which could support them in scaling up through brokering partnerships with retail/ wholesale outlets for their product, as well as brokering partnerships with potential funders and international donors. The enabling effect of such specialist services is clear from the progress towards sustainability achieved by one of the enterprise, which as a result of their work with a US-based social enterprise is now able to expand to international markets.

In addition, the lack of certification of TBL products and services does not allow the enterprises to differentiate themselves from the strong competition of already existing standard products. Among SMMEs considerable efforts were devoted towards establishing legitimacy as green enterprises among potential partners and customers. Some pursued certification through recognised national and international bodies. However, meeting the stringent international standards for certification largely remained out of reach. As a result, they often relied instead on building a professional reputation and name recognition through national and international awards, such as the SEED Awards or the SAB Foundation Social Innovation Awards. While the primary role of awards was to ensure financial viability, they also had the effect of triggering recognition and public presence.

4. Policy implications

The five enterprises have highlighted in which ways social and environmental entrepreneurship can drive the vision of a 'green economy' in South Africa. To attain this vision, in accordance with NSSD 1, the policy, financing, and tax landscape needs to be adapted to better support businesses geared towards triple bottom line objectives:

- recognising the differences between the Green Economy and the economy of South Africa in its entirety;
- accommodating hybrid for-profit/non-profit models within the financial, legal and tax systems;
- aligning the activities of the government agencies supporting business development, social inclusion, and environmental sustainability, especially when they fall within the domains of different departments (e.g. DTI and DEA);
- integrating indicators of social and environmental costs/ benefits, alongside financial performance indicators within accounting practices, corporate governance and the taxation system;
- defining local green and social standards for products and services in order to build credibility and stimulate market demand. Such standards could promote sustainable business practices along the value chain and foster investment, whilst providing a mark of confidence for consumers; and by
- ensuring strategies for capturing successful green and inclusive business models and replicating those.

In addition to the broad policy recommendations above, a number of detailed suggestions, focused on the provision of support for the development of green and inclusive SMMEs, have emerged from the experiences of SEED Winners, which are summarised in Table 1.

Findings		Recommendations
Developing competitive, differentiated products, and product strategies remains a challenge for SMMEs	Business development	1. Coordinated and targeted support in building innovation and marketing skills, including programmes in the early ideation phase that allows entrepreneurs to interrogate their ideas and market.
SMMEs have difficulties in accessing wider markets through commercial partners (e.g. retail chains, etc.)	Business development	2. Brokerage services facilitating commercial partnerships 3. Incentives, other than CSR, for commercial partners to engage. SMMEs to engage with and better understand the new BBBEE codes and commercial partners in key areas. 4. Provide technology-based market information services
Main sources of financial stability are grants from government agencies and international donors, rather than market development and revenues.	Business development	5. Improve brokerage services to be more accessible and efficient in facilitating the networking, building alliances and access to grants/ project funding 6. Supported "growth" programs, facilitating the transition from grants-based models to revenue generation 7. Improved investor programmes and venture forums 8. Improved programmes for early stage innovation and ideation may allow the emergence of market pathways for financial stability that go beyond grants.
Capital investments are priority for SMMEs. Infrastructure is often insufficient (e.g. water supply, irrigation).	Business development	9. Tax incentives 10. Geographical areas in which green SMMEs operate often lack the utility infrastructure required e.g. for agriculture and rural development, requiring further support from local and provincial government.
SMMEs struggled in selecting a legal entity (e.g. cooperative, trust, PTY) under which they are able to conduct simultaneously for-profit and non-profit activities.	Business development	11. Refine 2008 Companies Act in establishing a suitable legal framework for hybrid enterprises 12. Entrepreneurship programmes to incorporate information on the New Companies Act of 2008 that provides various options for start-up businesses. 13. Ensure the tax system does not punish TBL enterprises for their intrinsic profit motive
Government agencies and public research institutes are meaningful partners in fostering innovation, yet they are often lacking the mechanisms for engaging in the most productive manner with SMMEs.	Social	14. Improved mechanisms to be investigated/put in place to improve engagement and developmental partnerships with SMMEs
Local government and the local community are the primary stakeholders and immediate beneficiaries of TBL impacts from SMMEs.	Social	15. Empowering local government and communities to incubate and support TBL initiatives 16. Exemptions or flexibility of local by-laws, levies, etc.
Women are well-represented in TBL initiatives, both at the operational level and in leadership. TBL values are attuned with gender issues.	Social	17. Expand gender targets to include gender balance, youth inclusion and family cohesion.
Due to financial sustainability constraints, TBL SMMEs largely fail to provide workers with permanent employment and with meaningful benefit packages.	Social	18. Ensure workers are not "second class" labour force. Develop a meaningful framework for short-term and part-time employment, which would allow TBL SMMEs the necessary flexibility while ensuring workers are well looked after. 19. Refine labour regulations for SMMEs to enable decent work
Few incentives for following green production and procurement practices	Environmental	20. Business Tax incentives not only for inclusion of SMMEs in the supply chain, but to also sustainable procurement and waste disposal practices.
Training and learning of green practices happens predominantly in-house, while community learning is a spill over effect.	Environmental	21. Facilitate outreach and community learning 22. Partnering with local educational initiatives – local authorities to be empowered to resource such action-learning community partnerships, thereby supporting both SMME and community development.
While SMMEs aspired to professional legitimacy through certification by international bodies (e.g. organic, CBI, etc.), reaching such a high standard often remained out of reach. Instead, local recognition through awards and certification was more meaningful.	Environmental	23. Develop grading system for TBL enterprises and their products, which is locally meaningful and aligned with international standards. 24. Associations and bodies to provide SMME categories that are more flexible and that align with their corporate membership base.

Table 1: Findings and policy recommendations

5. Annex

SEED Winner	Type of Enterprise	Products & Services	Workers	Turnover
Muthi Futhi	50%-50% trust	Medicinal plants; organic fruits and vegetables	33	USD 121,300
Mooi River Recycling Center (MRRC)	Cooperative	Waste collection and recycling; training in waste management	70	USD 23,200
IMAI farming cooperative	Cooperative	Organic horticultural products; achar pickle (mango, vegetables; training in organic farming	70	USD 19,900
Farmer Eco-Enterprise Development (FEED) Africa	Program by Eco-enterprise: Food and Trees for Africa	Organic fruit and vegetables	30	USD 292,400
Claire Reid Reel Gardening	Eco-enterprise	Water-saving biodegradable strips of organic seeds	9	N/A

About the authors



Dr. Mira Slavova

– Mira is an Associated Researcher at GIBS. Her academic work is geared towards understanding change within complex institutional environments. She is particularly interested in settings characterised by conflicting logics and worldview collisions, such as African agriculture (Liberia, Ghana) and rural education (South Africa). In her work, Mira focuses on the role of mobile technology as an institutional carrier. She is a published author and an expert in ICTs for development. Mira holds a PhD in Management from Cambridge University (UK) and a BA from Reed College (USA).



Amélie Heuër

– Amélie Heuër has worked at SEED since 2009 and is the SEED Head of Research. With ten years' experience working in the field of sustainable development, she has specific expertise on multi-stakeholder partnerships, socio-economic research and grassroots livelihood development, coastal resources management, and eco-entrepreneurship in developing countries and emerging economies. in Africa, Asia and the Middle East.



Rainer Agster

– Rainer Agster has supported SEED since 2006 and is the SEED Director of Operations. He is responsible for the overall management of all SEED operations and provides input to the strategic development of SEED. In addition to social and environmental entrepreneurship he has specific expertise in energy efficiency, green/climate finance and adaptation to climate change.

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