A man in a bright pink long-sleeved shirt is smiling as he works on several solar panels. He is sitting on a wooden crate or bench. The background shows a room with a red wall and a whiteboard with some diagrams. The overall scene suggests a workshop or training session related to renewable energy.

A Three Year Investigation into the Triple Bottom Line Performance of Small and Micro Social and Environmental Enterprises in Developing Countries

Synopsis

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SEED Initiative

supporting entrepreneurs for sustainable development

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The SEED Initiative is a global partnership for action on sustainable development and the green economy. Founded by UNEP, UNDP and IUCN at the 2002 World Summit on Sustainable Development in Johannesburg, SEED supports innovative small scale and locally driven entrepreneurs around the globe which integrate social and environmental benefits into their business model. SEED is hosted by UNEP-WCMC. Current partners include the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and IUCN (International Union for Conservation of Nature); European Union; the governments of Germany, India, the Netherlands, South Africa, Spain, the United Kingdom and the United States of America; Conservation International; and Hisense.

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2010 SEED Winner SolSource

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2011 SEED Winner Sri Lanka Rural Enterprise Network (REN)

Acronyms

IISD	International Institute for Sustainable Development
IUCN	International Union for Conservation of Nature
SMME	Small, Medium sized and Micro enterprises
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WCMC	World Conservation Monitoring Centre



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1. The purpose of the study

The SEED Initiative seeks to **increase knowledge and understanding** about small-scale social and environmental enterprises. In 2009, SEED and its research partner, the International Institute for Sustainable Development, started a three year study into the performance of these enterprises. Two key questions have driven the investigation:

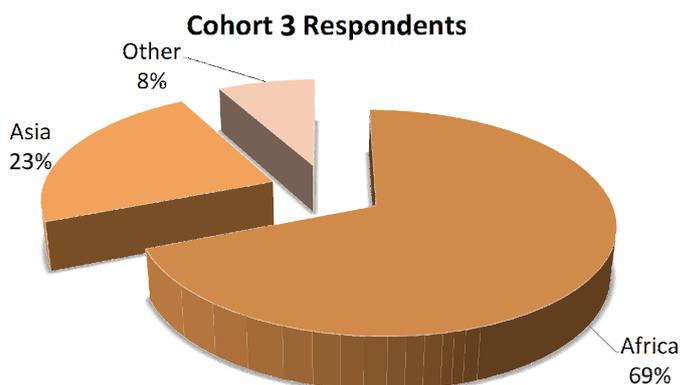
- ▶ Is it possible to determine whether and how such enterprises are making a contribution to social, environmental and economic progress within their communities; and
- ▶ What are the enabling factors and barriers to making that contribution?

The survey respondents

The research is based on surveys of those enterprises which have applied for recognition from the SEED Initiative, with a detailed examination of Winners in each Cohort.

- Year 1, Cohort 1: applicants for a SEED award, from 2005 to 2009
- Year 2, Cohort 2: the applicants for the 2010 SEED award
- Year 3, Cohort 3: the 2011 SEED applicants

Cohort 3 included 629 respondents. Over the three years of the study, data has now been collected from a total of 1,337 small scale social and environmental enterprises working throughout Africa, Latin America and Asia. The focus by SEED on Africa in 2010 and 2011 resulted in significantly more applications from there. The Year 3 research also includes a set of case studies from nine Winners who received awards in 2005, 2008, 2009 and 2010.



About the SEED Initiative

The SEED Initiative is a partnership of the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and the International Union for the Conservation of Nature (IUCN), hosted by UNEP-WCMC. SEED identifies and supports promising, locally-driven, start-up enterprises working in developing countries to improve livelihoods and manage natural resources sustainably. As of 2012, 100 enterprises have been recognized as SEED Winners.

2. Analysis for Policy Makers

In addition to conducting research such as that reported here, SEED brings together national and international experts and decision makers in its annual Symposium to discuss how entrepreneurs are driving economic, social and environmental change. The synthesis of SEED's research and consultations is published in the report Social and Environmental Enterprises in the Green Economy: Supporting sustainable development and poverty eradication on the ground – Analysis of a 3 year study for policy makers. This is available at www.seedinit.org/en/best-practices-and-policy/seed-reports.html.

3. Major findings

Key data points

Half of respondents consider that they are “not-for-profit” entities rather than “for profit”.

However, only 10% of the enterprise managers now rely on grants and development assistance as one of their sources of income.

Key data points

Over half of the enterprises have clear social, environmental and business aspirations, but less than a third of those are measurable targets.

However, case study results suggest that with training, SMME enterprise managers can clarify and sharpen their targets over time, and improve their performance as a result.

Key data points

50% of the respondents indicate that they have been able to supplement the income of members of the communities in which they are working.

Key data points

Only 5% of the respondents report that their financing is in place; nearly all respondents note the lack of or only partial access to investors and to international aid or project financing.

However, 50% indicate that they are, nevertheless, able to make a living from their enterprise, or will be able to within three years.

1. On the nature of social and environmental entrepreneurship:

A desire for community-based social and environmental change, rather than personal gain, drives many of these enterprises. Nevertheless, while they may describe themselves as “not-for-profit”, increasing percentages of respondents over three years report on using business approaches – sales of new products and services and other revenue generation mechanisms – in order to sustain the delivery of benefits to their communities.

2. On “Triple Bottom Line” Planning:

Triple Bottom Line planning is the setting of goals and monitoring of progress on the social, environmental and business dimensions of an enterprise. The small and micro enterprises in this study, while all aspiring passionately to make a difference in the world, can be challenged by the process of setting clear and measurable targets across all the dimensions of their work. Without clarity, and without realistic and measurable ways to assess whether they are in fact making a difference, many of these enterprises will not be able to engage their communities, investors, markets or decision makers.

3. On the economic dimensions of the work of social and environmental enterprises:

a. Income generation within the communities

It is difficult to quantify and validate the contribution of these enterprises to economic development. Since most of these enterprises still see themselves as not-for-profit, it may be that their contribution to the creation of new income streams within the communities is being overlooked by national economic planners. But the tools and processes are clearly lacking to help these small and microenterprises gather and provide economic information in a more systematic and reliable manner.

b. Operational and financial sustainability of the enterprise

There continues to be a gap in capacity for these small and micro enterprises to adopt more business oriented approaches for managing and financing their work. The barrier identified most often across all three years of the study is lack of access to funds for business management training. These enterprises are also looking to ways to secure loans and investors, but indicate a lack of access to credit as another of the most serious barriers. This data speaks to their recognition that they can be not-for-profit but are still willing and able to adopt more business-like approaches and generate sufficient revenues to be financially sustainable.

4. On the social dimensions of their work:

In addition to the main social targets being pursued by all Cohort 3 respondents, the case studies confirm that these enterprises must often address deeper systemic problems – illiteracy, infectious diseases, urban migration – in order to achieve their goals.

There is a significant investment by these enterprises in strengthening the social structures of their communities. These activities help to increase resilience – the resources and capacities to adapt to major impacts, such as climate change.

5. On the environmental dimensions of their work:

a. The importance of awareness, monitoring and enforcement of environmental legislation

The presence of national environmental legislation and regulations is one of the top four enabling factors. But, one of the most significant barriers is the frequent absence of local level environmental monitoring and enforcement. In addition, SEED Winners strongly suggest that communities only partially recognise the need for environmental protection and restoration. Without the demand from community members for environmental protection and restoration, there is less pressure on local authorities to monitor and enforce environmental rules. There is a clear role here for policy makers to focus on monitoring and enforcement to improve the conditions under which social and environmental SMMEs can more likely achieve their goals, and to help these enterprises with community awareness-raising.

b. The introduction of technologies and production processes new to the communities, and

c. The need for access to technology and to research partners and technical experts

The introduction of technologies for renewable energy, water and waste management, as well as new production processes for agriculture, forestry and manufacturing, continues to be a central feature of these enterprises. Across all three years of the study, respondents reported that, after business skills, technology skills were most often being developed within their communities. It is not surprising that the majority of enterprises have sought out and rely on technical and research partners to support their work. What is striking for Cohort 3 is the emergence of the lack of access to technical and research expertise as one of the most significant barriers, equivalent to the absence of financing.

6. On gender issues:

While half of the enterprises in the final year of the study are led by women, there are several notable differences compared to the enterprises led by men. More research is needed into barriers women may face in starting up social and environmental enterprises.

- Over 25% of the women-led enterprises are not involved in the introduction of new technologies and processes, and a lower percentage of women-led enterprises provide technology-related skills development.
- Women-led enterprises may need more assistance in accessing and developing business skills.

3.1 Factors in scaling up and replicating success

The cases studies describe a group of enterprises that have been able to consolidate and expand their work. Drawing from their experience, the following factors should be taken into consideration in efforts to create the conditions for replicating successful social and environmental ventures elsewhere in the developing world.

- ▶ The innovative product, service, or approach must be appropriate for the needs and capacities of the local communities
- ▶ Research and development should be directed by experience and tested in the community
- ▶ The enterprise must have the ability to harness or foment strong community governance and obtain community buy-in

Key data points

Top 3 benefits provided:

- provision of alternative livelihoods to women
- strengthening a sense of self-worth
- establishment of community groups

Nearly 60% also invest in community environmental education and close to half help communities agree on rules and codes of practice within the community.

Key data points

Over a third state that national environmental legislation and regulations are in place. Case studies suggest that these SMMEs also become involved in helping to set and strengthen existing laws and rules.

However, almost half of the survey group indicates that local level monitoring and enforcement is either absent or only partially available.

Key data points

80% of respondents have introduced a technology or process that is new to their communities. Access to technology has doubled in importance as a community benefit that respondents are providing.

Half of the respondents and two thirds of Winners rely on technical and research partners to develop their products and services and to monitor their environmental impacts.

- ▶ The enterprise must demonstrate strong leadership and an innovative leadership style
- ▶ The enterprise must have the ability to network and partner with a wide range of agencies, organisations and individuals
- ▶ A long term commitment must be present, and evident

3.2 A focus on South Africa

SEED South Africa is the first national chapter of the SEED programme. In order to support this new programme, the data was filtered to focus on the characteristics, performance and concerns of the South African social and environmental enterprises. The response group was small (only 9% of the total Cohort), but there are interesting variations in the South Africa group worth noting in the study. The following are the key issues that transpired from the data analysis:

- The vast majority of the South African enterprises lack access to secured funding and investors. This should sensitise development practitioners and partners that are involved not only with the SEED Initiative but with other national and international programmes to mobilise efforts to address the financial and human resource challenges facing entrepreneurs across the country.
- While the South Africans report greater levels of involvement of research institutions and technical expertise (especially when compared to the full Cohort), there is still much room for improvement. Lack of access to this expertise hinders maximum learning – the exchange of knowledge, documentation of best practice, monitoring and evaluation of the impact these SMMEs have on communities. Research institutions and technical experts are needed to strengthen the link between policy makers and grassroots enterprises.
- SMMEs are an important part of the engine that can contribute to the green economy in South Africa, and therefore they need support from all the relevant players on the green agenda.
- There is limited government involvement in these initiatives. It is important for both parties (government and small and microenterprises) to support each other by providing practical lessons learned on the ground which will assist policy makers in crafting enabling policies.
- These enterprises support the notion that green economy should be defined within the context of sustainable development and poverty eradication.
- From the analysis, 51% of these initiatives are led by women. This is an important signal that, contrary to some notions, African women do play an integral part in innovation. Policy makers should make a greater effort to include women entrepreneurs in developing innovation policies and programmes.

3.3 Availability of reports

Results for all three years of the study are available at www.seedinit.org/en/best-practices-and-policy/seed-reports.html, together with the overarching report: *Social and Environmental Enterprises in the Green Economy: Supporting sustainable development and poverty eradication on the ground – Analysis of a 3 year study for policy makers*.

3.4 A note on the methodology and general applicability of findings

The study relies primarily on self-reporting by the respondents. SEED is, among other activities, an awards programme, and there is an inherent risk that respondents will report more

favourably on their enterprises in efforts to attract SEED's attention and support. The survey data was therefore validated by external sources only for the winners within the survey group (primarily SEED Secretariat staff). With the case studies, information provided by the enterprise managers was validated through follow up interviews with other stakeholders in the enterprise, and/or with those who had provided capacity building support to the enterprise.

Except where noted in the text, with particular reference to the data on progress towards targets, there is consistency on most data points across all three Cohorts. This may provide a measure of confidence in the methodology and in the applicability of the findings to the broader community of small and micro social and environmental enterprises, particularly in Africa and Asia.

Furthermore, each of the nine SEED winners described in the case studies provided lessons learned in terms of growth and scale up of SMMEs seeking a triple bottom line. When analysing these as a group, the alignment with findings from the three years of survey data is clearly evident.



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