



SEED Initiative

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

Part 1: Survey Results for 1337 SMMEs

Prepared for the SEED Initiative
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2005 SEED Winner Madagascar's first community-run marine protected area

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2005 SEED Winner Madagascar's first community-run marine protected area

Acronyms

CBO	Community Based Organisation
EGS	Ecological Goods and Services
EU	European Union
GEF	Global Environment Facility
GIS	Geographic Information System
GRI	Global Reporting Initiative
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICT	Information and communication technology
IISD	International Institute for Sustainable Development
IP	Intellectual property
IUCN	International Union for Conservation of Nature
LAC	Latin American and Caribbean Countries
MSE	Micro and small enterprise
NGO	Non-Governmental Organisation
SMART	Specific, Measurable, Attainable and Realistic within a clear Timeframe
SMME	Small, Medium-sized and Micro enterprise
TBL	Triple bottom line
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WCMC	World Conservation Monitoring Centre



2011 SEED Winner Man and Man Ghana





2011 SEED Winner Nepal Waste

1. Introduction to the study

1.1 The SEED Initiative: research agenda

The SEED Initiative is a partnership of UNEP, UNDP and IUCN, hosted by UNEP-WCMC. SEED identifies, profiles, and supports promising, locally-driven, start-up enterprises working in developing countries to improve livelihoods, tackle poverty and marginalisation, and manage natural resources sustainably.

A central and defining feature of SEED's programme is its commitment to a research agenda. SEED's research seeks to increase technical knowledge and understanding about these small scale, locally-led activities, by gathering data on their social, environmental and business goals, the benefits they deliver to their communities and the surrounding ecosystems, and the internal and external factors that either support or impede their growth.

IISD has been SEED's research and learning partner since 2007. Based on the research, SEED and IISD prepare both tools to help the global community of social and environmental entrepreneurs, and analyses targeted at policy- and decision-makers on the necessary enabling conditions for these enterprises to contribute to a greener economy in their countries.

1.2 Analysis for Policy Makers

In addition to conducting research, 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, together with advice for action, are 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".¹

1.3 Background to the current report

In 2008 and 2009, as part of the SEED research agenda, IISD conducted interviews with 15 SEED Winners (Cohorts 2005, 2007 and 2008) to identify critical success factors and barriers to performance.

This small group of enterprises from 14 countries was of insufficient size to do little more than compile observations on some common characteristics of the group.

¹ The report is available at www.seedinit.org/en/best-practices-and-policy/seed-reports.html.

It was more difficult to generalize findings upon which to base an analysis to inform policy regarding support to the SMME sector in developing countries. SEED and IISD therefore agreed on a methodology to increase the size of the survey group, and to track the progress of the survey group over three years, in order to assess, for the purposes of policy relevant analysis:

- SMMEs’ abilities to set triple bottom line goals
- Benefits being delivered across the three dimensions of sustainability
- What progress is being made
- What is changing as the enterprises grow and mature
- Enabling success factors and barriers to performance: those within the scope of the enterprise to address, and those external to the enterprise, requiring policy interventions.
- Distinguishing features of SEED Winners and their performance over time

Central to the process was the design of a survey instrument to elicit data on social, environmental and business targets and related activities, as well as on enabling factors and barriers to success (Appendices are publishing separately; see Appendix 1).

The survey was deployed across the study group of 1337 enterprises, in three Cohorts:

1. Cohort 1: Invitation to all previous applicants to the SEED award, 2005-2009 to complete an online survey
2. Cohort 2: Survey all applicants for the 2010 SEED award as part of their application for the award
3. Cohort 3: Survey all applicants for the 2011 SEED award as part of their application for the award

1.4 Results from Year 1, Cohort 1

The first report for this study has been published and can be downloaded from the SEED website: An investigation into the triple bottom line performance of small and micro social and environmental enterprises in developing countries: establishing a baseline for a longitudinal study². Of the 1583 applicants surveyed, 280 responded, or 17.7% of the survey group. The data gathered from these 280 social and environmental enterprises forms the first data set in our study.

	Cohort 1	Cohort 2	Cohort 3
Composition of the Cohort	Applicants for the SEED award in 2005, 2007, 2008, 2009 who responded to the online survey	SEED applicants for the 2010 award	SEED applicants for the 2011 award
Size of respondent group	280	428	629
Regional representation of respondent group	<ul style="list-style-type: none"> • Africa 46% • Asia 17% • LAC 29% • Other 8% 	<ul style="list-style-type: none"> • Africa 75% • Asia 17% • LAC 2% • Other 6% 	<ul style="list-style-type: none"> • Africa 69% • Asia 23% • LAC 1% • Other 7%

² www.seedinit.org/en/best-practices-and-policy/seed-reports.html



1.5 Results from Year 2, Cohort 2: the 2010 applicants and the resurvey of Cohort 1

In the second year of this study, the survey instrument was built into the application form for those wishing to be considered for a SEED award in 2010, with a response of 428 enterprises.

In addition, the original respondent group of 280 were resurveyed in order to track the progress that they were making towards their social, environmental and business goals, and to identify whether there were significant changes in enabling factors and barriers to progress.

Several incentives were offered to the original 280 respondents to complete the re-survey, including support for showcasing their enterprises in the online Entrepreneurs Toolkit³ and inclusion of the first 25 respondents in a free online training programme⁴ to enhance their business management and partnerships skills. Fifty-two of the original 280 respondents participated in the resurvey.

The report for year 2 can be downloaded from the SEED website.

1.6 A revision to the methodology for Cohort 3, 2011

While including the survey instrument in the application process proved to be an excellent data gathering point for Cohort 2, the response rate for the resurvey of Cohort 1 was lower than necessary for the purposes of a longitudinal study. Of the 280 resurveyed, only 52 responded, or 19% of the group. While their contributions are useful on an individual basis, a total of 191 respondents were needed to achieve the same level of statistical accuracy of the original survey (95% confidence for an error of +/- 5%).

³ www.entrepreneurstoolkit.org

⁴ www.iisd.org/learning/



2005 SEED Winner Madagascar's first community-run marine protected area

As a result, IISD and SEED agreed to a revision to the three year study. The research and analysis has been divided into two components:

1. Creating a clear, evidence based picture of small and micro/small social environmental enterprises in developing countries:

The first component continues the quantification of the characteristics, capacities, contributions (actual and potential), and needs of small and micro/small social environmental enterprises in developing countries, based on the applications for the SEED award.

2. Monitoring progression towards goals:

The second component focuses on the challenge of monitoring progress of social and environmental enterprises. Rather than continue with the resurvey approach, we have returned to a case study approach, with the focus being a progress review of nine of the SEED Winners.

The Study has been published in two parts:

- ▶ Part 1 presents the findings from the survey of Cohort 3, noting any variations from Cohorts 1 and 2, and with particular attention to the African respondents within the Cohort. It also includes:
 - A gender analysis of the full Cohort, comparing responses from women-led enterprises to those led by men.
 - A focus on South African respondents, for SEED South Africa: the first national SEED programme.
 - An analysis of the 2011 SEED Winners data, compared to the full Cohort.
- ▶ Part 2 presents case studies on the progress of nine SEED Winners in Cohort 1 (2005-2009), and Cohort 2 (2010) from the time of their award to the end of 2011.

1.7 Caveats

The study relies 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.

We should also note that while the survey was available in English, French and Spanish, these languages are not necessarily the first languages of the respondents. Lack of clarity and reliability of responses may be linked to non-comprehension of the question.

We should also note that the Cohorts so far appear to be more representative of rural interests. Given growing urbanization in the south, it raises a question about whether sufficient data is being gathered to identify specific challenges that the urban enterprise faces.

With the revised methodology, the case study approach, including field visits to three Winners, provides a complementary view to the survey data.

1.8 A caveat on the Cohort 3 data and comparability to Cohort 2

We should also note that with Cohort 3, while the response group in general is larger than Cohort 2 (Cohort 3:N=629 compared to Cohort 2: N=428), there is a much higher percentage of respondents not providing an answer for most of the survey-related questions on the application form. This can range from 15% to 20% for each question. As "no answers" were included in the calculations for Cohort 2, we continued the practice for Cohort 3; but consequently the results across all lines of enquiry will appear to be lower than for Cohort 2.

1.9 A note on the format of the report

Respondents provided a significant amount of information in the text and comments sections of the survey. Where appropriate, selected comments have been included in the report, without attribution. Where selected comments have been included, simple translations to English have been provided in parentheses and minor corrections for spelling have been made. Full, original text is provided in the separately published appendices.



2011 SEED Winner La Voute Noubienne Burkina Faso

Analysis of Cohort 3

The following section provides an analysis of the survey results for Cohort 3 – the 2011 applicants for a SEED award, first aggregated for all respondents, and then showing the results for the Africa based enterprises compared to the rest of the Cohort.



2011 SEED Winner Mushrooms Rwanda





2011 SEED Winner Khomani San South Africa

2. Characteristics of responding enterprises

2.1 Regional distribution

For the 2011 award, SEED focused its marketing primarily on seven target countries in Africa. This led to a greater number of applications from the African continent (and not just the target countries) than elsewhere, with the resulting response group being composed of 69% African based enterprises, with an additional 23% from Asia, and only 1% from Latin America/Caribbean. This is comparable to Cohort 2, 2010 (although with a small drop in African applicants and corresponding increase for Asia) but varies considerably from Cohort 1 (46% Africa, 17% Asia, 29% Latin America and Caribbean).

For the purposes of this report, where appropriate, the responses from African-based enterprises are compared to those from other regions, to illustrate issues of particular relevance to the African experience.

2.2 Areas of work and activities

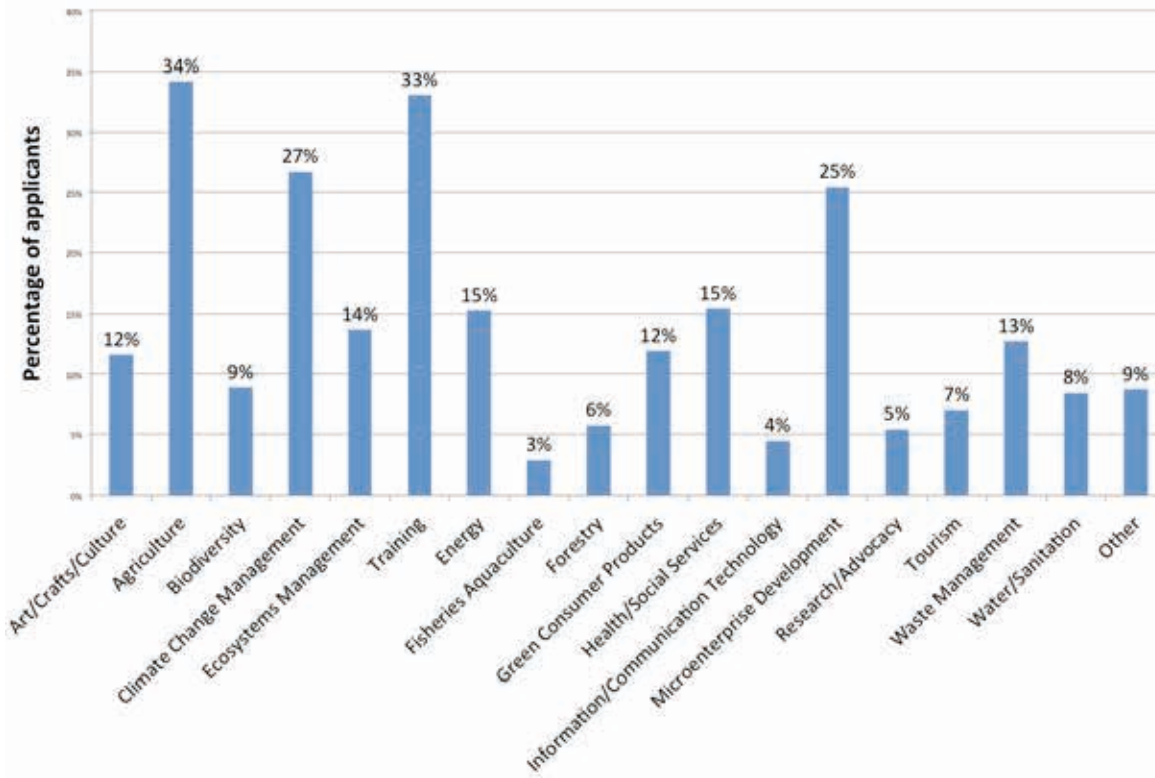
Respondents were asked to select up to three areas of work for their enterprise. As with Cohorts 1 and 2, agriculture is the dominant sector in which these enterprises work. The fact that training was the second most commonly selected activity indicates the major role many of these social and environmental enterprises play in skills-building in the sectors in which they work, whether agriculture, energy, or other area of work. This is consistent with Cohort 1 and 2 findings that a significant number of these enterprises are involved in training activities.

The most significant change with Cohort 3 is that the third most represented area of work is now climate change management. Ecosystems management, which had been in third spot for Cohorts 1 and 2, dropped to seventh spot for main areas of work for the respondents. There were no notable regional variations.

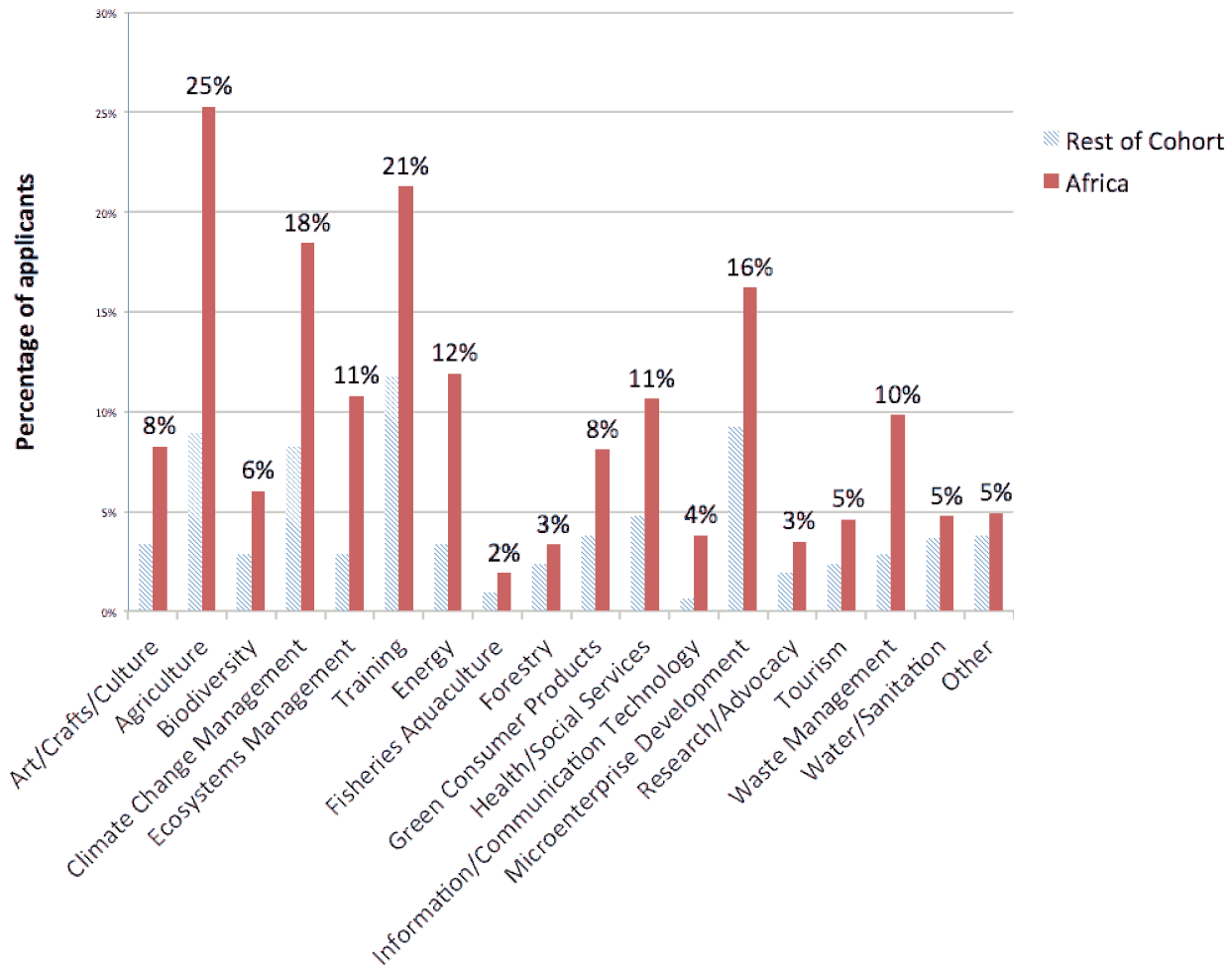
2.3 Urban / rural focus

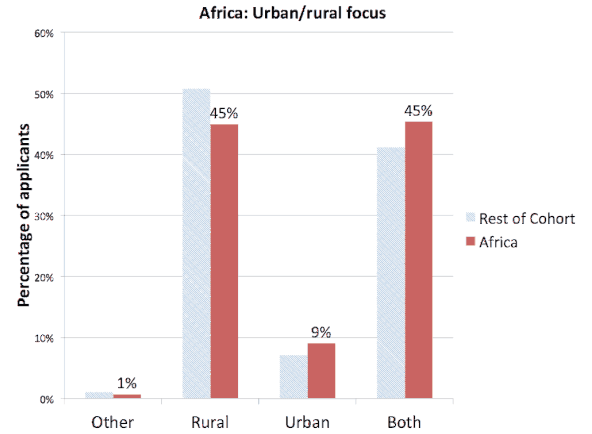
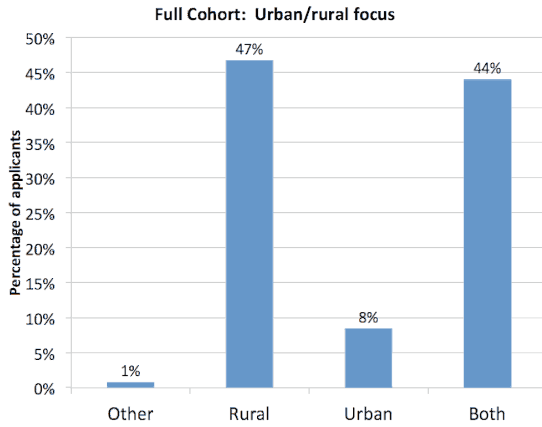
In Cohort 3, respondents were asked to indicate whether their work has primarily an urban or a rural focus. Nearly half indicated their work benefits both urban and rural. However, another 47% are focused exclusively on rural development (a slight increase from Cohort 2).

Full Cohort: Main areas of work



Africa: Main areas of work





Given growing urbanization in the south, it raises a question about whether SEED is reaching the urban entrepreneurs, and whether sufficient data is being gathered to identify specific challenges that the urban enterprise faces.

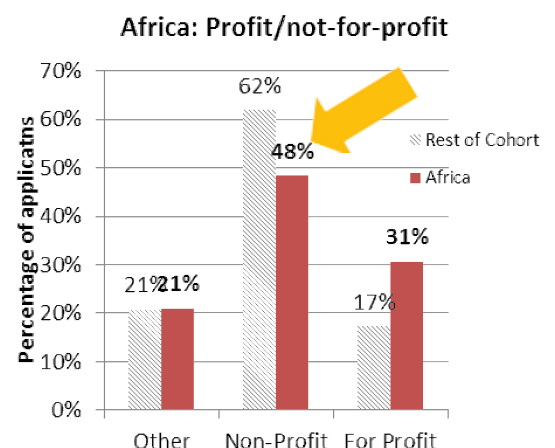
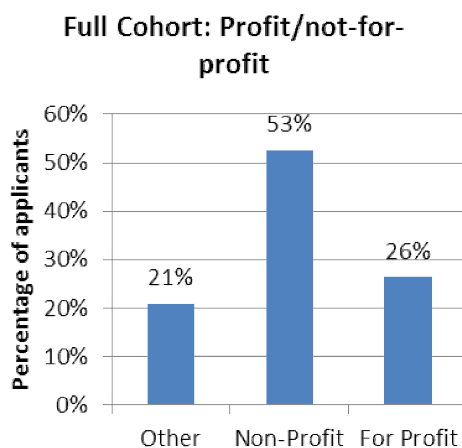
2.4 Organisation Type

Consistent with Cohort 2, nearly 50% of the respondents consider themselves to be either local NGOs or community based organisations. However, in Cohort 3, we see evidence of a shift in how respondents view their enterprise as being either for profit or not for profit. Across the full Cohort, there is an increase from 17% in Cohort 2 to 26% in Cohort 3 of those who consider themselves a private, for profit enterprise, and a significant drop of nearly 20% (from 70% in Cohort 2 to 53% in Cohort 3) in respondents who indicate that they are not for profit.

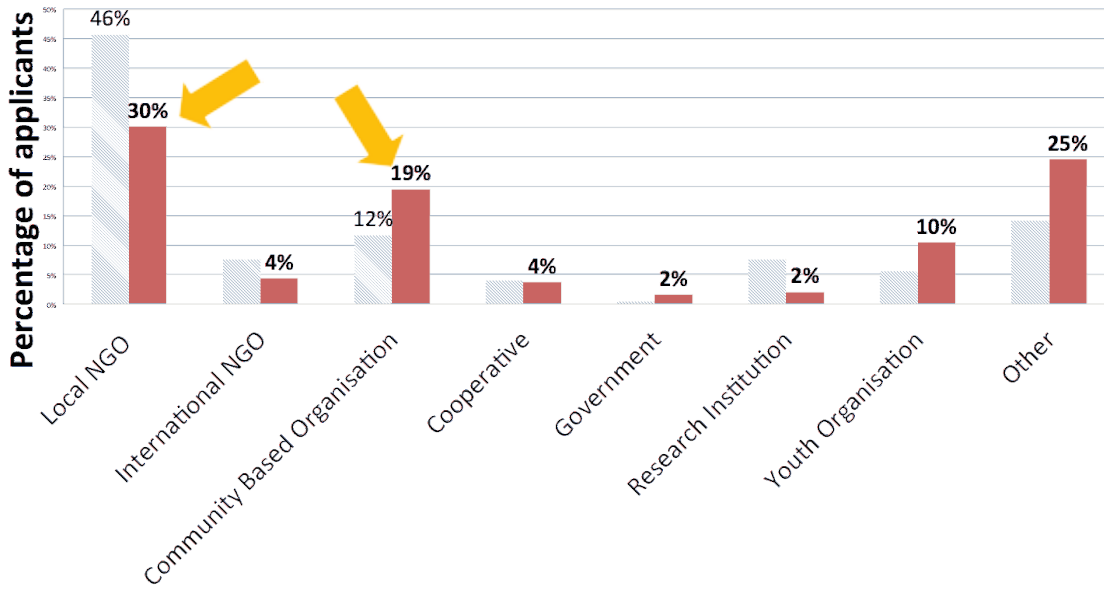
What is particularly interesting is the shift for African respondents. In Cohort 2, nearly 75 percent stated that they were “not-for profit”; this year less than half indicate that they are strictly non-profit.

A higher percentage of all Cohort 3 respondents selected “Other” (compared to Cohort 2), and those who provided additional comments noted that they considered themselves to be “social enterprises,” “hybrids,” “private organisations” or, in one particular case, a “conservation business organisation.”

This may suggest that a certain level of discomfort that earlier SEED applicants may have felt about the concept of being “for profit” is starting to dissipate, and that the concepts of being a “social enterprise” or a hybrid of non-profit and for profit activities are starting to take hold, particularly in the African region.



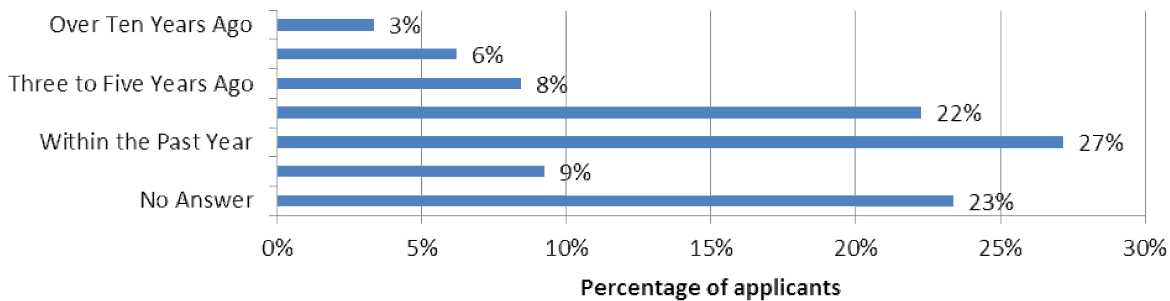
Africa: Organisation Type



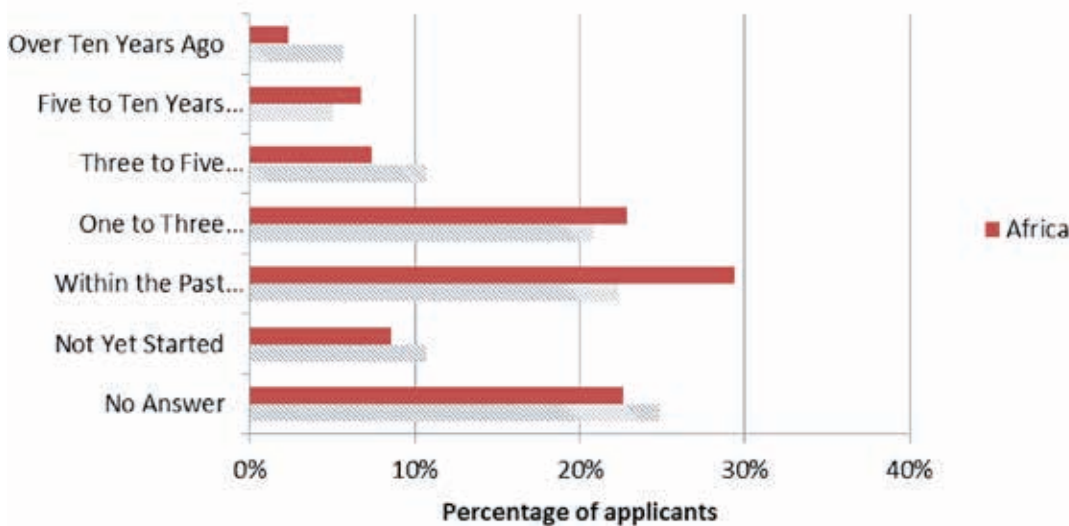
2.5 Maturity of the enterprise

SEED’s eligibility criteria include the requirement that an enterprise is in the start-up phase. Accordingly, consistent with Cohorts 1 and 2, the majority of respondents report that they are “start-up” enterprises, with respect to years in operation. However, we note that unlike previous years, there is a much higher percentage of “no answers” for this question.

Full Cohort: Initiative began developing...



Africa: Initiative began developing...





2011 SEED Winner Recycling No Waste Ghana

3. Progress towards social, environmental and business targets

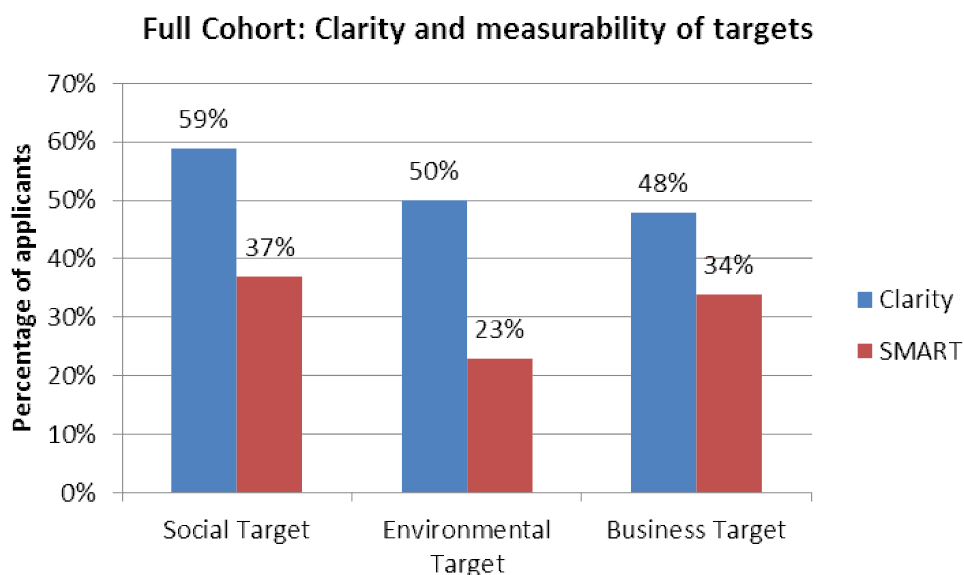
In Cohorts 1 and 2, respondents were asked to provide a target for each dimension of sustainable development: what did they most hope to have accomplished within a specified time period, with respect to social, environmental and business objectives? Responses were then assessed as to whether the target was clearly stated: was it appropriate for that dimension (for example, was the business target actually an environmental target), and was it easy to understand? Each target was also assessed as to whether it was specific, measurable and realistic (SMART), with an emphasis on the measurable component. Three researchers reviewed the responses independently and the resulting simple scores averaged for a final determination (a full list of all targets statements can be found in the separately published appendices, in Appendix 2).

Over half of respondents across all three Cohorts were able to express their main social targets with clarity. For all Cohorts, the ability to express clear business targets was weaker than for the other two dimensions (although marginally weaker for Cohort 3). For the purposes of

Sample social, environmental and business targets	
Enterprise 1: Recycling waste for arts/ crafts production	<ul style="list-style-type: none"> To create direct employment opportunities for 100 street girls who will be employed as trash pickers; to provide direct employment opportunities for 50 artisans. To rescue 10 million plastic trash items from the waste stream in the next five years. To export our products to the international fair trade markets with projected yearly revenue of \$500,000.00.
Enterprise 2: Organic orchards	<ul style="list-style-type: none"> Former 50 femmes à la gestion d'une coopérative rurale, créer 50 emplois verts pour les jeunes et constituer un fonds de développement communautaire de 20 000 \$ [Train 50 women in the management of a rural cooperative, create green jobs for 50 young people and establish a community development fund of \$20,000] Protéger la forêt montagneuse en restaurant toutes les surfaces cultivées environnantes. [Protect the mountainous forest region by restoring surrounding acreage] D'assurer des revenus annuels de 201 973 \$ pendant au moins 20 ans et d'obtenir 10 partenaires contractuels qui nous permettent de nous professionnaliser notre entreprise ou d'assurer la vente de nos produits. [Ensure annual revenues of \$201,973 for at least 20 years and get 10 contractual partners that allow us to professionalise our business or procure the sale of our products.]
Enterprise 3 Aloe Vera beverage production	<ul style="list-style-type: none"> Increase opportunities for 500 poorer fishing families to engage in initiative as an income source while giving financial management training for 50 women. Introduction of Aloe Vera cultivation reduces the negative impact on bio diversity, by reducing wild collection. Unproductive unused lands are converted to productive economically valued lands. Establishment of Aloe Vera processing unit and sales outlets. Replicate sales outlets in other 5 areas within the country and increase the production up to 10,000 Kg per month

good triple bottom line planning, clarity is needed across all dimensions, by all enterprises: without clarity, the enterprise will not be able to engage their communities, investors, markets or decision makers.

Similar to Cohorts 1 and 2, Cohort 3 had more difficulty with expressing the measurability of their targets. Just over a third was able to set measurable social targets; less than that were able to set measurable environmental or business targets. As with Cohort 2, the setting of measurable environmental targets is particularly challenging for these enterprises: for 75 percent of the respondents, the targets are either completely absent, or somewhat vague and aspirational (for example, “a cleaner environment” or “spreading awareness.”)



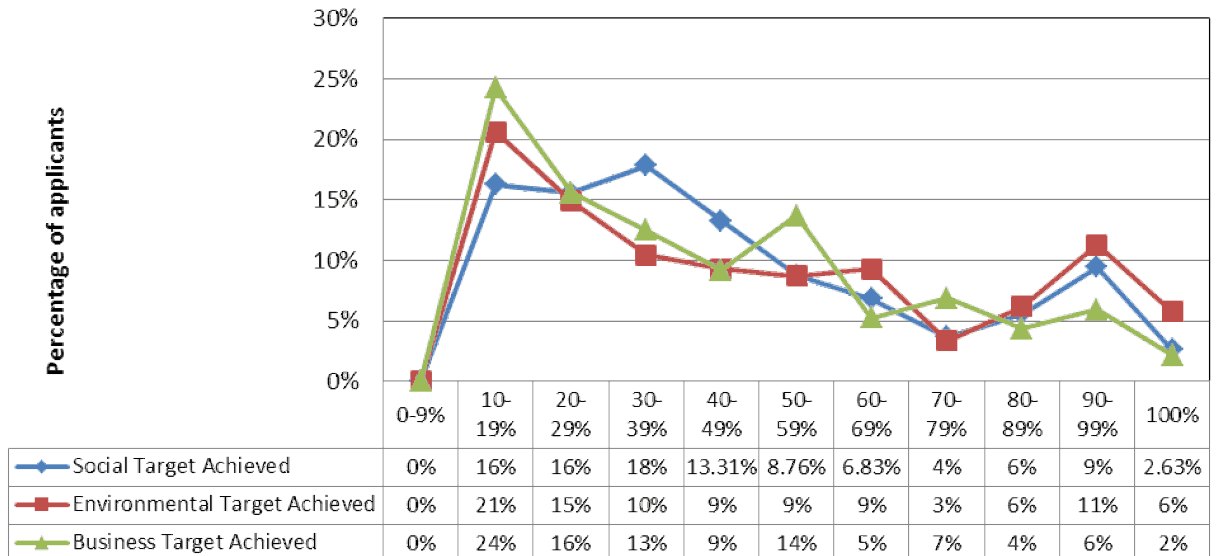
The pattern of progress towards those targets was consistent between Cohorts 1 and 2, although Cohort 2 appeared to be slightly further advanced on all three dimensions. Cohort 3, however, shows a significantly different pattern:

- For the first time in the three year study, no enterprise reported achieving less than 10% of targets on all three dimensions
- Well over half of Cohort 2 had achieved less than 30% of their targets. But for Cohort 3, only a third are still at that start up level, with another third reporting between 30% and 60% of their targets being reached.
- Nearly 20% of respondents reported that they were close to, or had already achieved their environmental target, with 12% reporting a similar level of progress on their main social target.

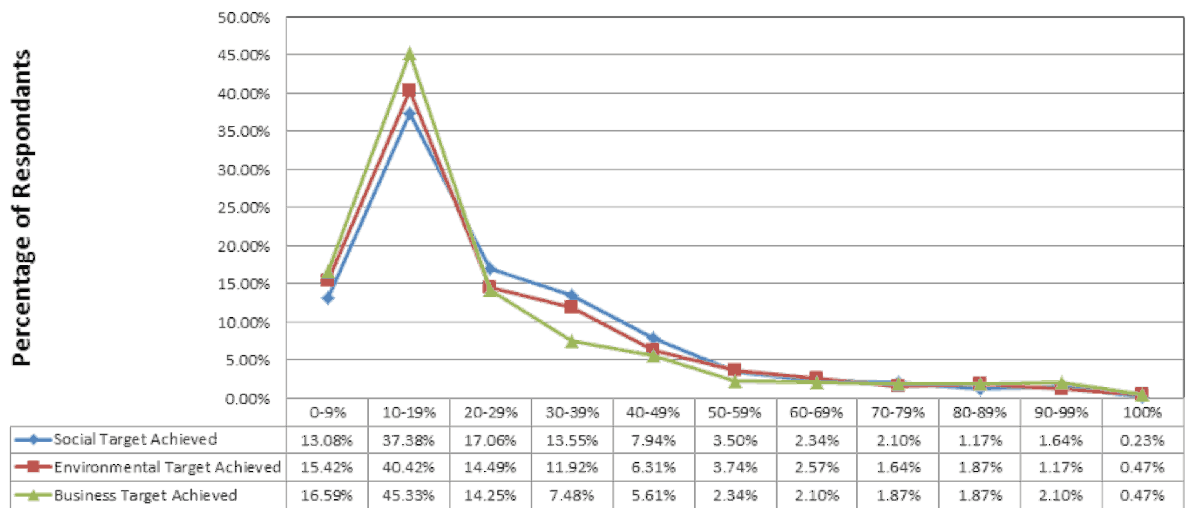
It is unclear why there should be this variation in Cohort 3 from the previous Cohorts. It may be that SEED attracted a more mature group of enterprises to apply for the 2011 award; it may be too that micro and small social enterprises are becoming more confident in stipulating what they want to do and ensuring that they move towards those targets. However, given some of the challenges they face on the clarity and measurability of these targets, it raises questions about how the enterprises themselves consider their performance.

The data was filtered to see whether there was a correlation with “for profit” status (were those enterprises that reported that they were “for profit” more likely to report higher levels of progress towards targets), but the results were inconclusive.

Cohort 3: Percentage of Target Achieved for Social, Environmental and Business Targets



Cohort 2: Percentage of targets achieved





2011 SEED Winner Transportation Ghana

4. Additional indicators on social performance

In addition to asking the respondents to state a specific social target, and report on progress against that target, the researchers provided a list of other potential benefits for the respondents to select, as a means of understanding the range of social benefits being provided through these enterprises. In addition, because of the results from the previous surveys, one benefit was explored in more detail: the skills being developed among community members.

4.1 Additional social benefits

As with Cohorts 1 and 2, respondents consider that among the top four benefits they provide to their communities are the establishment of community groups, strengthening a sense of self-worth and the provision of alternative livelihoods in general, and livelihoods for women in particular. This suggests that there continues to be a significant investment by local enterprises in strengthening the social structure and resilience¹ of their communities.

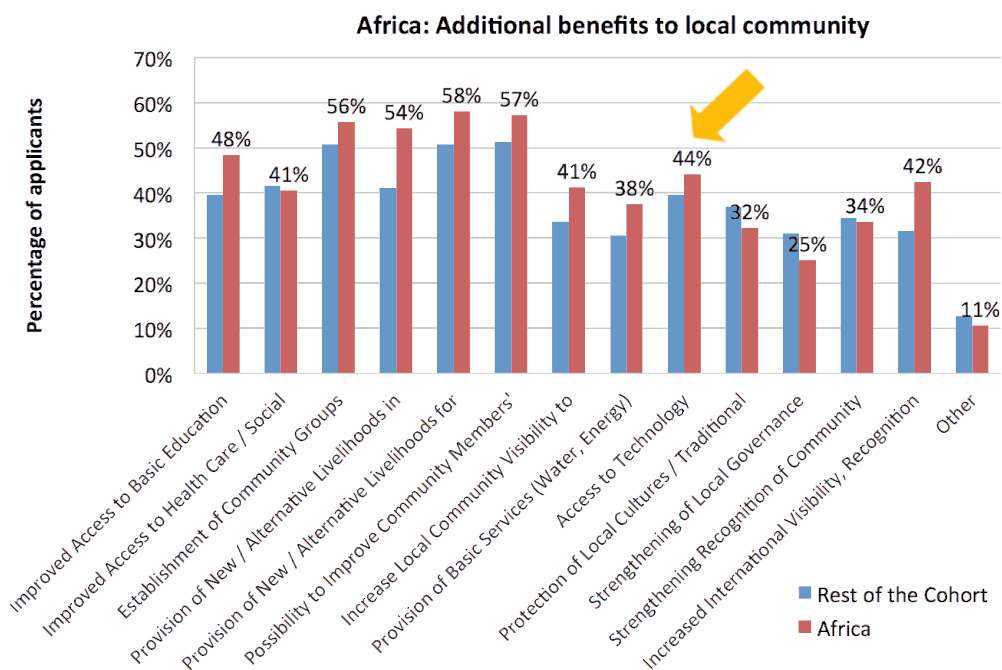
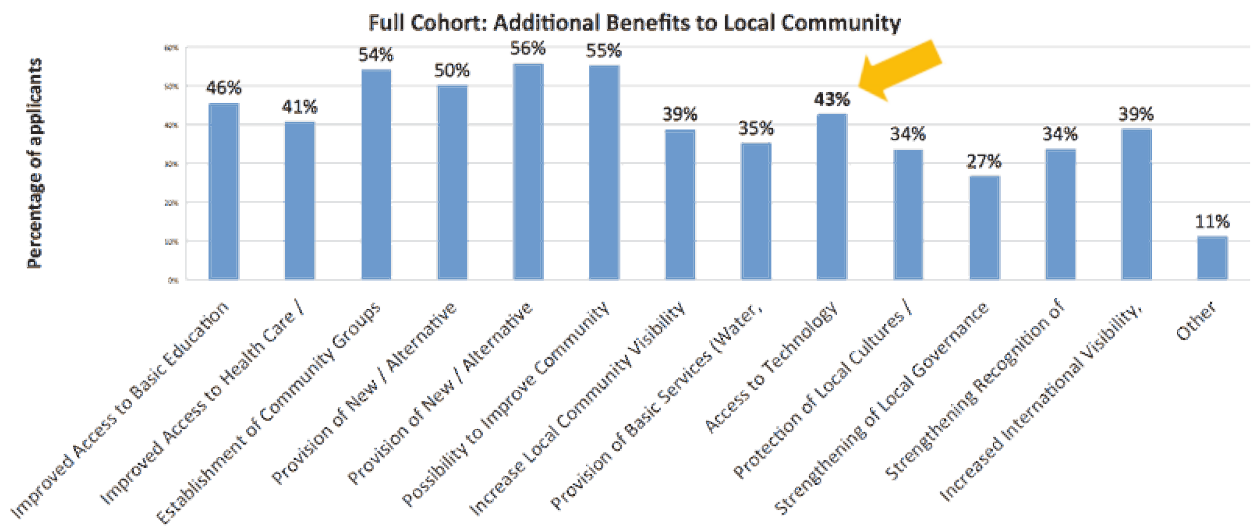
There are several significant variations with Cohort 3:

- Access to technology is now number six on the list of benefits being conferred, up from the twelfth spot for Cohort 2.
- The benefit “increasing international recognition for the community” is of significantly greater interest, equivalent to the provision of basic services, and is the eighth most important benefit being conferred (compared to being of least interest to Cohort 2 respondents).

Several used the “other” category to expand upon the benefits they believe they are securing for their communities:

- *skills transferred enables domestic workers to demand a higher wage*
- *Improved modern organic greenhouse farming skills, management skills which can be replicated in other enterprises such as dairy farming*
- *Possibility for the community to get support from Payment for Ecosystem Services and Carbon trading from REDD+ initiative and VCM [Voluntary Carbon Market].*

1 Resilience is understood in this paper to mean “the resources and adaptive capacity that a community can utilize to overcome the problems that may result from change”. Maguire, Cartwright 2008. http://adl.brs.gov.au/brsShop/data/dewha_resilience_sa_report_final_4.pdf.



There are some regional variations in the data: the same top four benefits were selected by both the African respondents and the rest of the Cohort, but the level of emphasis varies. For the Africans, the most important benefit for Cohort 3 is the provision of alternative livelihoods for women. Compared to the African respondents in Cohort 2, the provision of access to technology is even higher for the African respondents in Cohort 3.

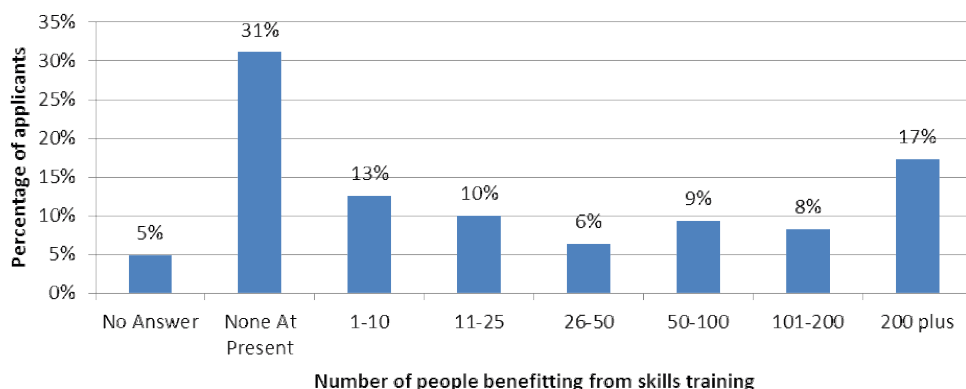
4.2 Skills training

Types of training

Findings from Cohort 1 suggested that an investigation into skills training as a social benefit should be continued with Cohort 2. Of those who answered this question, **99%** of both Cohort 2 and Cohort 3 respondents suggested that they are doing, or plan to do, some type of training/skills development within their communities. This further reinforces the key finding in the first and second reports that SMMEs are challenged by the lack of skilled people in their communities, and that there is a considerable training burden being placed on SMMEs to build these capacities in order to get their enterprises underway. As with Cohorts 1 and 2, the complexity of what these enterprises are trying to do must be noted. This raises questions again about the need to help these entrepreneurs focus their efforts, get clarity and be realistic on what they have the most capacity to do.

Consistent with Cohorts 1 and 2, business management is the top skill being conferred. This correlates to the data on the main activities undertaken by the enterprises (Section 2.2), in which microenterprise development was among the top four of types of activities for these enterprises. Again, the complexity of the challenge combined with the capacity of these enterprises needs attention: fairly consistently across all three Cohorts, the respondents have demonstrated somewhat lower levels of clarity and measurability of their business targets compared to social and environmental targets, and slower progress towards their own business goals compared to the other goals. And yet, these organisations are supporting microenterprise development for others within their communities.

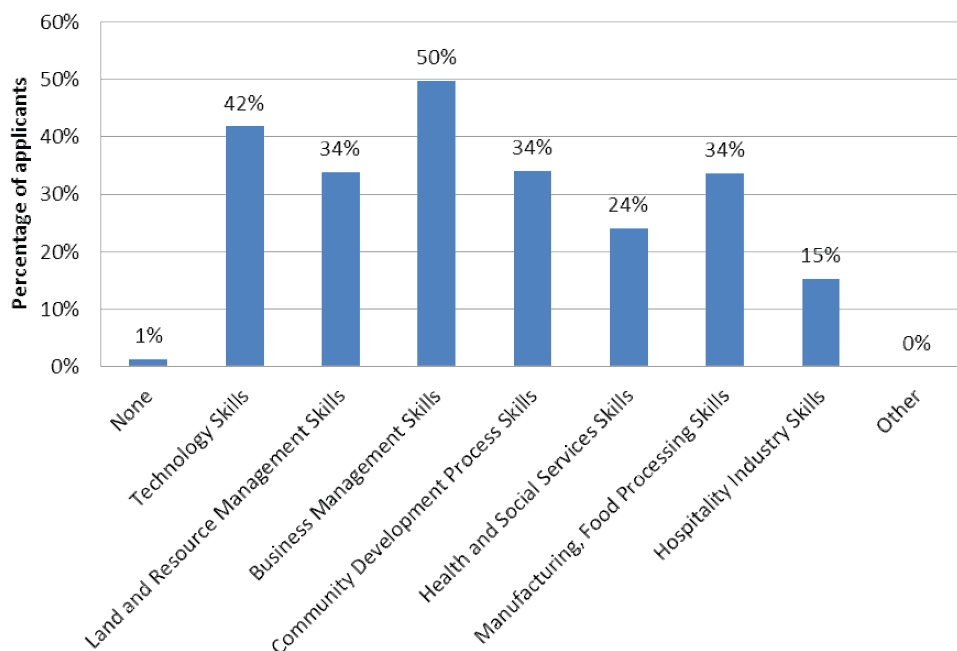
Full Cohort: Number of people in communities benefiting from skills training



For Cohort 3, the next highest percentage of respondents selected the development of technology skills (up from third spot with Cohort 2), consistent with the increased level of attention being given to the provision of access to technology within the communities (Section 4.1).

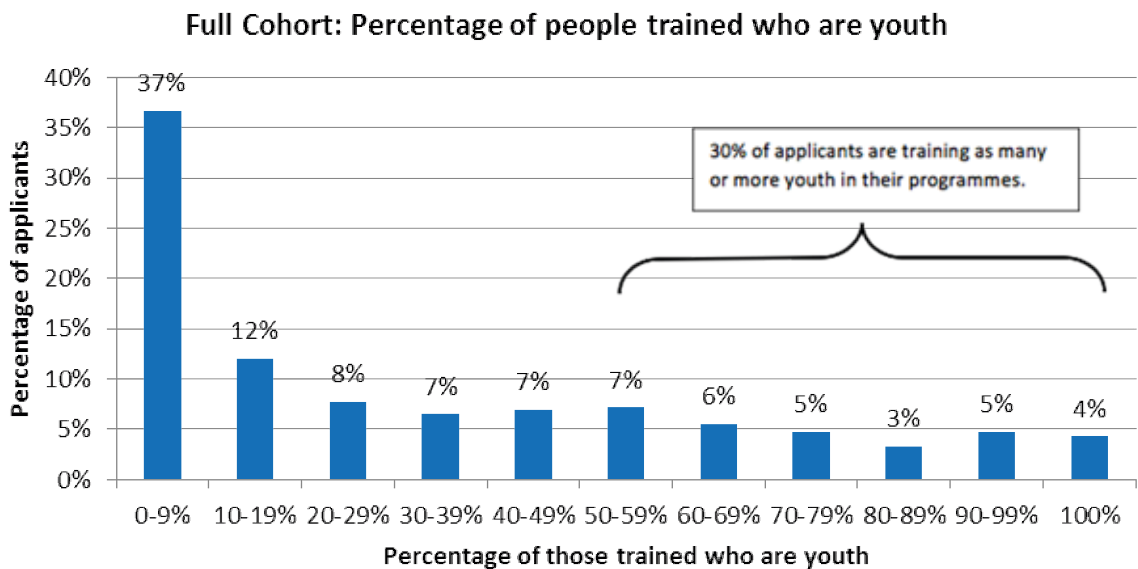
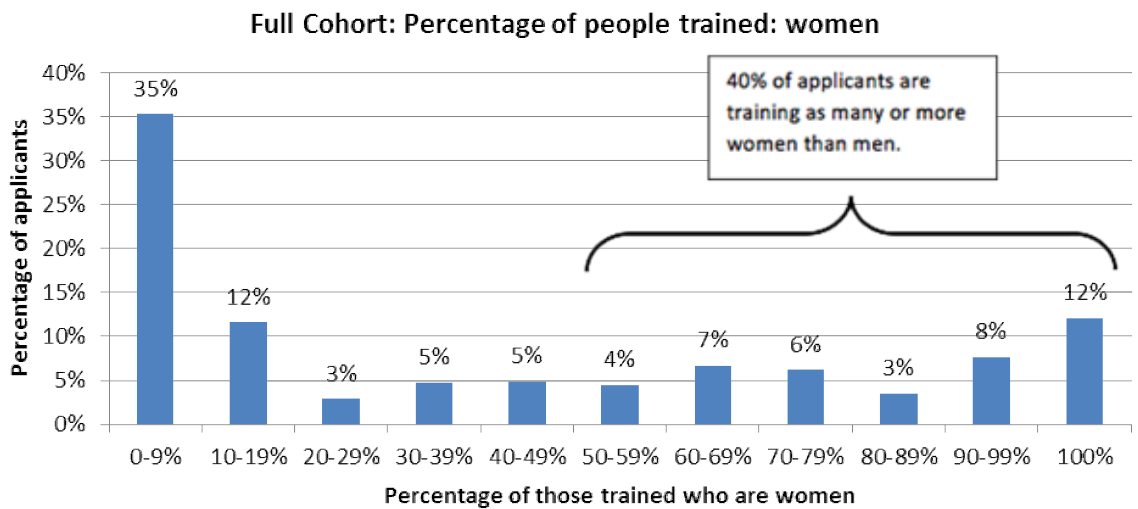
In exploring regional variations, it would appear that a slightly greater percentage of the African respondents provide skills development in business management.

Full Cohort: Skills training/development provided



Numbers of people being trained

The numbers of people currently being trained are lower than in Cohorts 1 and 2. This most likely reflects that the Cohort 1 group (covering SEED applicants from 2005-2009) may simply be have been somewhat more advanced in implementing their training activities. In Cohort 1 only 1% of those involved in training had not yet trained anyone, whereas in Cohort 2, 18% had not yet trained anyone, and Cohort 3, nearly a third have not yet begun to train. In Cohort 1, fully 1/3 of respondents were training 200+ people in their communities; here only 17% are training at that level. Like Cohort 2, the emphasis on the training of women and youth is somewhat lower than for the first Cohort, although still significant: 40% of the respondents suggest that over half of the people being trained are women, and close to a third indicate that over half of their trainees are youth. There were no regional variations worth noting.





2011 SEED Winner Waste Enterprise Ghana

5. Additional indicators on environmental performance

In addition to asking the respondents to disclose a specific environmental target, and report on progress against that target, the researchers provided a number of other indicators for the respondents to report on. A list of options was provided reflecting a wide range of potential environmental benefits to be achieved. In addition, respondents were asked to consider how they were anticipating and managing potential negative environmental impacts from their enterprises. Respondents were also asked about the introduction of technologies and processes that would benefit the environment, including solar, water and waste management, and agriculture and forestry practices.

5.1 Expected environmental benefits

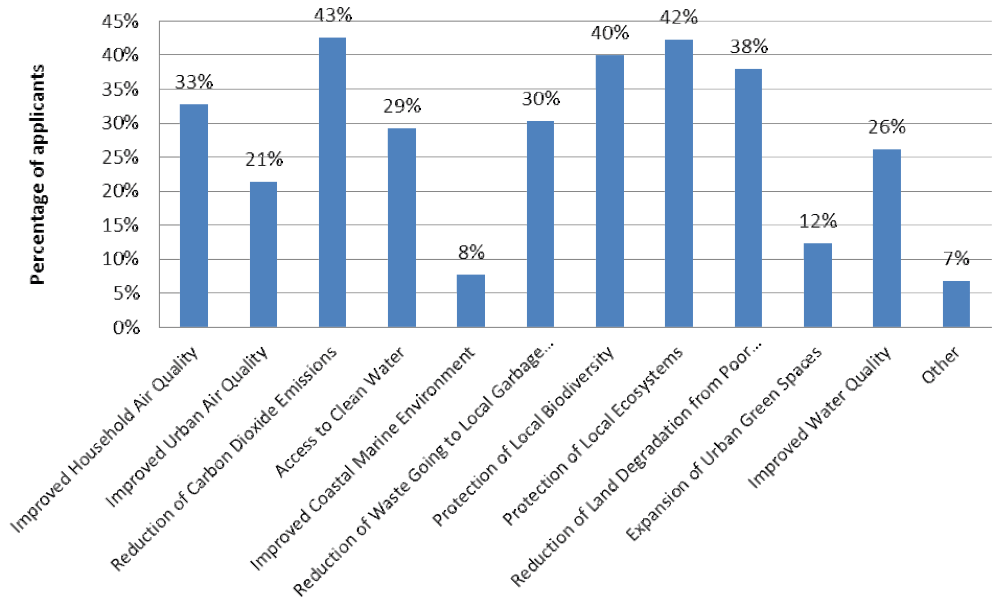
The top four benefits remain constant across all three Cohorts: protection of ecosystems, reduction of CO₂, biodiversity preservation and reduction of land degradation. With Cohort 3, however, the reduction of CO₂ has risen to the number one spot, from second place with Cohort 2 and fourth place with Cohort 1.

When the data is filtered by region, it would appear that both household air quality and urban air quality are much more of a concern with the African respondents, with nearly a third more of the African respondents working to secure these benefits compared to the rest of Cohort 3.

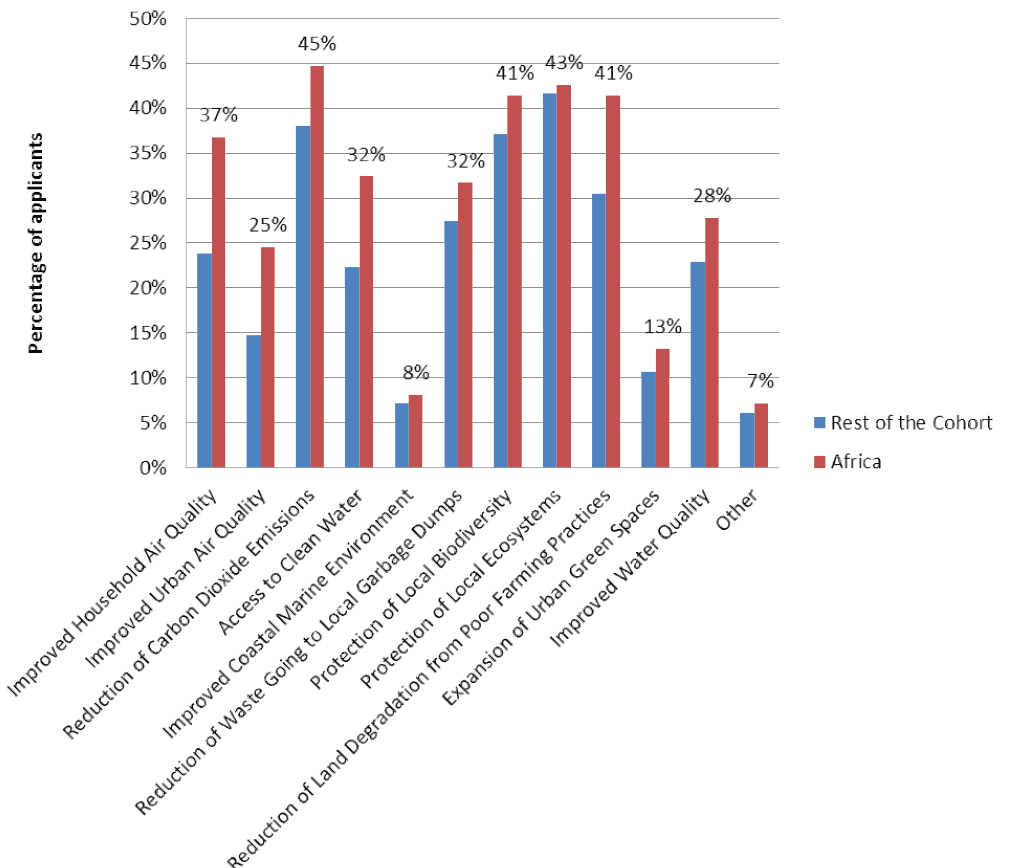
Respondents used the comments field to provide more detail on what they were doing. Many reinforced that they were involved in increasing public education and awareness:

- *[Provide] access to knowledge related to environmental conservation activities occurring in Africa.*
- *Education and training of ALL Masolians on environmental issues will cause them to learn and implement more environmental benefits.*
- *Preserve and document the environmental and cultural heritage of this handicrafts and village natural and cultural heritage*
- *La sensibilización en las ventajas del uso de nuevas tecnologías amigables con el medio ambiente [Awareness of the benefits of using new technologies friendly to the environment].*

Full Cohort: Expected environmental benefits from the enterprise



Africa: Expected environmental benefits from the enterprise



5.2 Ensuring no negative environmental impacts

In Cohort 1, respondents were asked whether they were working with biological inputs, and if so, how they were handling potentially negative environmental impacts (resource overexploitation, processing, etc.). Close to 80% of Cohort 1 either answered in the negative or did not answer the question. But those who did answer actually responded to a broader issue about the management in general of potentially negative environmental impacts. In addition to public awareness raising, which was treated as a separate question in the Cohort 1 instrument, three approaches emerged:

- Setting codes of practice
- Establishing relationships with other institutions for advice
- Community awareness raising

Therefore with Cohorts 2 and 3, the researchers made this a more explicit question, providing a range of options for how they were handling negative impacts in general. In both Cohorts, over half of the respondents emphasised public awareness raising more than any other benefit in countering negative environmental impacts (although it is interesting to note that this is a bit lower than Cohort 1, where 84% delivered public education and awareness programmes.)

Community buy-in to rules and codes of practice was second in importance to Cohort 3, and reinforces the picture of these enterprises as being highly invested in community organisation and strengthening. Comments included:

- *Writing our own forest laws around ecosystem services to ensure best practice with forest product extraction activities*
- *We are developing participatory guidelines for sustainable harvesting of Maya Nut*

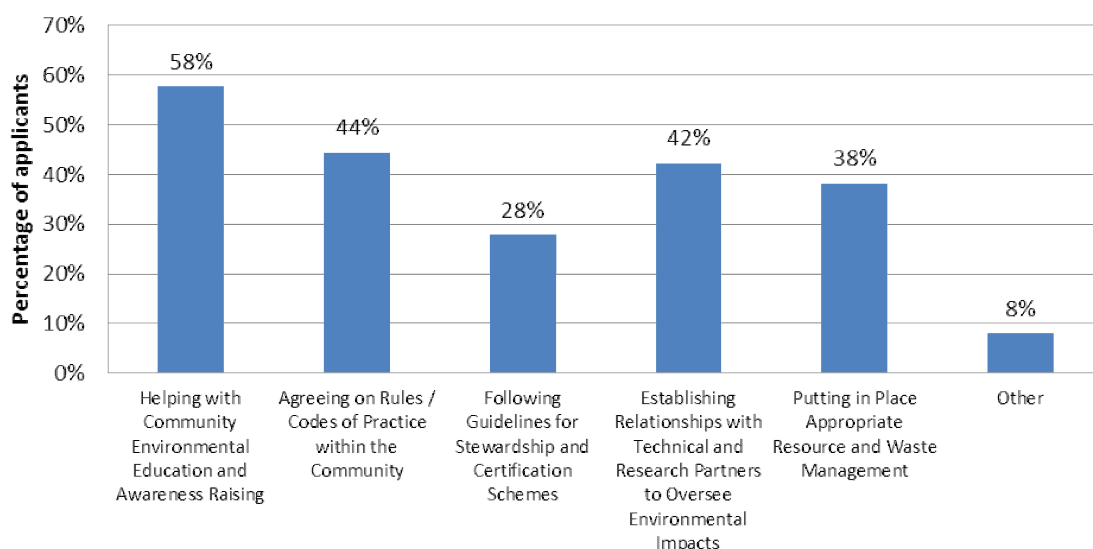
However, with Cohort 3, individual comments suggest that the role of international standards and certification is in fact becoming increasingly important:

- *Compliance with the terms of our charter on fair trade*
- *ISO standards*
- *Adhering to environmental recommendations via The World Fair Trade Organisation.*

With Cohort 3, relationships with technical and research partners also continue to be important:

- *Working closely with Conservation South Africa, to advise on any negative environmental practices*
- *Undertaking third party impact assessment studies*
- *Have already consulted with environmental affairs for their input into waste management*

Full Cohort: Methods used to ensure no negative environmental impacts from the enterprise



As with Cohort 2, several respondents noted the importance of following state regulations:

- *Compliance with the law*
- *Enforcing the legal requirement of environmental impact assessment*
- *We have already conducted an environmental Impact assessment and been given an Environmental Impact Assessment free certificate by the government*

This is a particularly interesting point when correlated to the fact no respondent indicated that environmental laws and regulations were absent, and that only 6% of respondents indicated that having environmental regulations in place was not relevant for their enterprise.

From Section 7.1: National and local enabling factors external to the enterprise

National and local enabling factors Answer Options	In place	Partially in place	Absent	Not relevant
National legislation/regulations for environmental protection	53%	24%	0%	6%

Also interesting are comments highlighting planning, monitoring and reporting as mechanisms for ensuring no negative environmental impacts would happen, such as:

- *Data is regularly collected ... and outcomes are measured against benchmarks*
- *The initiative also has its own monitoring and evaluation plan.*

Regional variations with respect to managing environmental impacts were not significant.

5.3 The introduction of technologies and processes new to the communities

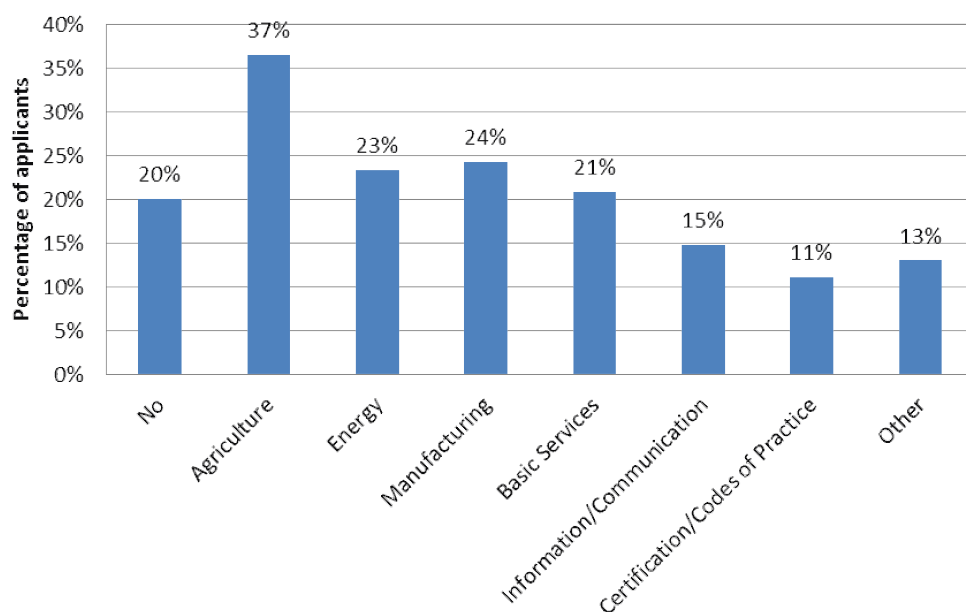
For those respondents who answered this question, 80% or more of Cohorts 2 and 3 have introduced some type of technology or process that is new to the community, compared to 34% in Cohort 1, reinforcing the trend that new technologies and processes are increasingly important to these micro and small enterprises. As with Cohort 2, there is a marginally greater percentage of African respondents who are not introducing a new technology or process compared to the rest of Cohort 3.

The Cohort 1 analysis on types of technology introduced was based on written comments. A list of options for Cohorts 2 and 3 was developed from those comments. As with Cohort 1, the introduction of agricultural technologies dominates.

The introduction of certification schemes and codes of practice continues to be an interesting data point. A low percentage (just over 10%) of respondents indicate here that they are introducing schemes and codes developed either by national and international bodies or on their own (cf the previous comment provided by one respondent: *Writing our own forest laws around ecosystem services*). And yet, on the previous question on managing environmental impacts, close to 30% of respondents note the importance of following certification schemes, and in addition, provide a significant amount of additional detail on the certification practices they are following; for example:

- *We have also received certification from the Kenya Bureau of standard and we managed to give our products standardize codes of practice for products differentiation.*
- *EcoTech is the only Social Carbon approved project developer in Sierra Leone. Our initiative is also one of the only, if not the only, project developer using standards such as ISO and Forest Stewardship Council (FSC)*

Full Cohort: Technologies introduced, by sector



- Whenever certain project is complete the organisation is given certification by the awarding body.
- As mentioned, fruit drying breeds new food products or ingredients. This means that new standards are required to satisfy quality requirements which are different from the normal fresh fruits. Dried fruits being different from fresh fruits demand specific codes of practice for ensuring quality and consumability and marketability. For Tanzania for example dried fruits confirm to a new standard TZS 1082:2008 whereas fresh fruits or other differently processed fruits conform to another standard.
- Organic farming; we intend to get certification for organic farming and our products will have these markings
- The products already being manufactured have passed certification process and given certificate of quality by the Kenya bureau of standards. The other products will go the same process before selling them in the market.
- Everpix and ACT codes and guidelines of operation focus on green technologies, organic and natural production processes.
- Wild Harvested certification with codes of practice.
- The cooperative is planning to get an organic certification, because we want to move into producing organic vegetables using no chemical to our vegetables. The vegetable atchaar we manufacture will therefore be organic. Training is required in this regard.
- [We work to a] high standard products, production and marketing, thus staff have been trained and sensitised on the related environmental matters, as well as on technical understanding of production and products, safety measures and promotion skills.
- All contact farmers field are ready given identification codes for organic agriculture purposes

This suggests that more attention may be warranted on the role of certification schemes and codes of practice in social and environmental enterprises. It may be that standards, codes and certification schemes are becoming sufficiently well known that the SMMEs responding to this question no longer consider that they are “introducing” these to the community; but clearly, from the responses provided, these codes are important and are being followed.



2011 SEED Winner Thrive South Africa

6. The economic dimension: additional business benefits

In the first survey, Cohort 1 respondents were asked to consider two aspects to the economic dimension of their enterprise: whether they were generating revenues and enhancing income for members of the communities in which they were working; and their own financial sustainability: were they themselves able to make a living from their enterprise?

The researchers noted some confusion among the respondents in Cohort 1: many considered the revenue generation aspects of their work to be a social benefit to the community, rather than an aspect of their business. For Cohorts 2 and 3, therefore, these questions were asked as part of the social dimension component of the survey instrument. However, we have incorporated their responses into the following analysis of the economic dimension of SMMEs.

6.1 Revenue generation for community participants

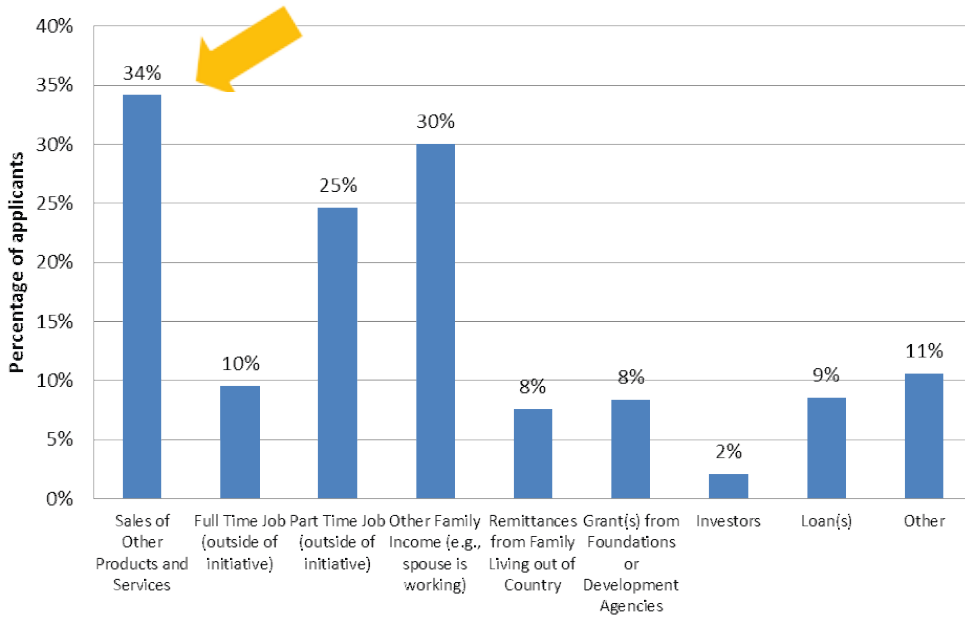
Respondents in both Cohorts 2 and 3 were asked whether their enterprise was providing a source of income for community participants, and if so, could they estimate how much? Over half of the respondents were able to answer this question with some understanding of their contribution to local economic development, although the majority of the descriptive statements were more aspirational than concrete:

- *By creating employment opportunities, most locals will have an income and hence improve their living standards*
- *The community stands to gain immensely from the knowledge, information and thought leadership and capacity building acquired by these trained youth.*
- *Augmentation des revenus femmes [Supplementing the income of women]*

Comparable to Cohort 2, over half of Cohort 3 made an effort to estimate the amount of income being generated to supplement the incomes of people in the community, with amounts ranging from as low as \$40 USD per person per year, to as much as \$30,000 USD per person per year. However, only 4% of Cohort 3 respondents say that they have created one or more full time jobs in the community.

We should note here that in this question, more than most other questions in the survey, there is some concern as to whether respondents were providing information on what they were actually achieving at the time of the survey, or what they hoped to achieve at some

Full Cohort: Sources of income for community members outside of the enterprise



point in future. Nevertheless, whether actual or aspirational, the data suggests that these SMMEs recognise that they are actively engaging in local economic development. But how to measure and verify their actual, concrete contribution to community economic development continues to be extremely problematic.

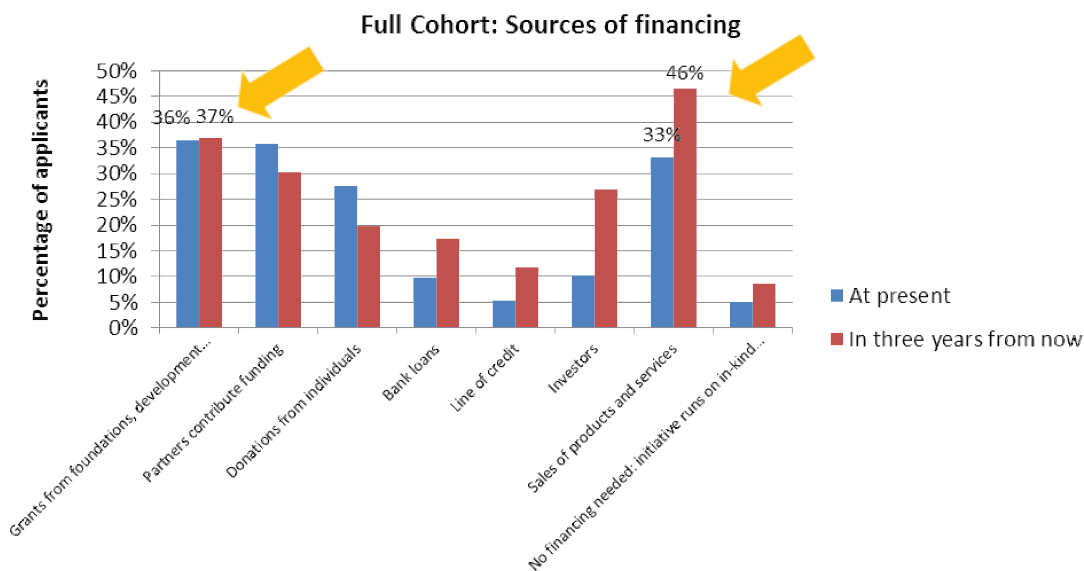
The top three sources of other income for community participants, in both Cohorts 2 and 3, are sales of other products and services, followed by other family income and part time jobs.

6.2 Financial sustainability of the enterprise itself

Unfortunately, nearly a third of respondents in Cohort 3 did not answer the series of questions related to financial sustainability, compared to only 13% of Cohort 2.

In Cohort 3, an additional question was posed to seek greater clarity on this challenge of financial sustainability. Respondents were asked how their enterprises are financed at present; and how those enterprises will be financed three years from now.

The top two sources of financing at present are grants from foundations and development assistance agencies, and support from partners, followed closely by revenues already being

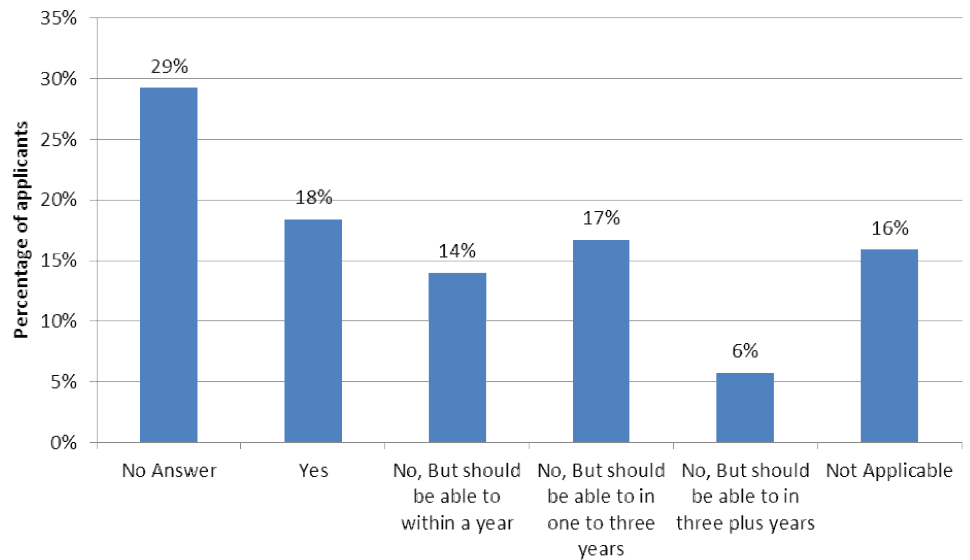


generated by the enterprise through sales of products and services. While a third will continue to rely on grants, it is encouraging to note that over the next three years, many expect to increase their revenues from sales, as well as obtain access to credit and to investors.

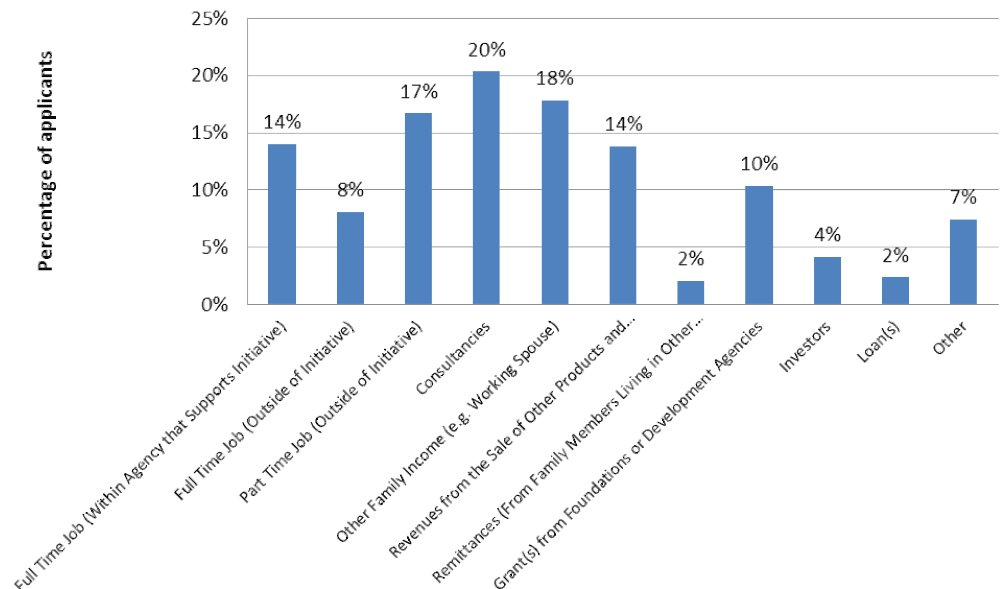
Positive signals from Cohort 2, that over half of the respondents are making a living now from their enterprises or should be able to within a year, cannot be confirmed in Cohort 3. Here, only a third of the respondents suggest this level of confidence in their financial sustainability. This suggests that many of the SMMEs lack skills in how to manage, monitor and report on the business aspects of their enterprises, particularly with respect to financial sustainability.

The most significant difference between Cohort 1 and Cohorts 2 and 3 is with respect to other sources of income for the enterprise. Grants fall in importance as a source of income, from its position as the number one source for Cohort 1, and in the top 3 for Cohort 2, down to number six in Cohort 3, for both the African respondents and for the rest of the Cohort. So, while a third may continue to include grants as a source of financing, the importance of grants and development assistance as part of the revenue mix appears to be diminishing.

Full Cohort: Ability of manager/coordinator to make a living from the enterprise



Full Cohort: Sources of income supporting the enterprise





2011 SEED Winner Why Honey South Africa

7. Enabling conditions and barriers

Applicants in Cohorts 2 and 3 were presented with two lists of factors. The first list presented a number of external factors -- those national and local factors outside of the enterprise's immediate control, but the presence (or absence) of which influences the likelihood of success. The second list presented a number of internal factors -- those management factors within the ability of the enterprise to address. The presence of these external and internal factors is considered important for enabling the success of a social / environmental enterprise. The identification of these factors is based on SEED case study research in 2007 and 2008, and supported through the data collected from the Cohort 1 survey. For both Cohorts 2 and 3, data on the presence of these factors was gathered using a Likert scale: is the factor present; partially in place; absent; or not applicable or relevant to the enterprise. The absence of a factor is considered a barrier; the partial presence of a factor suggests a partial barrier but also some progress towards a favourable enabling environment.

On average, 30% of Cohort 3 respondents did not answer this block of questions.

For those who did participate, for all factors, over 90% of respondents indicated that the factor was applicable or relevant, suggesting that these factors are all considered to be enabling, and their absence or only partial availability pose challenges to the enterprise. This is consistent with Cohort 2 responses.

Variations in responses from African enterprises compared to those from other regions were not significant and are not disaggregated below.

7.1 External factors

The Likert scale provided more nuance to one of the key findings from Cohort 1. Cohort 1 suggested that one of the most common barriers to success was the lack of technical skills in the community. A quarter of Cohort 2 respondents felt that knowledge and skills were at least partially in place; with over half saying the appropriate knowledge and skills were in fact available. It may be that removing the word "technical" from this question changed how the respondents were thinking about the capacities of the people they were working with on the ground. The investment that these enterprises are making in technical training as discussed in Section 4.2 speaks to the need for more attention to helping these SMMEs introduce new technologies and processes. So does the indication that they need research partners and technical experts to help them: a third of the respondents suggest that this is a relevant need but is only partially available.

Consistent with Cohort 2, the most common enabling factor is the collaboration with organisations that have good standing in the community, followed closely by the endorsement of local governments. This speaks to the importance for SMMEs of working in communities where there are other organisations that they can collaborate with, and building relationships with those organisations and with local authorities.

Political stability is also present for Cohort 3 respondents (although, just like Cohort 2 it is interesting to note that while about 40% of respondents suggest that there is stability, significantly fewer suggest that there is good governance).

One set of findings in Cohort 3 strongly reinforces a key message from the first year of the study: that the lack of skilled and knowledgeable people in the community is a very common barrier (the factor being either absent or only partially available), and that the barrier most often selected is the absence of funds for training people in the community.

Of particular significance with Cohort 3 is the emergence of the need for technical and research partners, more so than for Cohorts 1 or 2. For Cohort 3, the lack of access to these partners is considered to be the second most common barrier to progress.

The presence of national environmental legislation and regulations is one of the top four enabling factors, selected by nearly two thirds of respondents. But, the fourth most common barrier is the absence of local level environmental monitoring and enforcement: nearly a fifth of the respondents state that this factor is absent; with another quarter indicating it is only partially available. 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. This issue was even more evident for Cohort 2.

Full Cohort: National and local factors Answer options	% indicating available or in place	% indicating partially available or in place	% indicating absent	% indicating not applicable or not relevant
Endorsement/Involvement of local governments (village councils)	48%	16%	6%	2%
Collaboration with organisations that have good standing in the community	52%	14%	4%	1%
Involvement in local associations (e.g. farmers' associations)	41%	18%	7%	4%
Involvement of local schools and/or training facilities	35%	22%	9%	4%
Community members have appropriate knowledge and skills	19%	37%	13%	1%
Courses available for training people in the local community	29%	26%	12%	3%
Available funding for training community members	6%	19%	41%	3%
Involvement of research partners and technical experts	7%	19%	38%	5%
Recognition by community of the need for environmental protection/restoration	32%	27%	7%	3%
Local level environmental monitoring and enforcement mechanisms	20%	26%	19%	4%
Media interest	27%	25%	15%	2%
National organisation endorsement/involvement	24%	28%	14%	2%
International organisation endorsement/involvement	18%	22%	25%	4%
Government programmes available for community development	20%	29%	16%	4%
Government programmes available for small business development	19%	28%	17%	5%
Government regulations for business, including import/export regulations	31%	20%	9%	8%
National legislation/regulations for environmental protection	38%	21%	5%	4%
Political stability and security of the country	42%	21%	5%	2%
Good governance in the country	27%	31%	8%	3%

7.2 Internal factors

As with Cohorts 1 and 2, lack of financial resources continues to be a significant barrier to success for Cohort 3. Over ninety per cent report that they do not yet have financing or access to investors, aid, or lines of credit. With Cohort 3, lack of access to international aid or project funding returns as the top barrier. But, consistent with Cohort 2, lack of access to funds for business management training is also a common barrier to progress. While these many of these enterprises are non-profit NGOs, they very much want to develop more business-like approaches to their work. They are also looking to ways to secure loans/lines of credit, but indicate a lack of access as the third most significant barrier.

Full Cohort: Internal enterprise management factors Answer options	% indicating available or in place	% indicating partially available or in place	% indicating absent	% indicating not applicable or not relevant
Secure leadership	62%	7%	1%	1%
Support of key partners	42%	20%	5%	3%
Concept has been tested and validated by others	43%	18%	4%	3%
Access to needed technology	32%	25%	11%	2%
Business plan	43%	21%	3%	2%
Business management skills	40%	25%	3%	1%
Access to courses for business management training	28%	25%	11%	4%
Funding to support business management training	7%	19%	38%	5%
Financing	5%	26%	36%	2%
Access to investors	5%	19%	38%	5%
Access to international aid or project financing	7%	19%	40%	3%
Securing loans/lines of credit from financial institutions	5%	13%	38%	12%
Marketing strategies	26%	34%	7%	2%
Access to markets	30%	30%	6%	2%
Ability to meet market demand	28%	31%	7%	2%
Certification through a recognised certification scheme	19%	17%	24%	8%
Risk management plan	19%	25%	21%	3%
Short/long term community benefits identified	47%	20%	2%	1%
Ability to provide environmental education and/or awareness raising to the community	46%	18%	3%	2%



2011 SEED Winner KICK Kenya





2011 SEED Winner SEPALI Madagascar

8. Gender considerations in this study

In the second and third years of this study, particular attention was paid to gender considerations. A gender disaggregated analysis allows for gender disparities to be detected, resulting in more targeted conclusions and advice. Each of the questions in the survey was, therefore, filtered by gender to identify possible variations in responses, with potential gender implications.

8.1 Gender equity and women's leadership in SMMEs

In addition, in the third year of the study, all respondents were asked a series of specific questions on whether and how they might be addressing gender equity and women's leadership. Three quarters of the Cohort answered this block of questions, suggesting high levels of gender awareness among these SMMEs. Interestingly, it would appear that they are somewhat more likely to pay attention to gender considerations within the community than they are within their own enterprises.

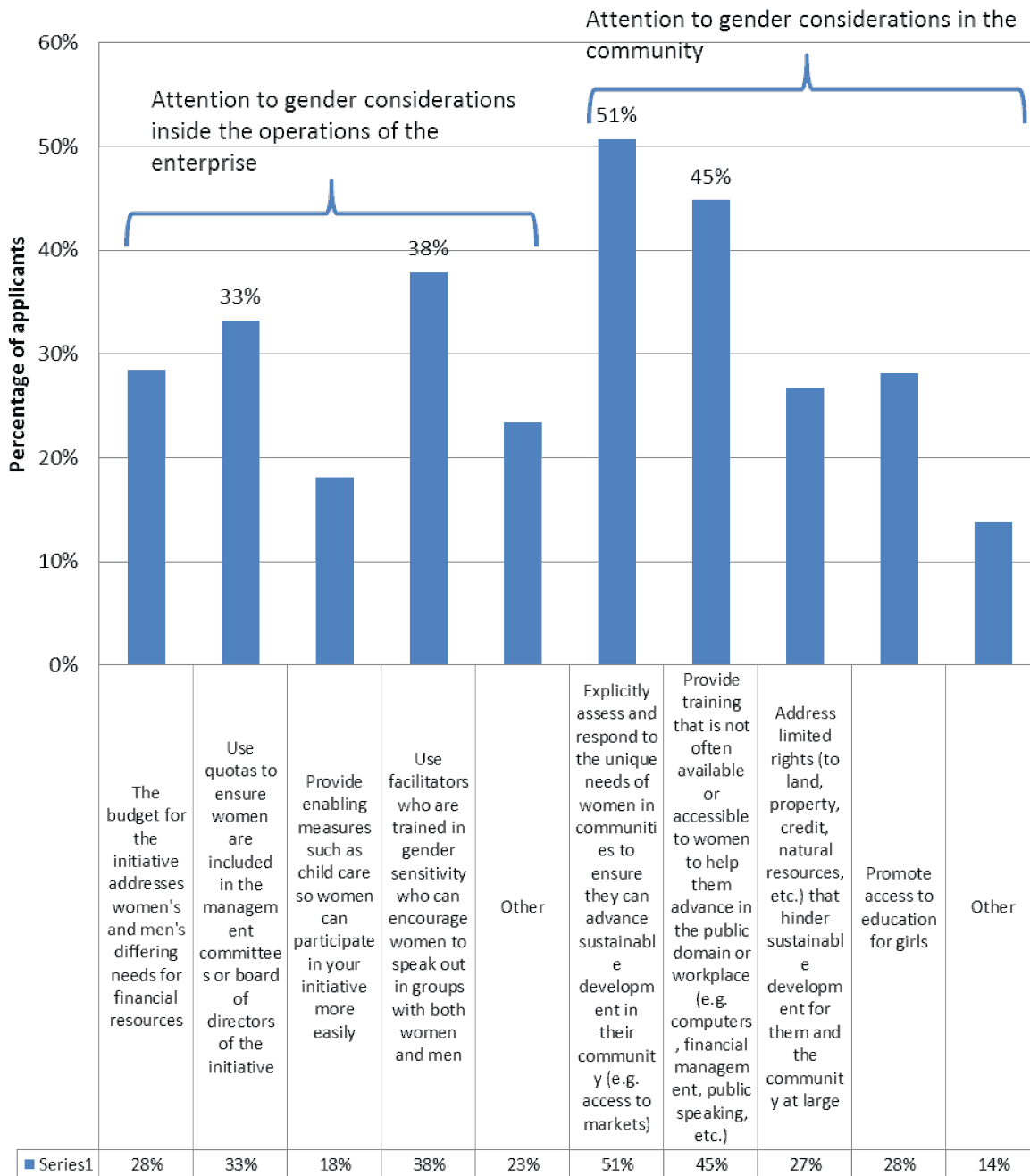
8.2 Variations in characteristics between women-led and men-led organisations

Nearly a quarter of the respondents did not answer this question, so while there may appear to be a fairly equal percentage of male and female respondents in Cohort 3, the high "no response" rate must be taken into consideration. SEED made additional efforts with the 2011 round to promote the award to women-led enterprises, but it is unclear (due to the high "no response" rate) whether those efforts led to a significant increase of women led enterprises in the data pool. In Cohort 2, two thirds of the respondents completing the survey were male, and only 25% were female (with only a 10% no response factor).

There were no notable variations with respect to the rural / urban focus of women and men-led enterprises; and only minor variations related to profit/not-for-profit status or type of organisation, most notably that approximately 5% more of the women-led organisations consider themselves to be non-profit and community based, compared to those led by men. All held the characteristic of being start-ups.

However, the researchers noted several variations in the areas of work and activities noted by the respondents. As with Cohort 2, a greater percentage of women-led enterprises selected training as a main activity and a slightly lower percentage selected agriculture (although these are still the top two areas of work regardless of gender). A more significant difference, perhaps, is in the emphasis on climate change management activities: for men, this is

Gender equity and women's leadership

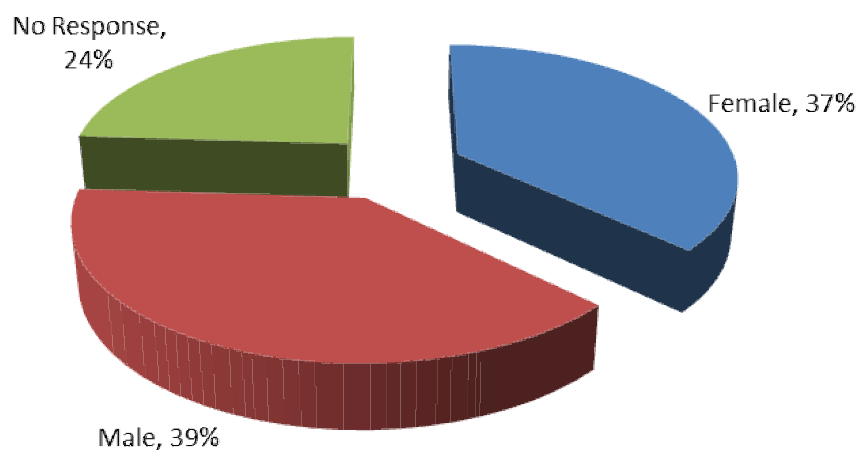


the third highest sector selected, but a noticeably lower percentage of women selected it (and a noticeably lower percentage also selected energy-related activities). However, climate change management activities do register as fourth (up from sixth for Cohort 2) in the list of areas of work for women-led enterprises.

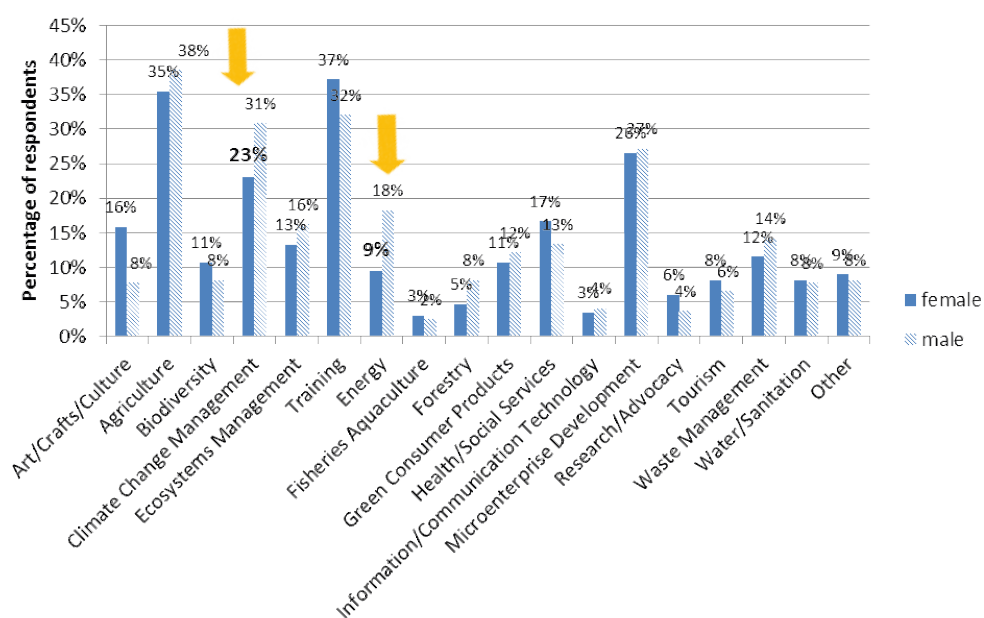
8.3 Progress towards social, environmental and business targets

The progression on targets presents a less clear pattern than was evident with Cohort 2, with both female and male respondents reporting much higher levels of accomplishment than Cohorts 1 or 2. As was noted in Section 3, no respondent indicates that they have achieved less than 10% of any of their targets. Further, between 20% and 28% indicate that they have already achieved at least 70% or more of their social and environmental targets, even though they consider themselves to be start up enterprises. Even their business performance is reported as more advanced than in previous Cohorts, although progress towards business tar-

Full Cohort: Gender of applicants



Main areas of work and activities, by gender

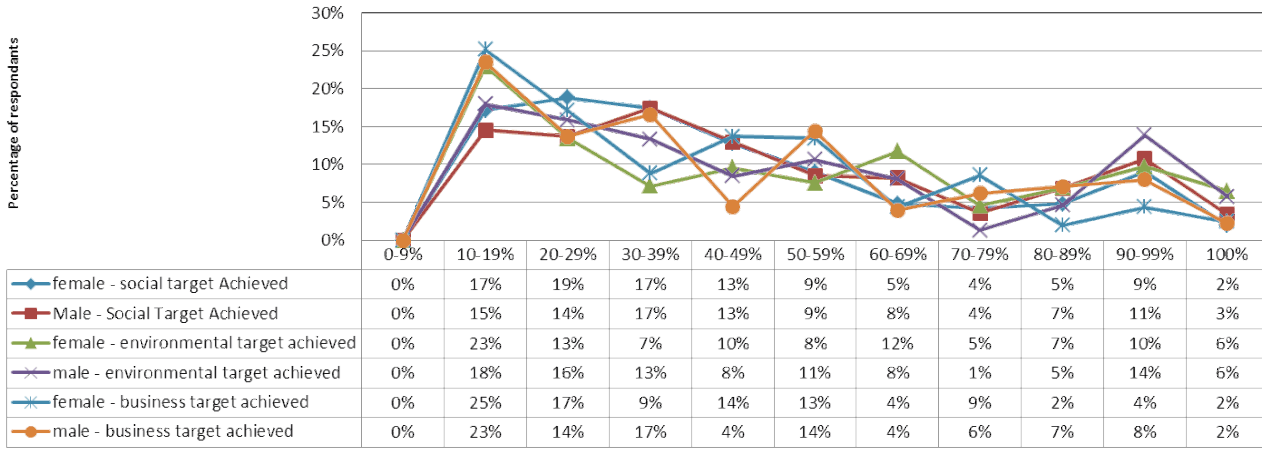


gets would appear to be somewhat slower than progress towards other targets. It must be remembered that this is self-reported data, without independent verification of the actual levels of progress

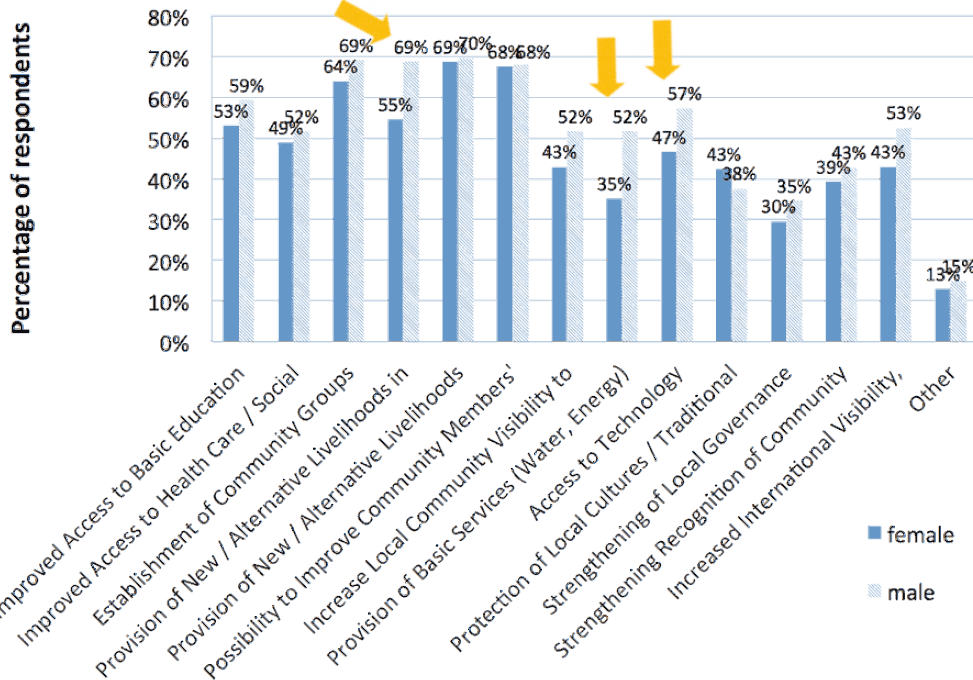
8.4 Additional social benefits

It is worth noting that over two thirds of Cohort 3 indicates that their work contributes to the provision of alternative livelihoods for women. This is virtually identical to Cohorts 1 and 2. There is little difference between men-led and women-led enterprises with respect to the importance of this benefit. The most notable difference lies in the provision of access to basic services (water, energy). Over half of the men-led enterprises selected this benefit, compared to just over a third of those led by women (this is identical to the findings in Cohort 2). Also comparable to Cohort 2, a higher percentage of men-led enterprises provide access to technology. In a reversal from the Cohort 2 findings, a slightly higher percentage of the women-led enterprises selected protection of local cultures and traditional knowledge, while more of the men noted the importance of securing international recognition for the community.

Percentage of Target Achieved for Social, Environmental and Business Targets, by gender



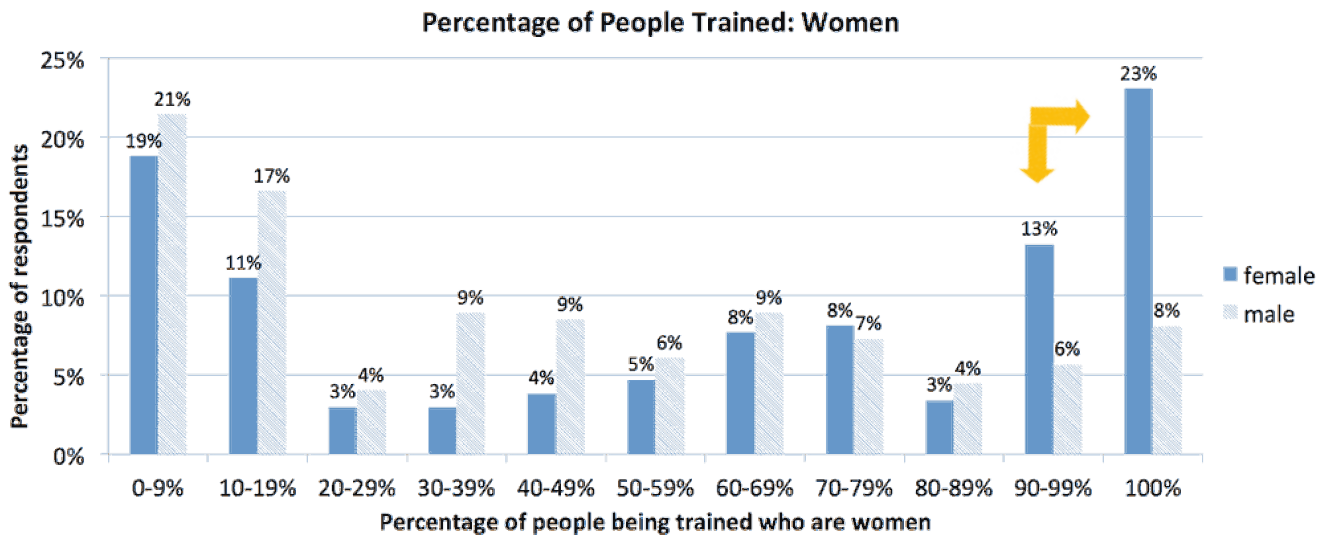
Additional Benefits to Local Community, by gender



8.5 Skills training

As noted earlier, 99% of respondents in Cohorts 2 and 3 are involved in some aspect of skills development and training, and this is true whether the enterprises are led by women or men. There is only one notable variation in the types of training being provided, namely technology training, with a somewhat greater percentage of men-led enterprises involved in technology training, compared to women-led enterprises.

There are no significant variations in the overall numbers of people being trained in the communities. As noted earlier in Section 4.2, Cohorts 2 and 3 in general do not appear to be training quite as many women as Cohort 1: 40% of the enterprises have more women than men benefitting from their training (close to 50% of Cohort 1 had as many or more women than men in their training activities). But there is a significant gender variation that was noted for Cohort 2 and is even stronger with Cohort 3. For Cohort 2, nearly a quarter of the women-led enterprises are focused primarily on training women (90% or more of the people benefitting from training are women), compared to only 6% of the men-led enterprises. For Cohort 3, over a third of the women-led enterprises are focused primarily on training women, compared to 14% of the men.

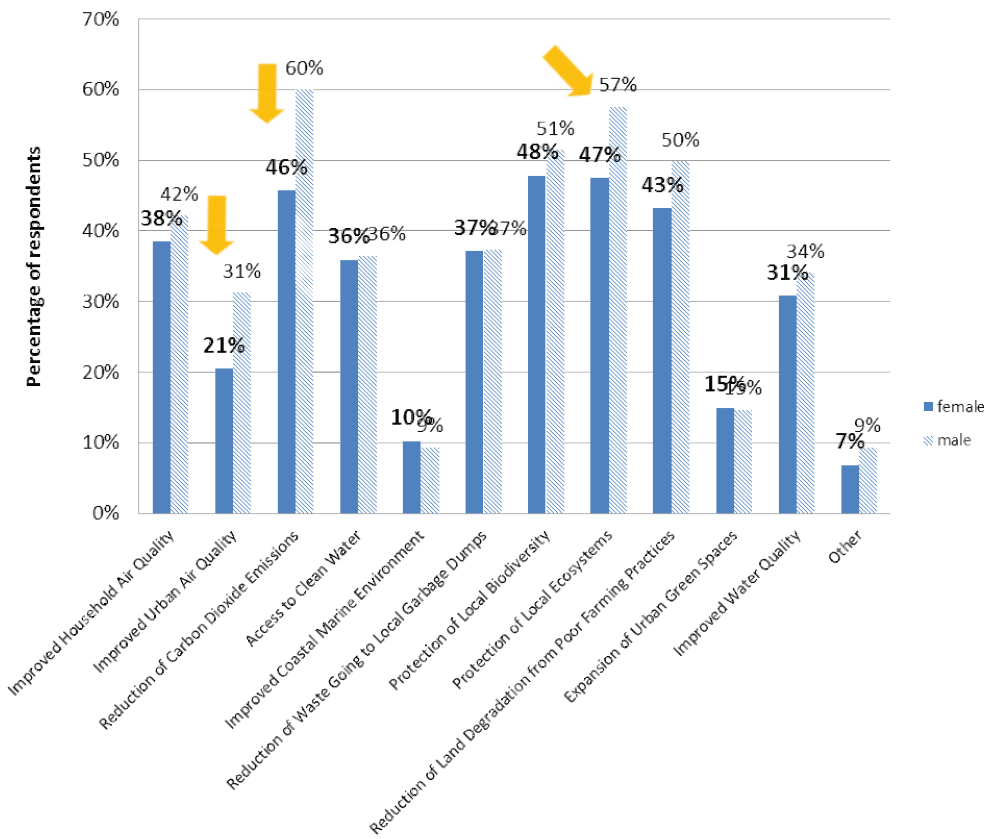


8.6 Expected environmental benefits

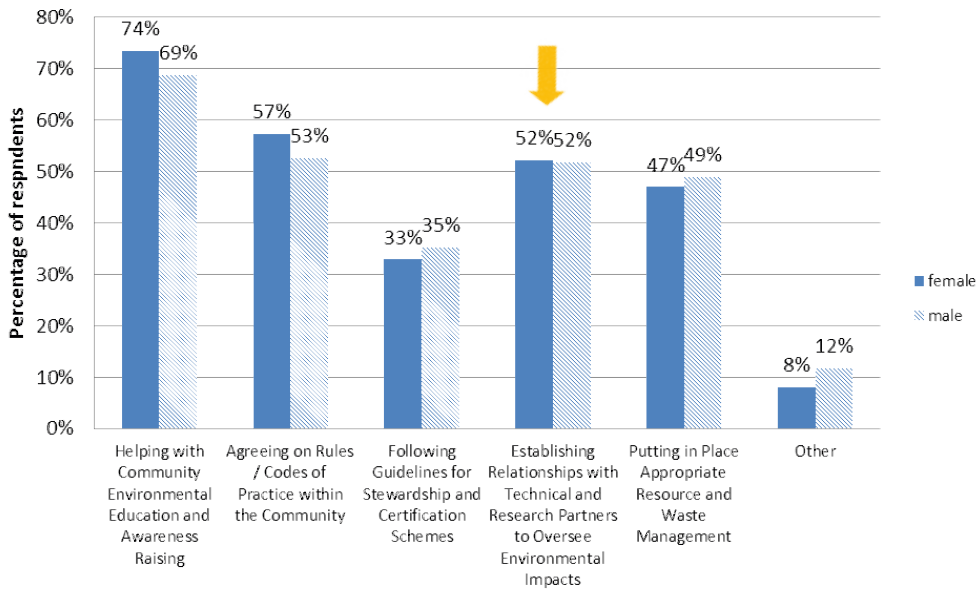
The top four environmental benefits being achieved remain the same, regardless of gender, although the ranking of importance varies slightly. There are significant variations, however, for three benefits: a considerably higher percentage of the men-led enterprises report that they are helping communities with CO₂ reductions (60% compared to 46%), with the protection of local ecosystems (57% compared to 47%), and with indoor air quality (31% compared to 21%). These differences were noticed with Cohort 2, but the variation is even more striking for Cohort 3.

The researchers observed with Cohort 2 that a significantly greater percentage of men-led enterprises rely on external expertise – research and technical partners – to help them en-

Expected environmental benefits from the enterprise, by gender



Method to Ensure No Negative Environmental Impacts from Enterprise, by gender

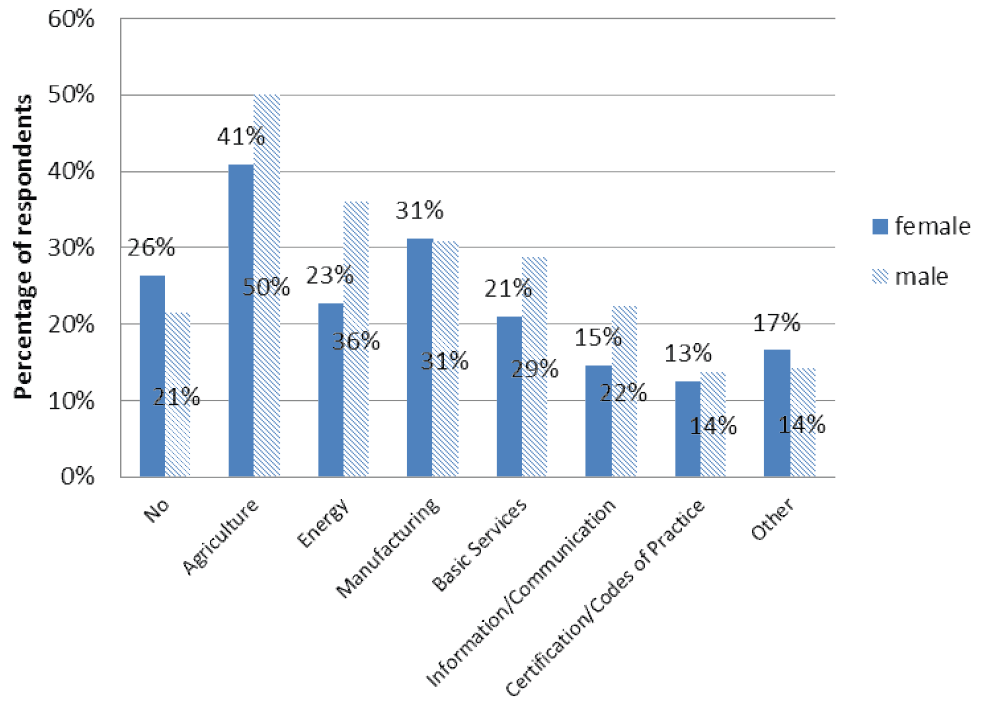


sure that there are no negative impacts. This does not appear to be the case with Cohort 3, in which relationships with technical and research partners are equally important for women-led and men-led enterprises.

8.7 Women-led enterprises and technology

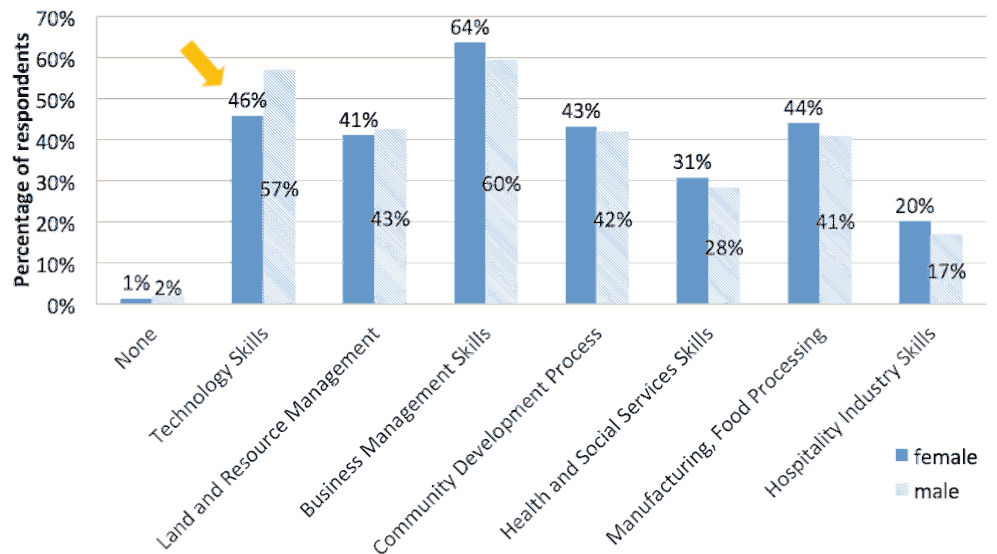
Although nearly half of the women and over half of the men-led enterprises are providing access to technology as a social benefit for their communities, there are some signals in the data worth noting. Over a quarter of the women-led enterprises are not involved in the introduction of new technologies and processes. Although this is only marginally higher than

Technologies introduced, by gender



men-led enterprises (21% of which are not involved in introducing technology), it is worth noting that there may be gender-specific barriers to introducing technologies. Further, a lower percentage of women-led enterprises provide technology skills development compared to men. This finding is consistent with the previous Cohort. If the introduction of new tech-

Skills Training/Development Provided as a Part of the Initiative

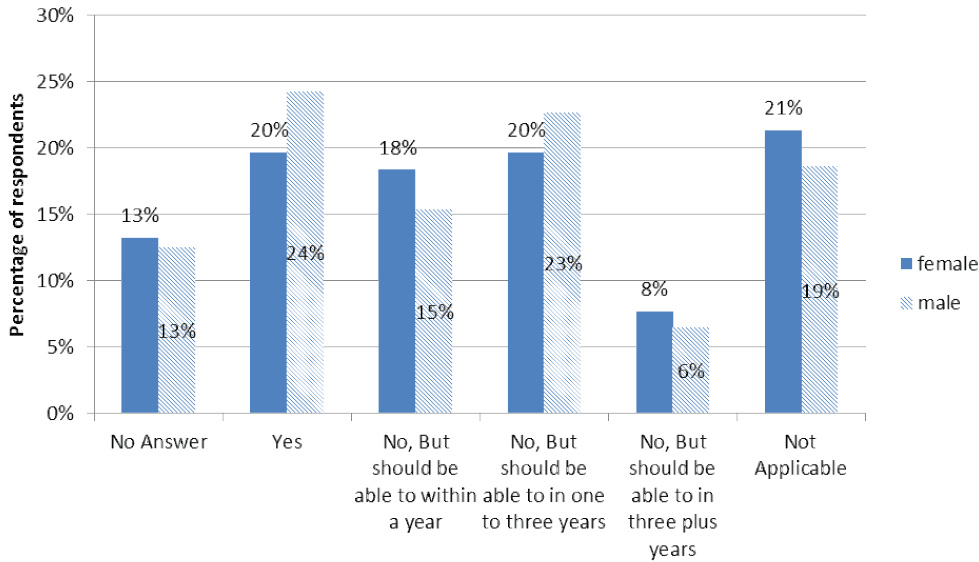


nologies and processes is considered to be an enabling factor for small and micro sustainable development enterprises to achieve their goals, then potential gender biases towards access to and deployment of technologies warrants further research.

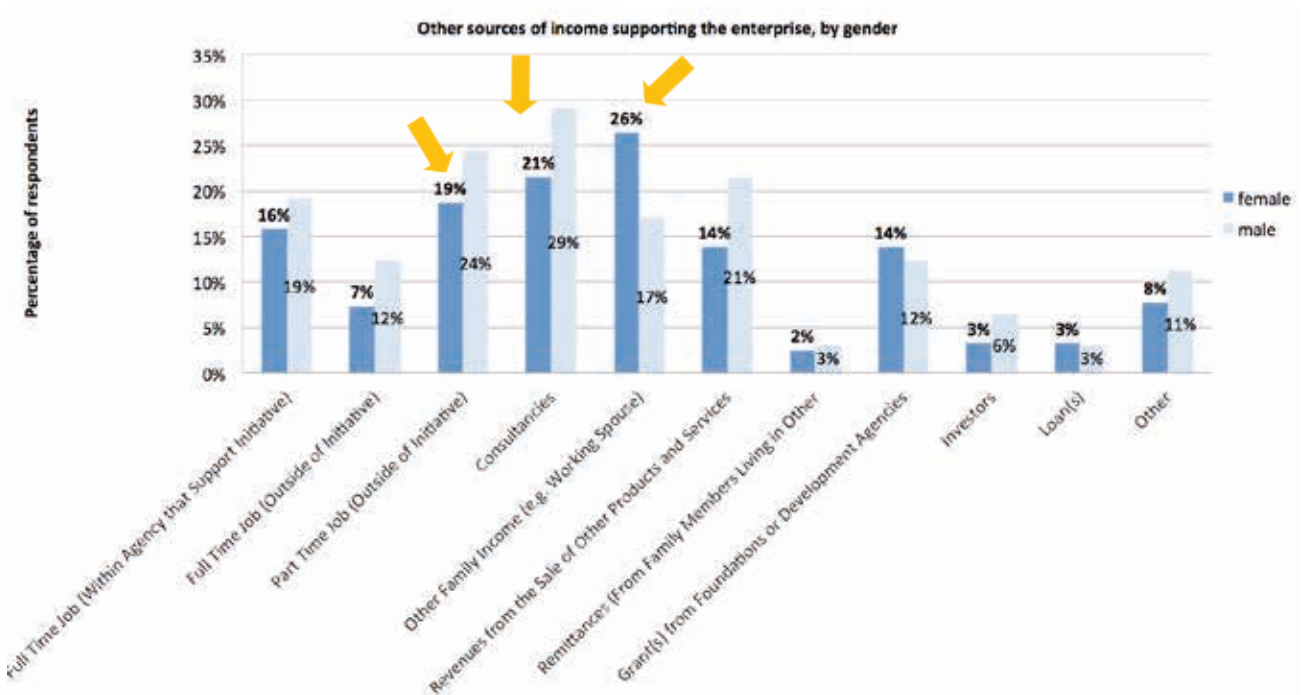
8.8 The economic dimension: other business benefits

With respect to the sustainability of the enterprise itself, while some significant differences were noted with Cohort 2, the differences are less evident with Cohort 3. In particular, in Cohort 2, the women were clearly more conservative in their estimates of when they anti-

Ability of manager/coordinator to make a living from the enterprise, by gender



ated being able to make living from the enterprise. With Cohort 3, about the same percentage of women-led enterprises as men reported that they would be able to make a living from their enterprise either immediately or within a year.

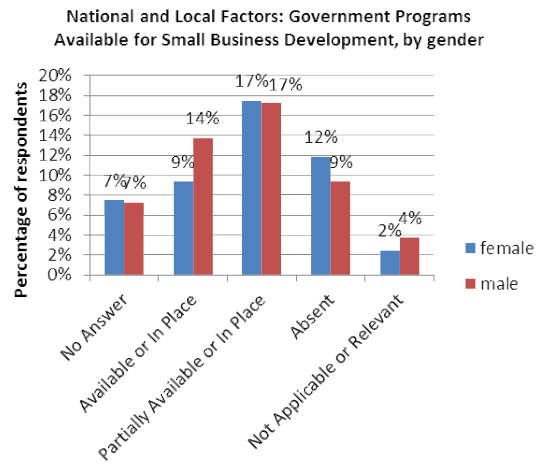
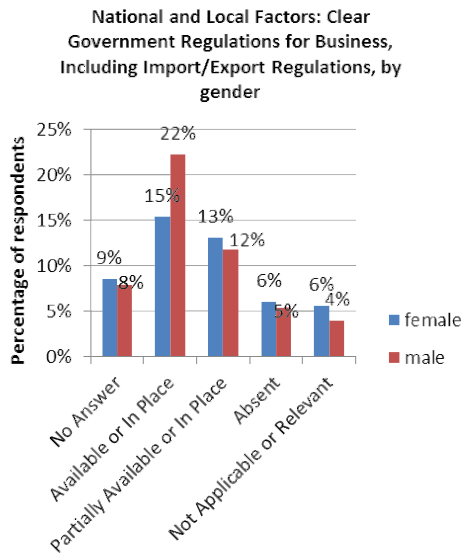


The only notable variations between women and men in Cohort 3 are with respect to alternative sources of income. The women-led enterprises rely less on consultancies or on the sale of other products and services than the men-led enterprises. They are somewhat more likely to rely on other family income, such as a working spouse.

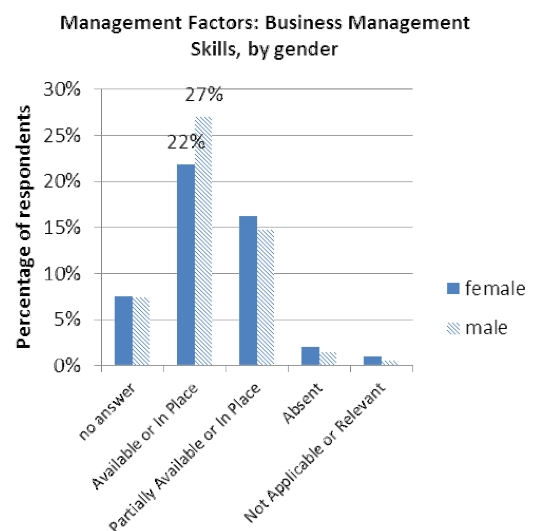
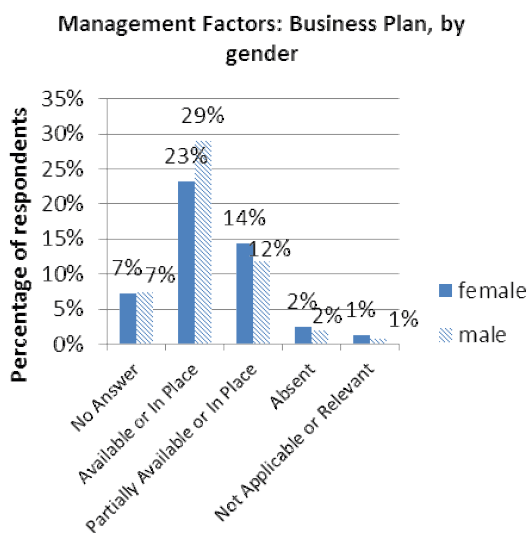
8.9 Barriers and enabling factors

For the most part, there were few notable differences in perception between women and men with respect to enabling conditions and barriers to success for their enterprises. Those that do exist relate primarily to the business aspects of the enterprises.

Within the range of external factors reported on, fewer women-led enterprises consider that clear business regulations are in place or that government programmes are available for small business development.



Within the range of internal management factors reported on, women-led enterprises appear slightly less confident than the men that they have some of the building blocks in place for their enterprises, such as having the necessary business skills and business plans, marketing strategies and access to markets.





2011 SEED Winner SEPALI Madagascar





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9. Focus on South Africa

“The key to alleviating poverty is often not the creation of jobs but rather the encouragement of self-employment for all individuals.” Muhammad Yunus, founder of Grameen bank

This section has been prepared by the Independent Development Trust

SEED South Africa is the first national chapter of the SEED programme. In order to support this new programme, the data has been filtered to focus on the characteristics, performance and concerns of the South African social and environmental enterprises. The response group is small (N=55, or 9% of the total Cohort), but there are interesting variations in the South Africa group worth noting in the study.

9.1 Background on SMMEs in South Africa

The concept of small, medium and micro enterprise (SMME) was created and implemented by the South African government in an attempt to improve the economy of South Africa, reducing the unemployment rate and eliminating poverty (Bruwer, 2010). With the rate of unemployment in South Africa, the government has given increasing attention to the creation of jobs, as well as to the generation of sustainable and equitable growth. SMMEs represent an important vehicle to address the challenges of job creation, economic growth and equity in South Africa.

It is generally accepted worldwide that the development and growth of SMMEs can play an important role in turning round the situation of high levels of unemployment in an economy. This is largely because entrepreneurs and small business development bring an element of innovation and new venture creation; this in turn creates new industries that have the ability to create employment.

According to the National Small Business Act 102 of 1996, SMMEs are defined as separate and distinct business entities in any sector of the economy managed by one owner or more.

Table 1: Categorisation of SMMEs

Category	Generic Description
Micro	Mainly informal, untaxed and unregistered businesses. Less than 5 employees; turnover is below the VAT registration level of R300 000 per year.
Small	Employ between 5 and 50 employees, more established, formal, registered with fixed business premises.
Medium	Employ a maximum of 200 employees and operates from fixed premises with all formal requirements.

These include cooperative enterprises and non-governmental organisations. An enterprise is micro, very small, small or medium-sized depending on the number of full time paid employees, the total annual turnover, and the total gross asset value.

9.2 The role of SMMEs in the economy

According to SMME development strategy the case for employment creation and wealth distribution through small business is based on sound economic sense. Small businesses have been identified as labour-intensive, have the need for little capital and make use of the local resources available by channelling these resources to the small business sector, particularly in a growing and developing economy like South Africa's. Through SMMEs employment opportunities can be maximized and people are given the opportunity to contribute to the development of the economy.

Overall it is clear that the SMME sector plays and could play an even more significant role in terms of contribution to employment and gross domestic product (GDP), encouraging wealth distribution and improving the quality of life for all sectors of the national, provincial, district and local populations (Muteza, 2005). However the assessment of the contribution of SMMEs to GDP could be problematic, since the GDP typically records only formal activities, while many SMMEs are active in the informal sector (Berry et.al, 2002). Therefore the relevant government institutions must address this issue as such SMMEs are playing a critical role that can benefit the country's GDP.

9.3 Key challenges facing SMMEs in South Africa

Most of the SMMEs are faced with many challenges that affect the sustainability of their businesses. Some of the key challenges:

- Most of these SMMEs are owned by people from previously disadvantaged backgrounds with very low levels of skill and experience in running businesses; they are not aware of economic opportunities that are available to them within their area and therefore are not able to align their activities with such opportunities.
- Access to markets
- Access to advice and information
- Lack of financial support (Mutezo, 2005)
- Access to appropriate resources and technology (Thomola et al,2010) and
- Access to suitable business premises.

Mostly the nature and influence of these challenges differ according to size and economic profile of an enterprise, sector and the regional profile of the area within which the enterprise operates. For instance, inadequate finance and limited appropriate skills tend to be the major barrier to survivalist and micro-enterprises. For medium-sized enterprises, the rigours of international competition and technology transfer are significant growth obstacles (DTI, 2004)

9.4 Supporting networks for SMMEs in South Africa

Since the introduction of the 1995 White Paper on Small Business Promotion by the government of the Republic of South Africa the country has seen an emergence of a range of programmes geared at promoting SMME development. Some of them were sponsored by the private sector but most of them were government driven. The 1996 National Small Business Act established two very important institutions in the life of small business in this country, i.e. Ntsika Enterprise Promotion Agency (NEPA) and the National Small Business Council (NSBC). Alongside these two institutions, the DTI also established Khula Enterprise Finance and the Manufacturing Advisory Centres which are coordinated and monitored by the national NAMAC (Berry, et al 2002). These institutions formed the backbone of all small business promotion activities in South Africa from the late 1990s to around the year 2004. From

Table 2: South African networks and their roles in supporting the SMMEs

Supporting networks	Roles
Industrial Development Cooperation (IDC)	Non-governmental organisations include the Small Enterprise Foundation, which has a microcredit programme aimed at micro-enterprises, and the Tshomisano credit programme, targeting women.
Ntsika Enterprise Promotion Agency (NEPA)	Ntsika provides non-financial support services to the SMME sector, tackling issues like management development, marketing and business development services. The agency also helps with research and inter-business linkages.
Khula	Khula offers financial support mechanisms to the sector. The financial products include loans, the national credit guarantee system, grants and institutional capacity building. Khula has also launched its own micro-lending scheme, KhulaStart, an entry-level programme that provides loans to first-time borrowers in the survivalist sub-component of the SMME sector.
National co-ordinating office for manufacturing Advisory Centre (NAMAC)	NAMAC is an SMME support agency within the DTI. It is widely recognised as one of the most successful SMME development and support agencies in South Africa. NAMAC has developed an extensive delivery structure across South Africa that serves as a channel for the application of new tools, information, products and projects, thus enabling the effective delivery of solutions aimed at SMMEs. The emphasis is on Historically Disadvantaged Individuals' (HDI) businesses.

Source: South Africa Business Guidebook, 2002-2003 and Towards a Ten Year Review, <http://www.southafrica.info/business/trends/newbusiness/smallbusiness.htm#ixzz1otffn72u>

2005, the government established the Small Enterprise Development Agency (SEDA) as the lead agent that supports the development of SMMEs in the country. To date, the SEDA exists in provinces in partnership with the Provincial Departments of Economic Development.

9.5 The SEED research

The SMME sector is clearly a priority for the development of the South African economy, and policies and legislative frameworks have been put in place to enable the growth of SMMEs. However, less information is available on those social and environmental enterprises which may or may not be for profit entities but are using business and entrepreneurship operating models to create change at the grassroots. Are their challenges similar to mainstream SMMEs?

The following is an analysis of the South African social and environmental enterprises which applied to the SEED programme. This data can serve as a “convenience” sample that, while not statistically representative of all social and environmental enterprises in South Africa, nevertheless can provide useful insights into their characteristics, contributions, enabling factors and challenges.

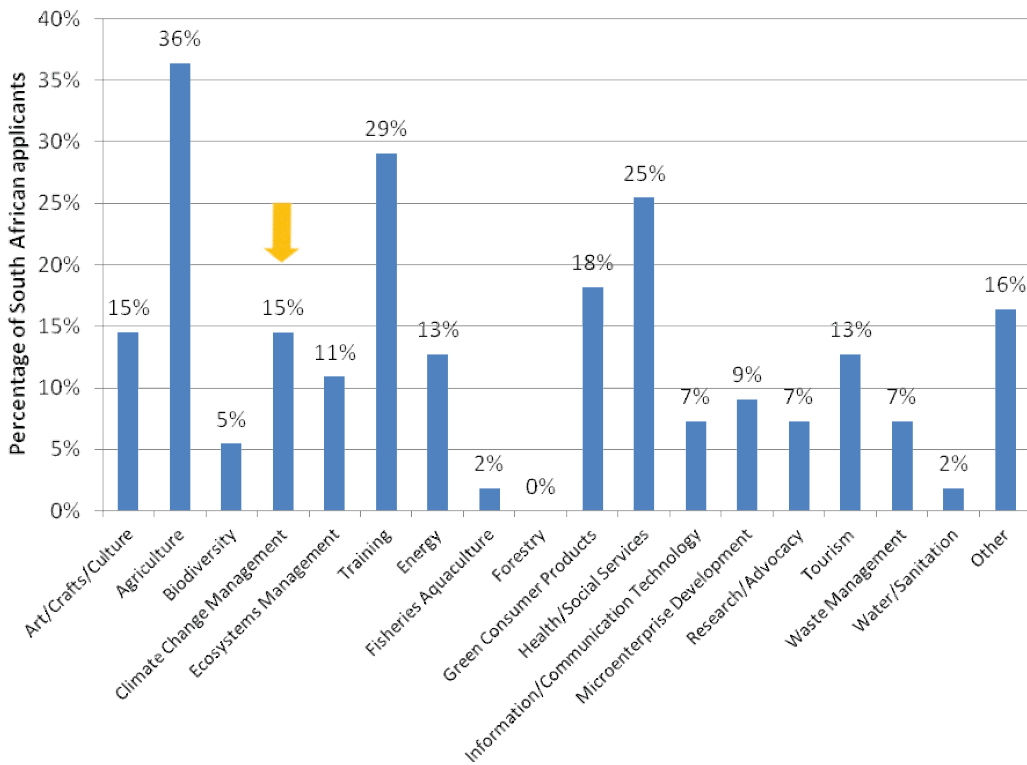
9.6 Characteristics of South African applicants

The majority of the poorest in developing countries reside in rural areas and depend heavily on agriculture as a means of livelihood (UNDP, 2010). South Africa is a developing country and mainly relies on agriculture activities within the rural areas, so it is no surprise that agriculture is the dominant sector in which these enterprises work. Comparable to the full Cohort, nearly a third are also involved in training as the second most common area of work. What differentiates the South African group from the rest of the Cohort is the high percentage of enterprises involved in health and social services –this was the third most frequently selected area of work, involving a full 25% of respondents. Consistent with the South Africans in Year 2 of the study, climate change drops to fifth place in the list of areas of work represented, in contrast to its higher ranking of importance to the full Cohort.

Half of the South African respondents work in both urban and rural areas, with the balance working primarily in rural areas. The higher emphasis on urban work noted in Year 2 of the study is not reflected in the South African enterprises in Cohort 3. For the most part, though, the characteristics of the South African group are consistent with the South Africans in Year

2, and with the full Cohort: these enterprises are start-ups, consider themselves NGOs or CBOs, but with nearly two thirds also stipulating that their enterprises are “for profit” or a range of hybrid entities. Only a third maintain that they are entirely “not for profit.”

South Africa: Main areas of work



9.7 Performance on targets

There are no significant variations from the full Cohort with respect to their progress towards social, environmental and business targets. However, there are a number of data points worth exploring with respect to the benefits and outcomes they secure in their communities.

9.8 Social benefits

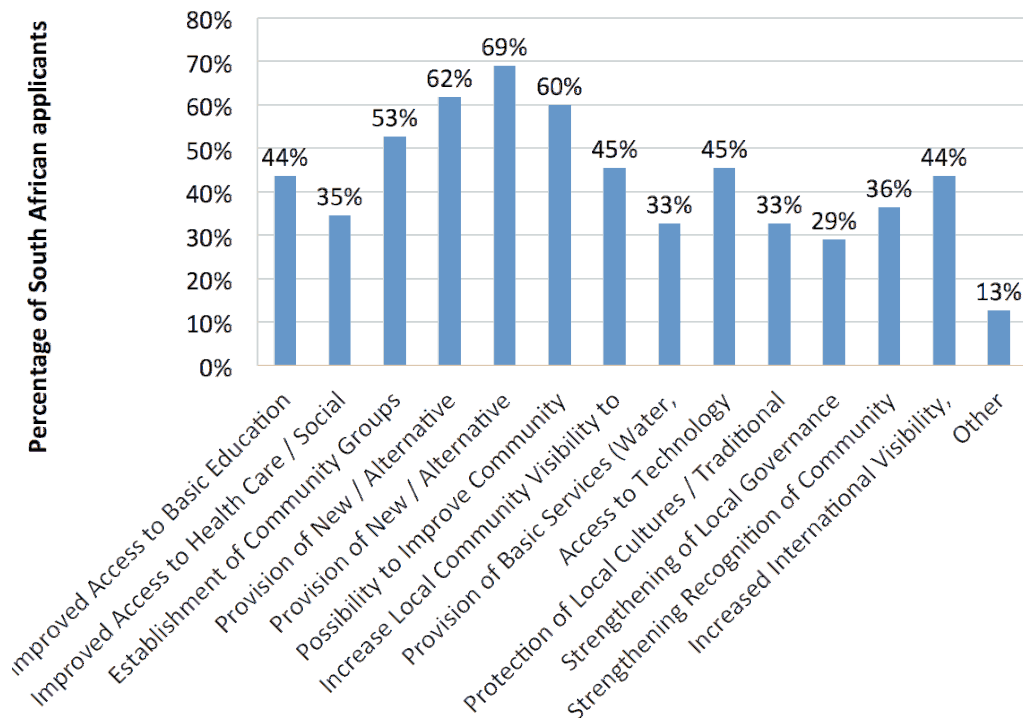
The emphasis on the delivery of livelihoods in general, and to women in particular, is comparable to the full Cohort. The transfer of skills to local people is very crucial in encouraging local ownership. All are providing some type of skills training; as with the whole group, business training is the top type of training being offered. A higher percentage of this South Africa group is working to build up health and social services skills and hospitality industry skills, with less emphasis on technical skills training (less than a third of the South Africans compared to nearly half of the full Cohort).

With respect to the actual numbers of people being trained: like the group as whole, a quarter of the South African respondents are training 100 or more people in their communities. What is unusual with this group of South African enterprises is that nearly a quarter are focused almost entirely on training youth, compared to less than 10% of the full Cohort.

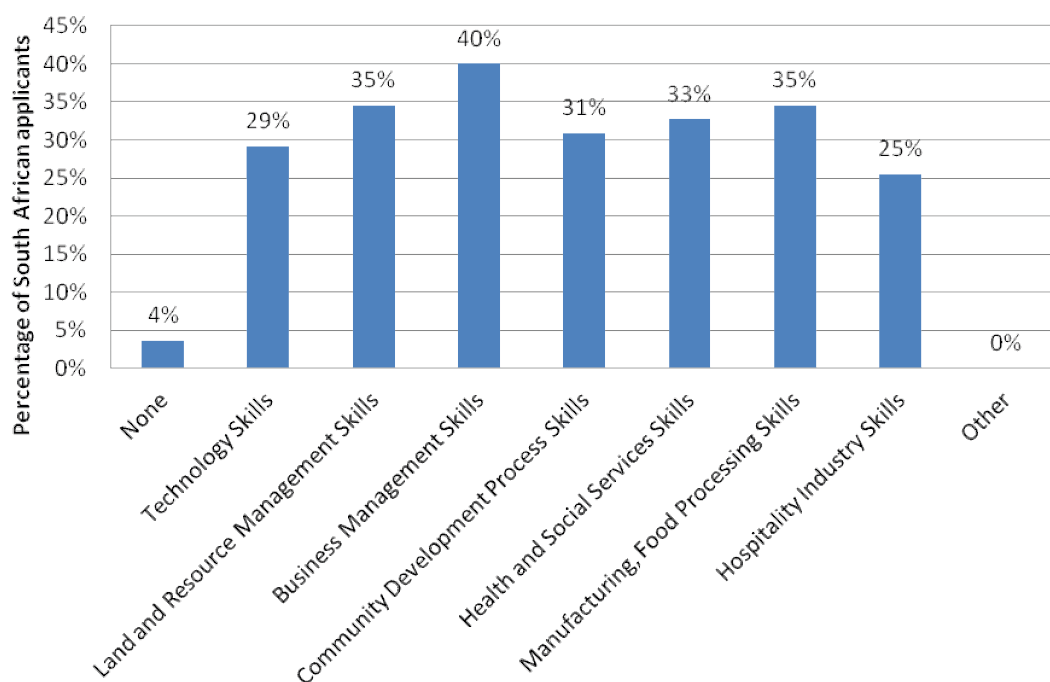
9.9 Expected environmental benefits

Interesting variations on environmental benefits being delivered include:

South Africa: Additional Benefits to Local Community

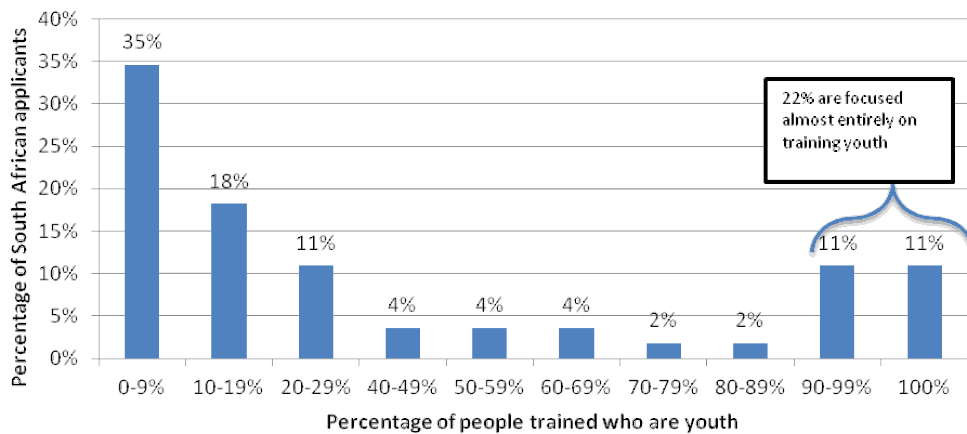


South Africa: Skills Training/Development Provided as a Part of the Initiative



- A higher percentage of the South Africans in Cohort 3 are focused on reduction of waste going to landfills compared to the full Cohort
- Improvement of household air quality is a high priority (consistent with the rest of the African enterprises in the survey but higher than the full Cohort)
- Reduction of CO₂ emissions is a lower priority when compared to both the full Cohort and to the rest of the African enterprises in the survey (corresponding to the lower percentage of the South African group working on climate change management, as noted in Section 9.6)

South Africa: Percentage of People Trained: Youth



Like the group as a whole, the South African respondents ensure that negative environmental impacts are managed through public awareness-raising, with a comparable emphasis on seeking community agreements on rules and codes of practice. Relationships with technical and research partners are also important.

However, consistent with the South African enterprises in Year 2, this group is less involved in the introduction of technology: close to 30% are NOT introducing new technologies. For those that are, the focus is on energy technologies more so than on agriculture, unlike the previous year or the full Cohort 3. Many respondents provided additional detail on the types of energy technologies they are working with, many of which intersect with agricultural practices:

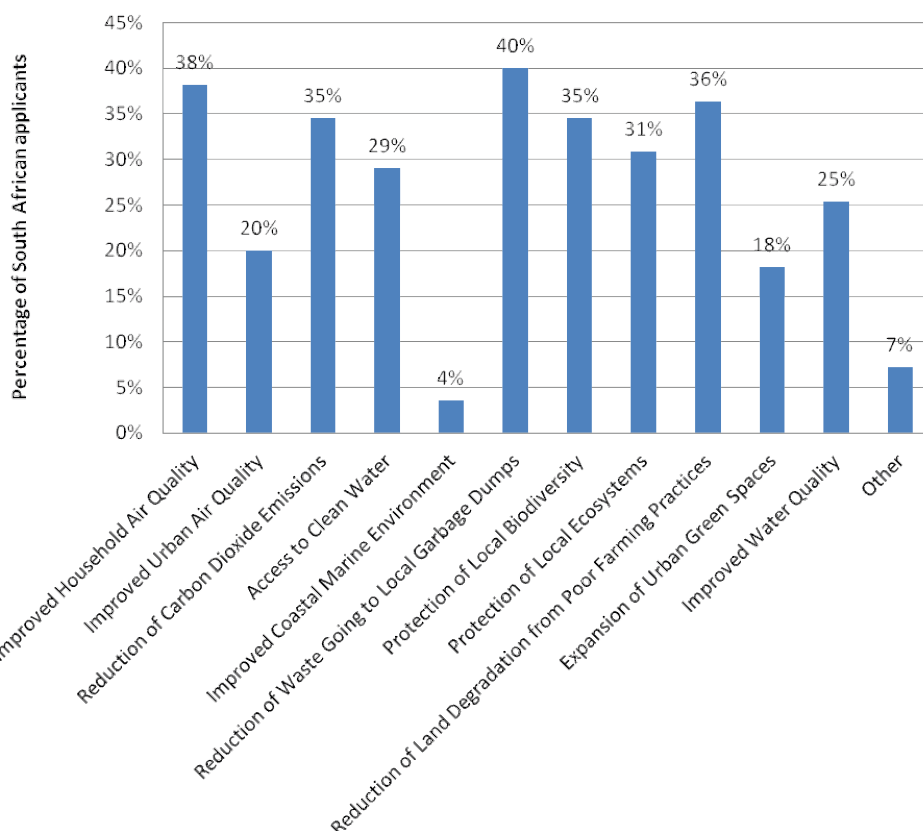
- ▶ *The plan is to use solar power where ever possible during the extraction and processing of the honey*
- ▶ *Within the intervention we focus on sustainable resource use, and will whenever possible include simple technologies which allow for reduced energy requirements. Also, by improving insulation within buildings through roof greening we will indirectly reduce heat and cooling requirements and create a more sustainable urban system*
- ▶ *Battery operated vehicles recharged with solar energy.*
- ▶ *Use of energy efficient appliances and fittings e.g. washing machine and dishwasher (A rated), gas hob, LED light bulbs, SMART metering, solar hot water heating, solar photovoltaic cells, energy efficient design e.g. shading, orientation, as well as proven renewable energy supply for whole house electricity needs using TRECs (Tradable Renewable Energy Certificates), which proves that electricity purchased comes from renewable sources, so stimulating demand and increasing the need for further new renewable energy sources.*
- ▶ *This biodiesel is totally environmentally friendly. It is made from recycled cooking oil which means less waste of this prolific polluting substance. Further, vehicles using biodiesel release much smaller quantities of greenhouse gases into the atmosphere.*
- ▶ *Community business hubs will include demonstration units for household energy and will be powered using green technology. The invention of new technology per se is not the purpose. Existing technology will be adopted and tailored to the particular community environment.*
- ▶ *Encourages the use of sustainable energy, install the solar pumps and windmills for pumping water.*
- ▶ *Products we promote all relate to sustainability and use biomass, direct solar cookers, pv solar, solar water heaters and insulation. We are also investigating the installation of a biogas digester at a recycling site with which we partner, nearby, together with a private biogas company and a research group at University of Witwatersrand.*

- ▶ *Biogas technology is a new way to produce energy and fertiliser in the rural context. The initiative will enable rural villages and farms to produce electricity and cooking gas independently from the power grid.*
- ▶ *Cassava may be processed into biogel to replace paraffin, bioethanol is obtained from Cassava as a renewable energy to mitigate global warming. The crop also contributes to greening of the environment thus minimizes pollution in our environment. It is another energy source for livestock thus might intercept the depletion of aquatic products as the leaves and parts of Manihot esculenta is rich in protein. Though the crop is used as food for all age groups of mankind, the crop serves as windbreak*

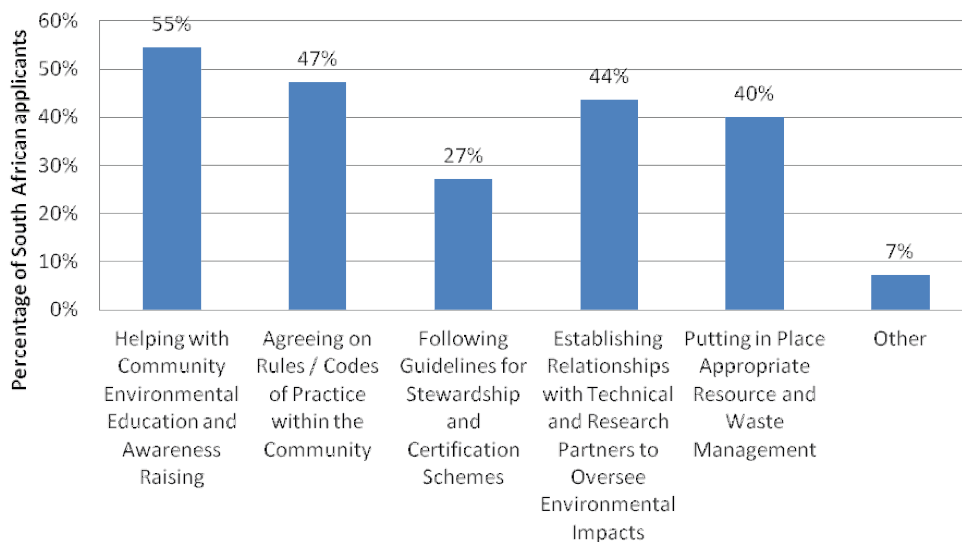
While the introduction of information and communications technologies remains at about 20% of the South African group, the emerging innovation is worth noting, as these types of tools become more critical to rural development:

- ▶ *The technology enables beekeepers to use their own smartphone as a computing, communication, traceability, management, educational, mentorship, extension-service, farming and info-collecting tool. Their cell phones link them to their market, to the value chain, to the consumers who enable them to transform their lives. Through this technology, they are able to connect to the rest of the world and be part of the Global Village.*
- ▶ *We are investigating the use of microchips in the hives together with GPS technology to ensure accurate data regarding the source of each jar of honey.*
- ▶ *We assist our clients to use social media to make contact with their clients and market their businesses. We also encourage E-Marketing as a tool to keep suppliers, customers and partners aware about what's happening in the business.*
- ▶ *With the meeting of basic needs, it has been observed that the savings are commonly contributing to the affordability of cellular telephony. This technology is extremely useful in keeping project members connected and in the distribution of information among them.*

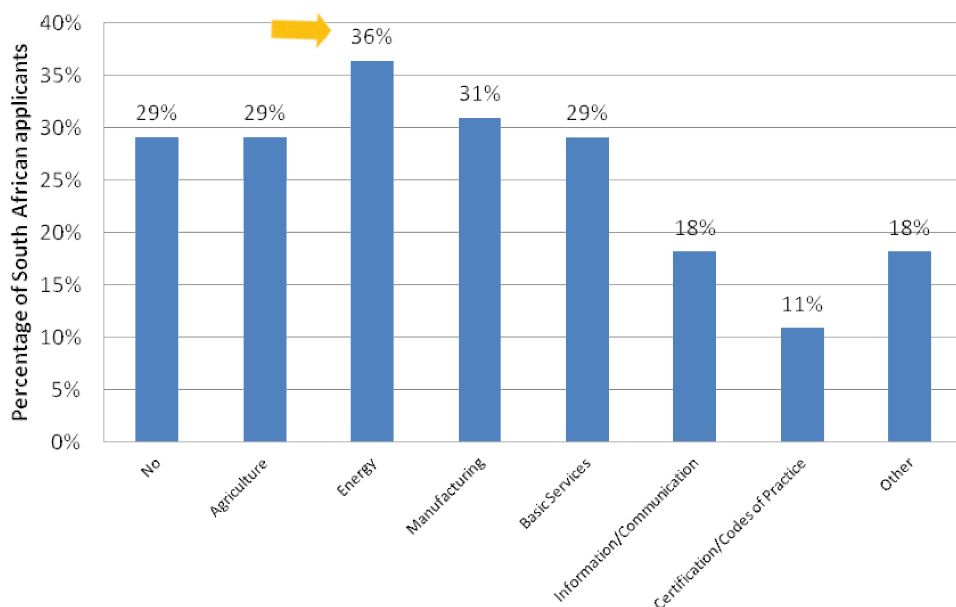
South Africa: Expected environmental benefits from the enterprise



South Africa: Method to Ensure No Negative Environmental Impacts from Enterprise



South Africa: Technologies Introduced, by Sector



9.10 The economic dimension: business benefits

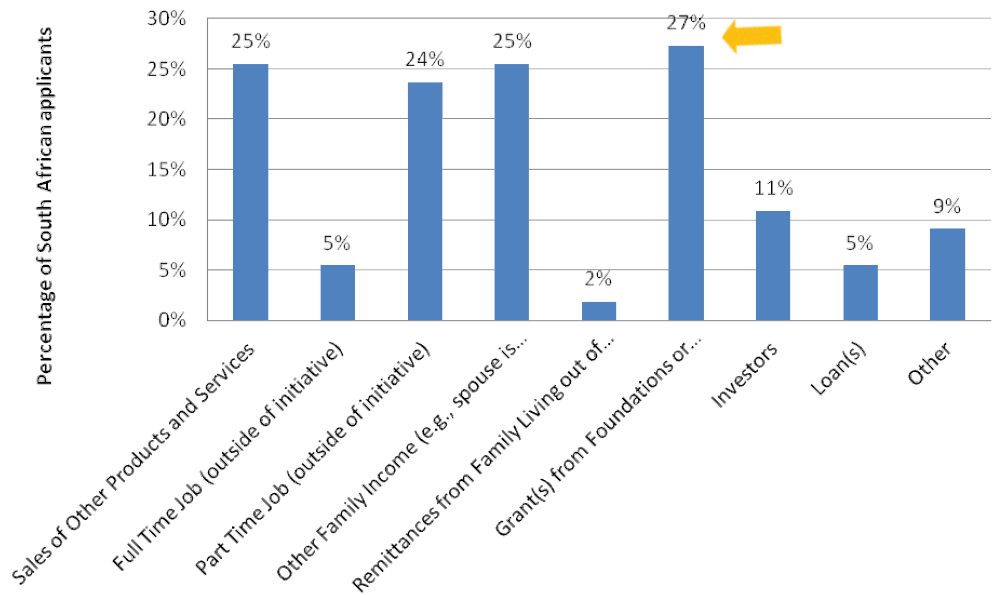
Revenue generation for community participants

Of those who answered the question on revenue generation, two thirds indicate that they generate income for their community members. In addition to income from the enterprise, community members involved in the enterprise rely on other sources of income, chief among them being grants from foundations or development agencies. This is consistent with what the South African enterprises in Year 2 reported, although it diverges significantly from the rest of the enterprises in Cohort 3, where only 8% of respondents report that their community members rely on grants and development assistance.

Financial sustainability of the enterprise itself

Comparable to the full Cohort, increasing percentages of South African respondents indicate that their enterprise will be financed in three years' time by revenues from the sale of products and services and access to credit. What seems unusual, however, is the significant increase (nearly double) in the percentage of those that anticipate support for the enterprise through grants from foundations and development assistance agencies in three years. And

South Africa: Sources of income for community members outside of Initiative



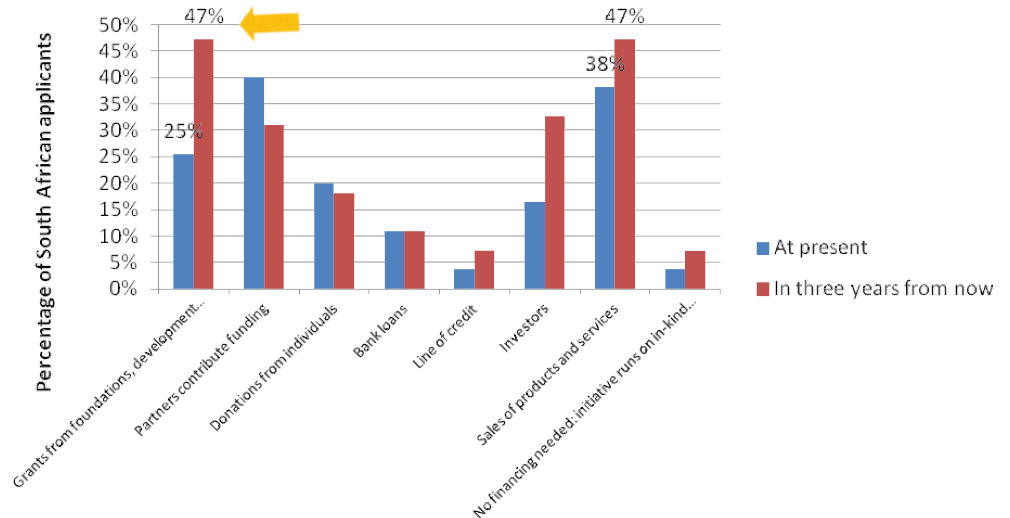
yet, when asked to identify other sources of income outside of the enterprise, only 13% selected grants. This ambiguity clouds the picture on whether the South African enterprises in the study are moving beyond traditional sources of support such as grants, to more business oriented approaches.

While the South African respondents are somewhat more confident than the full Cohort in their ability to make a living from the enterprise within a year, the majority still report a variety of sources of supplemental income. Their main sources of such income are the same as for the full Cohort: consultancies and contributions from other family members.

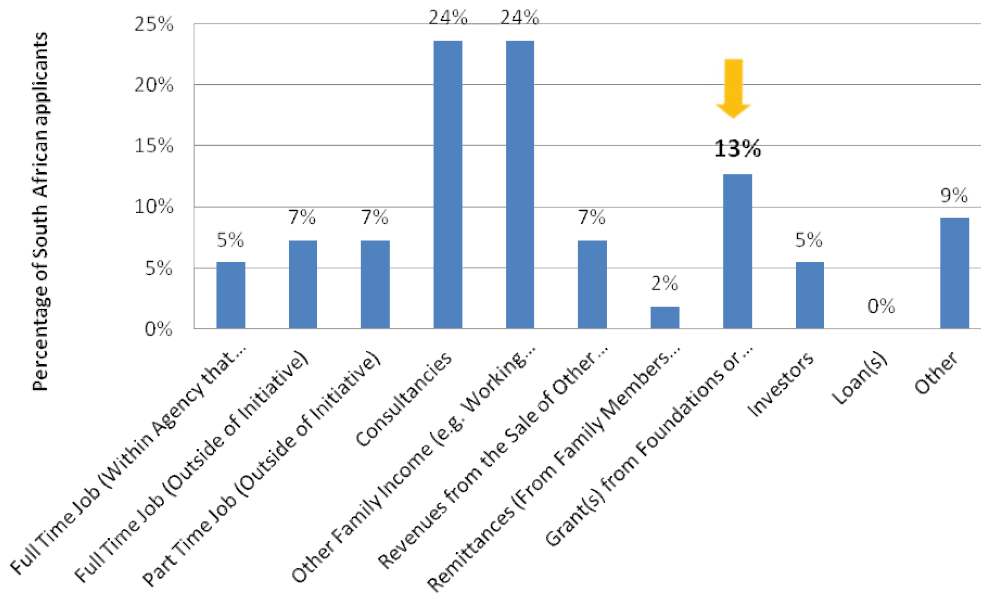
9.11 Gender considerations

Half of the South African enterprises are led by women. However, nearly all enterprises pay attention to gender equity and leadership issues, regardless of whether they are led by women or men. In general, a higher percentage of South African enterprises take gender issues into consideration in their enterprises more so than the full Cohort. But, like the full Cohort, slightly more focus is given to gender equity and leadership issues within the community than in the enterprises themselves.

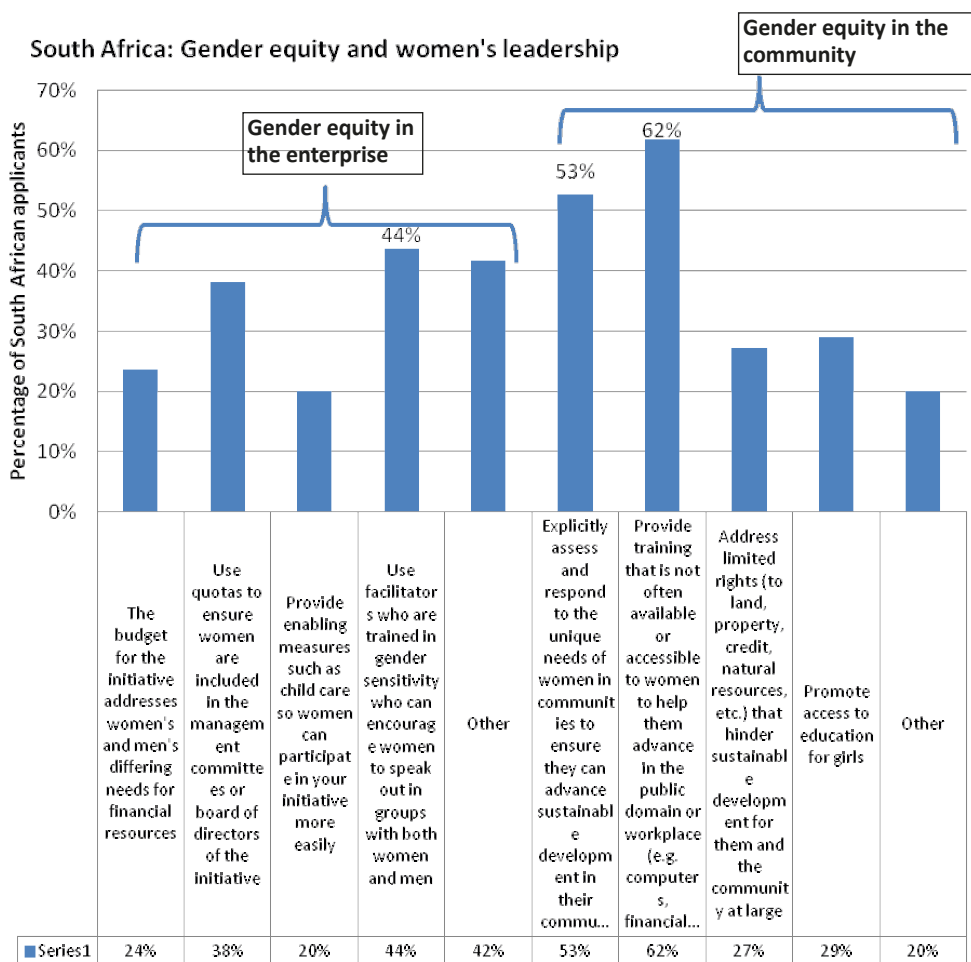
South Africa: Sources of financing



South Africa: Other Sources of Income Supporting Enterprise



South Africa: Gender equity and women's leadership



9.12 Enabling factors and barriers

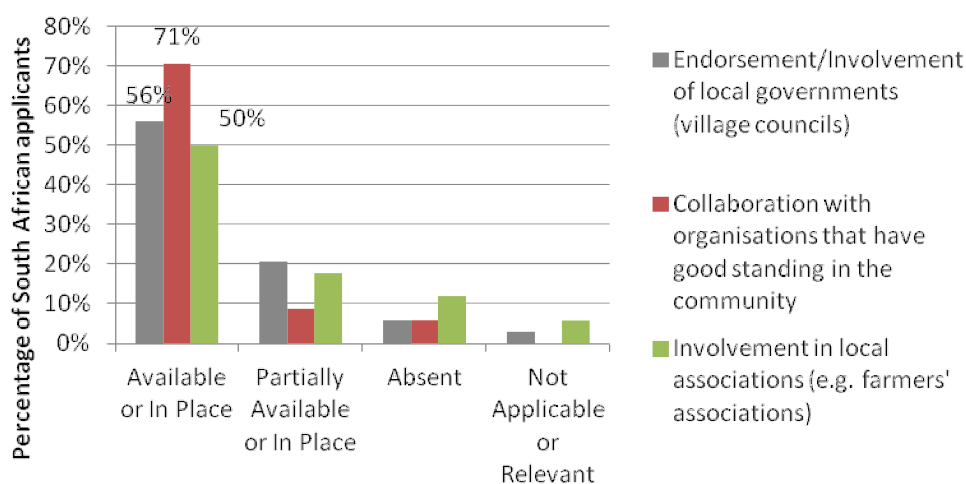
External: national and local factors

Being grounded and endorsed by the local community is a critical success factor for the South African enterprises, with higher percentages choosing these factors as being in place than the Cohort as a whole. Local government is the closest part of government to the citizenry, thus it is extremely important to get the buy-in of local authorities. Only 3% consider

that this is not important for their enterprise, and over half of the initiatives have been endorsed by local government. SMMEs that have partnerships and collaboration with organisations that have footprints within the community of operation are more likely to gain support from the communities: 71% of these enterprises have collaborated with partner or other organisations that have good standing in the community, and at least half are working with local associations such as farmers' groups.

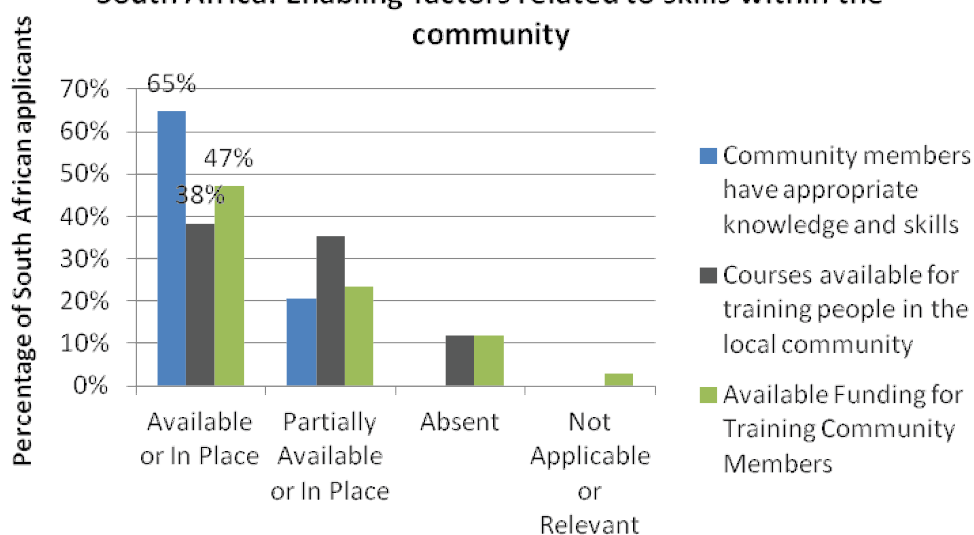
Skills shortages and lack of knowledge of the community members pose a real challenge for the growth of the initiatives as locals need to be involved in carrying out many of the activities. For skills and knowledge to be transferred to the locals, training courses must be provided, and funding must be found to support that training. While these issues are of significant concern for the full Cohort, they are less so for the South African group, over half of whom report that all three of these enabling factors are in place, although there is still room for improvement.

South Africa: Enabling factors related to community support



The South Africans also report more access to technical and research partners as an important enabling factor. Three quarters indicate that access is either fully or at least partially available, compared to only a quarter of the full Cohort. Very few suggest that access is completely absent. Why this access may be more readily available in South Africa is a matter

South Africa: Enabling factors related to skills within the community

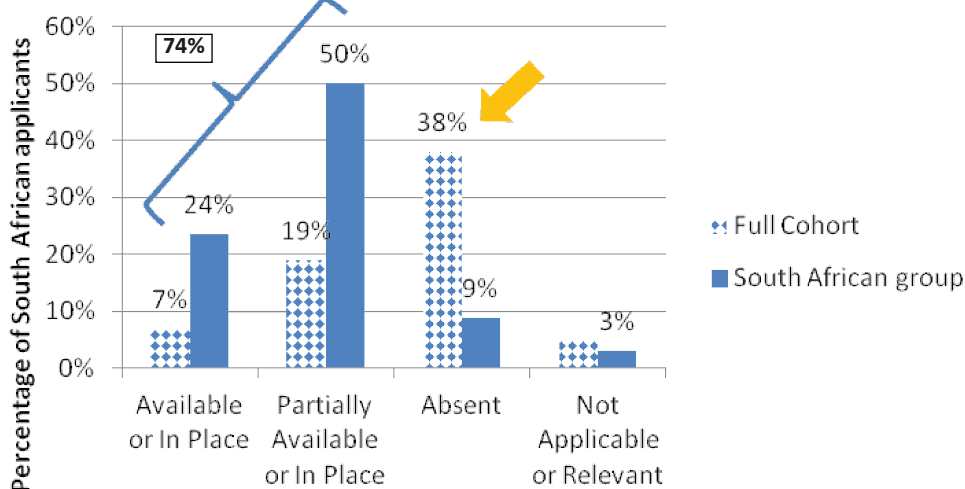


worth further research and reflection. It may correlate both to national government policies on research and innovation, and to a research community open to partnership with entrepreneurs.

The absence or only partial application of local level environmental monitoring and enforcement is more of an issue for the South African group compared to the full Cohort, with over half noting this barrier. There is a clear role here for South African policy makers to focus on monitoring and enforcement of the rules that are in place to improve the conditions under which social and environmental SMMEs can more likely achieve their goals.

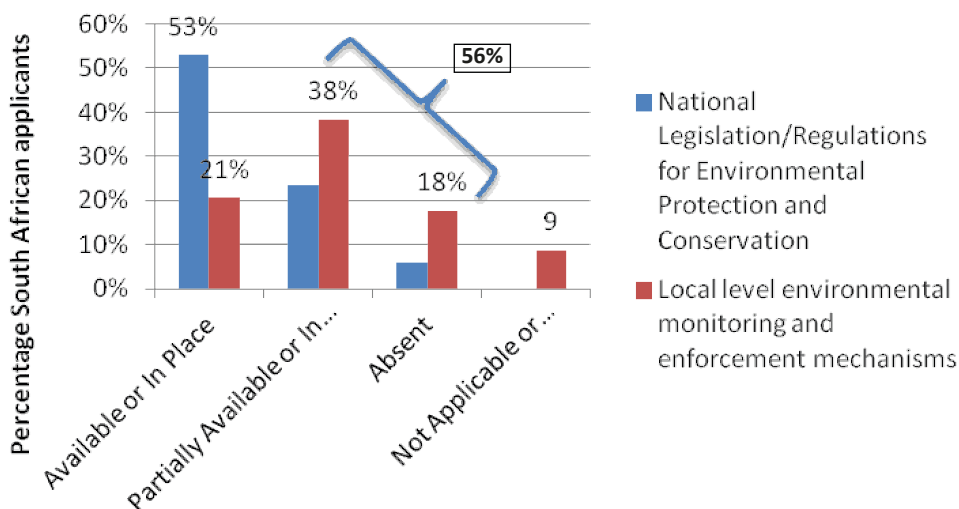
Internal: enterprise management factors

Technical and research partners: South Africa compared to the Full Cohort



Leadership is very important; it is one of the key factors that determine the success or failure of initiatives. Three quarters of the enterprises have secure leadership in place and over half have full support of their key partners. However, just like the full Cohort, the South African enterprises are weak on secure financing. Enterprises rely heavily on financial resources: only 3% of these initiatives do not need any financial resources, and the rest indicate that they are struggling with access to financing, although 44% have some sort of partial financing arrangements. A full third indicate that access to financing, whether through investors, credit

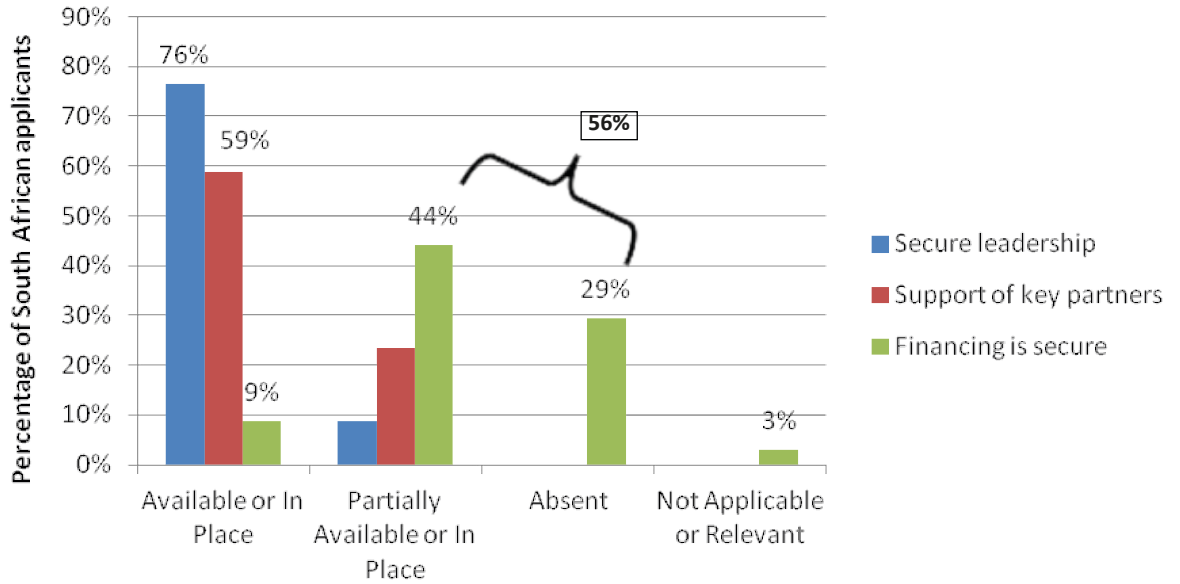
South Africa: Barriers related to laws and regulations



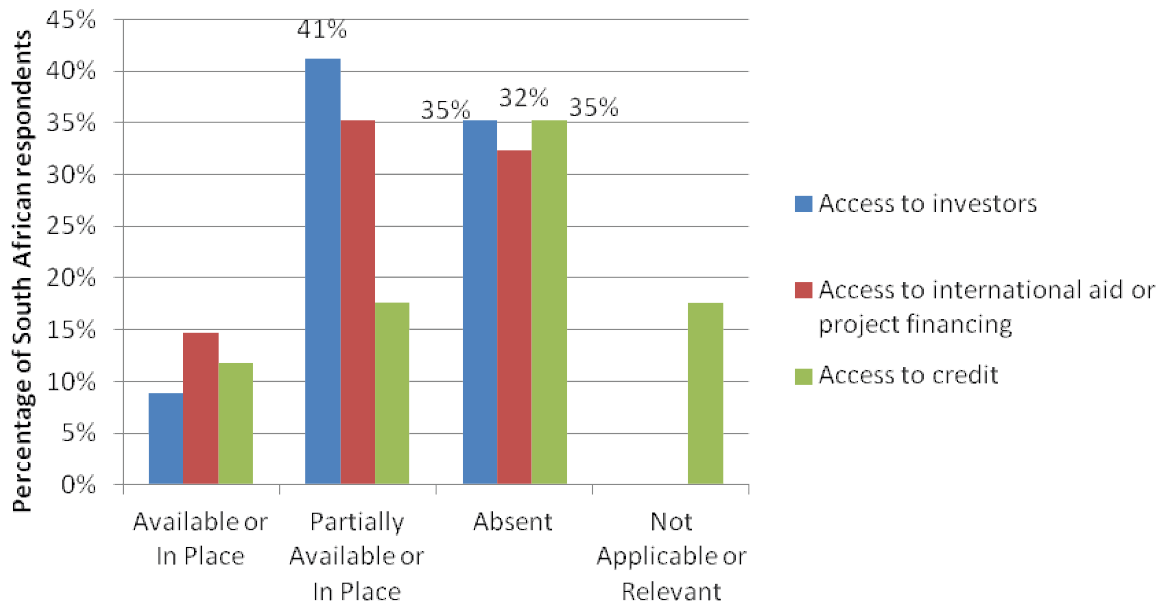
or international aid, is completely absent. What is interesting in the South African group, though, is that double the percentage of South African respondents indicate they have at least partial access to outside investors (41%) compared to the full Cohort (only 18%).

South Africa: Internal factors related to operations and financing

South Africa: Enabling factors related to community support



South Africa: Enabling factors related to financing



9.13 Key observations and insights

The following are the key issues that transpired from the data analysis:

- The vast majority of the South African enterprises lack access to secure 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 address the financial and human resource challenges facing entrepreneurs across the country.
- While the South Africans report promising 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 make up the backbone of the green agenda in South Africa. They are the engines that will contribute largely to the green economy, therefore they need the 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 SMMEs) to support each other by providing practical lessons learned on the ground which will enable policy makers in crafting the policies.
- The findings from 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 since the SEED Award is targeting innovative entrepreneurship. Policy makers should make a greater effort to include women entrepreneurs in developing innovation policies and programmes.

The following issues might be considered by decision makers in South Africa:

- Provide business training that can complement enterprises' existing skills and address their most pressing needs.
- Ensure a conducive regulatory environment prevails for entrepreneurs: Access to markets contributes significantly to survival of enterprises and is a critical component of a competitive economy.
- Provide a comprehensive and tailor-made business development and entrepreneurship training programme that adds value and enables survivalist entrepreneurs to take the first steps from basic subsistence to income generation and entry into the formal economy.
- Raise the awareness of the public or communities about the supporting structures that are available to assist the SMMEs on the sustainability of their businesses.

In conclusion, SMMEs in South Africa are seen as the labour absorbing sector that can address the government priority of job creation. This SMME sector is also an economic empowerment vehicle for previously disadvantaged people. The SEED initiative and its research programme is an important step to proving that the green agenda is not primarily focused on only encouraging the growth of Gross Domestic Product (GDP) but pushing forward Sustainable Development Goals (SDG) and ecological footprints. The South African applicants to the SEED Awards are the evidence that the country is moving beyond conventional enterprises to triple bottom line enterprises.

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2011 SEED Winner Mushrooms Rwanda





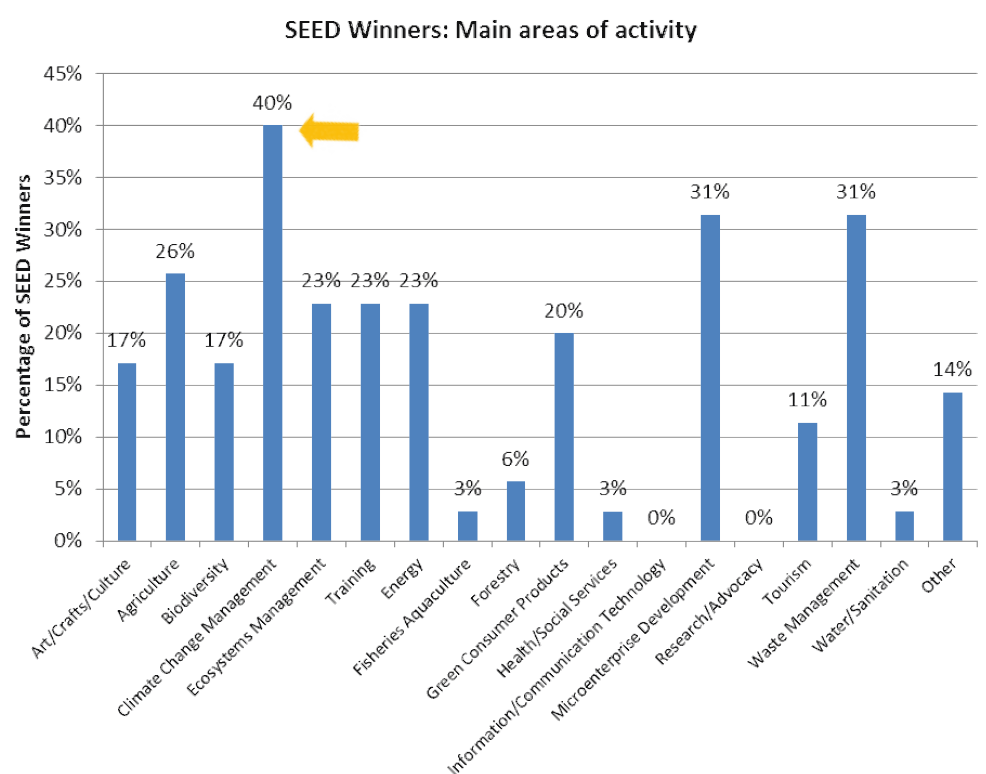
201 SEED Winner KICK Kenya

10. Distinguishing features of the 2011 SEED Winners

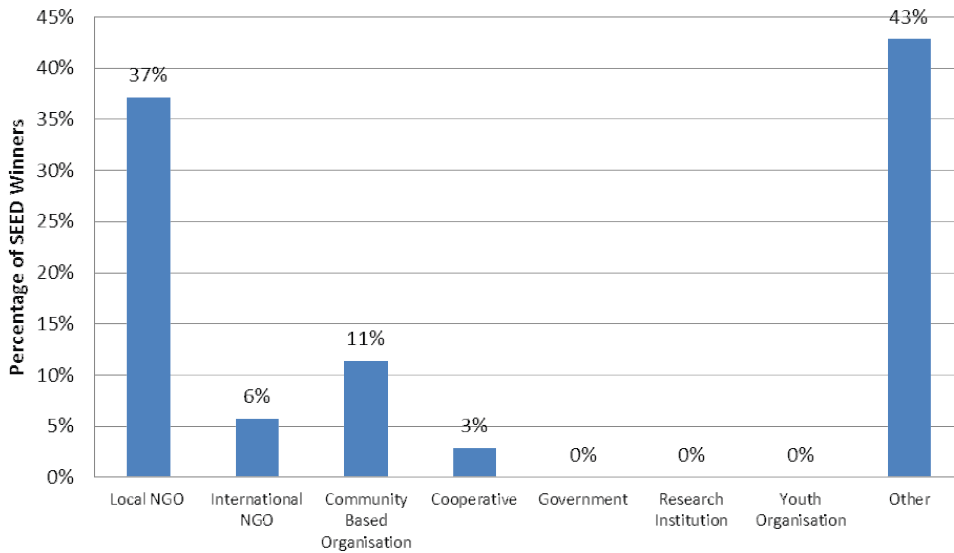
In the first two studies, data was filtered for responses from SEED Winners, to explore whether there were distinguishing characteristics as well as variations in what they considered to be enabling factors and barriers. The following section continues this analysis, with a focus on the SEED 2011 Winners within the response group.

10.1 Characteristics

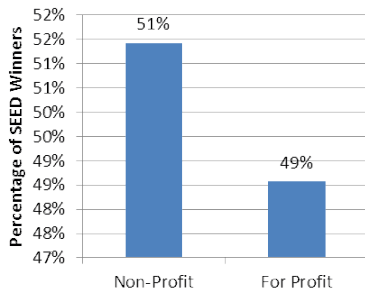
The profile of the 35 SEED Winners is somewhat different from the full Cohort. The Winners are working predominately in climate change management, followed by waste management and microenterprise development. Only a quarter are working in agriculture, and only 23% listed training activities as a major area of activity. But, like the full Cohort, about half focus



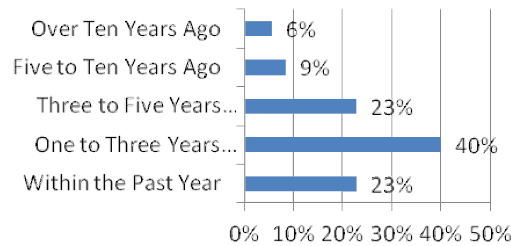
SEED Winners: Organisation type



SEED Winners: Not for profit/For profit



SEED Winners: Initiative Began Developing

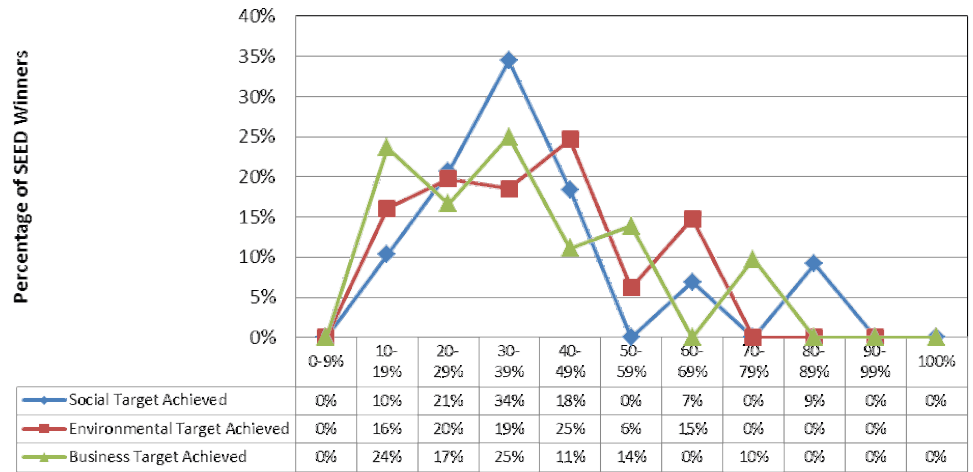


exclusively on rural development, with others indicating a combined rural/urban focus. A small percentage is focused exclusively on urban issues, comparable to Cohort 2 Winners. As with the full Cohort 3, about half are NGOs or CBOs and indicate that they are predominantly start-up enterprises – consistent with the eligibility criteria for the SEED Awards. It is worth noting though that as a whole, Cohort 3 Winners are slightly further along in their development than the rest of the Cohort, with nearly a quarter indicating they have been in operation for three to five years compared to only 8% of the full Cohort; but still 63% have been operating for less than 3 years. Also, a much higher percentage of SEED winners (49%) consider themselves to be “for profit” compared to the full Cohort (26%). This may reflect the emphasis that SEED gives to potential financial sustainability in the selection of winners.

10.2 Performance on targets

Cohort 3 in general appears to be more confident in its reporting on progress towards targets, compared to the previous Cohorts. The Cohort 3 Winners share this characteristic, reporting that they are already achieving a higher percentage of their targets than the Cohort 2 Winners. For example, one fifth of Cohort 2 Winners considered that they were at least a third of the way towards their social targets; but over a third of Cohort 3 winners are that far along, with another 15 percent reporting between 60 and 80 percent of social goals already achieved. A quarter of Cohort 3 Winners report achieving over 40 percent of their environmental targets, compared to only two to three percent of the Cohort 2 Winners reporting that level of performance. Cohort 3 winners also report more advancement on business targets than Cohort 2.

SEED Winners: Percentage of target achieved for social, environmental and business targets

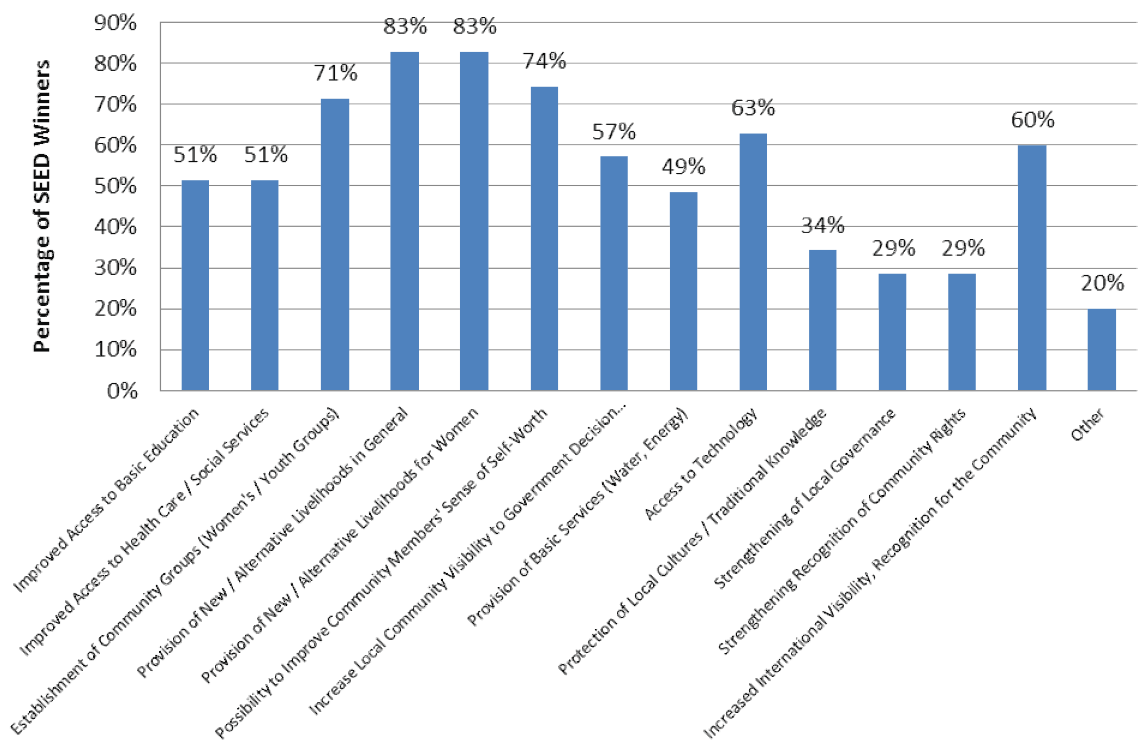


10.3 Additional social benefits

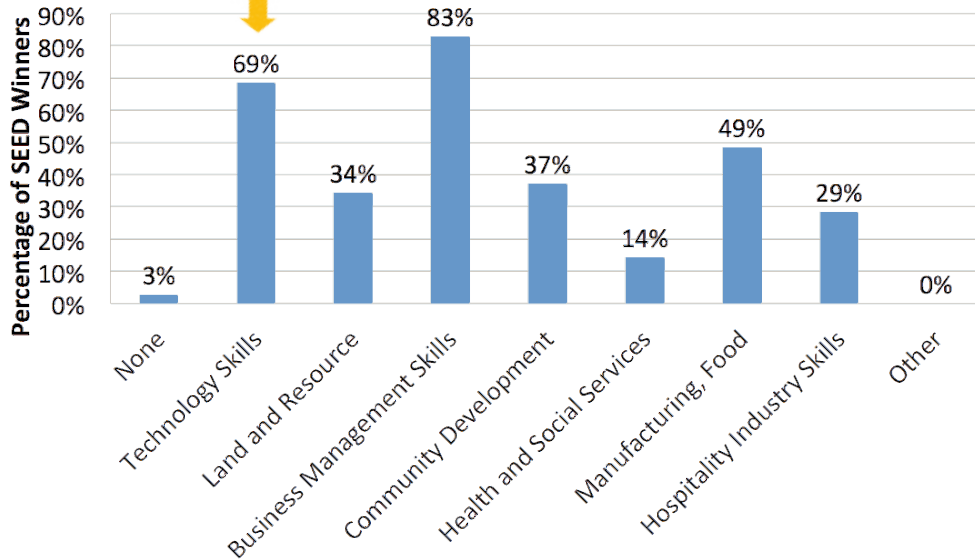
SEED Winners in Cohort 3 share with the full Cohort a focus on the provision of alternative livelihoods together with community organisation and strengthening community members’ sense of self-worth. The protection of local cultures and traditional knowledge was of greater importance to the Cohort 2 Winners (73%) than Cohort 3 (down to 34%). However, nearly two thirds of Cohort 3 Winners provide access to technology, compared to 37% of the 2010 Winners in Cohort 2.

All are providing some type of skills training; as with the full Cohort, business training is the top type of training, followed by technical skills development. Particularly noticeable, though, in the Winners group, is that technical training is delivered by 69% of the Winners (compared to less than half of the full Cohort). This is consistent with the fact that nearly two thirds of the Winners consider that access to technology is an important social benefit being delivered by their enterprises.

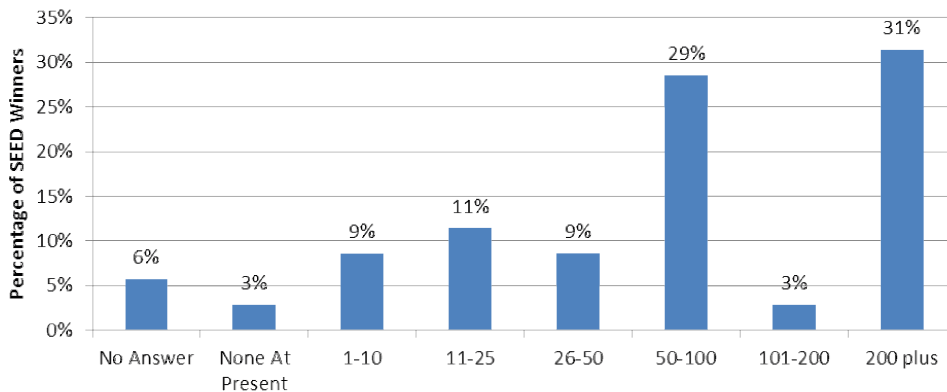
SEED Winners: Additional benefits to local community



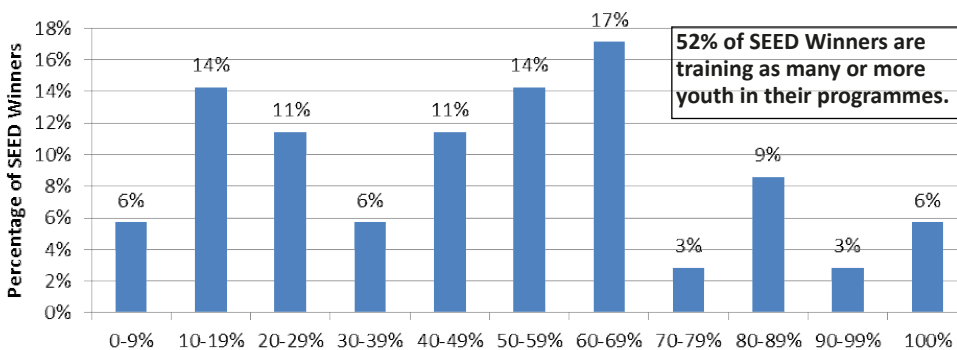
SEED Winners: Skills training/development provided as a part of the initiative



SEED Winners: Number of people in communities benefitting from skills training



SEED Winners: percentage of people trained: youth



A few variations between the Cohort 2 Winners and the Cohort 3 Winners should be noted:

- The provision of technology skills is somewhat lower for Cohort 3 Winners (69% compared 80% of Cohort 2 Winners).
- The provision of hospitality industry skills is considerably higher (29% of Cohort 3 Winners compared to only 10% for Cohort 2).
- Both land/resource management skills and community development process skills are lower for Cohort 3 Winners (only 34% and 37% respectively, compared to 60% for each in the Cohort 2 Winners group).

With respect to actual numbers of people being trained: nearly all of the SEED Winners are training people in their communities, compared to less than two thirds of the full Cohort. Two thirds of the Winners are training 50 people or more. Youth training also appears to be more important to the Winners, with over half training as many or more youth in their programmes, compared to less than a third of the full Cohort.

10.4 Expected environmental benefits

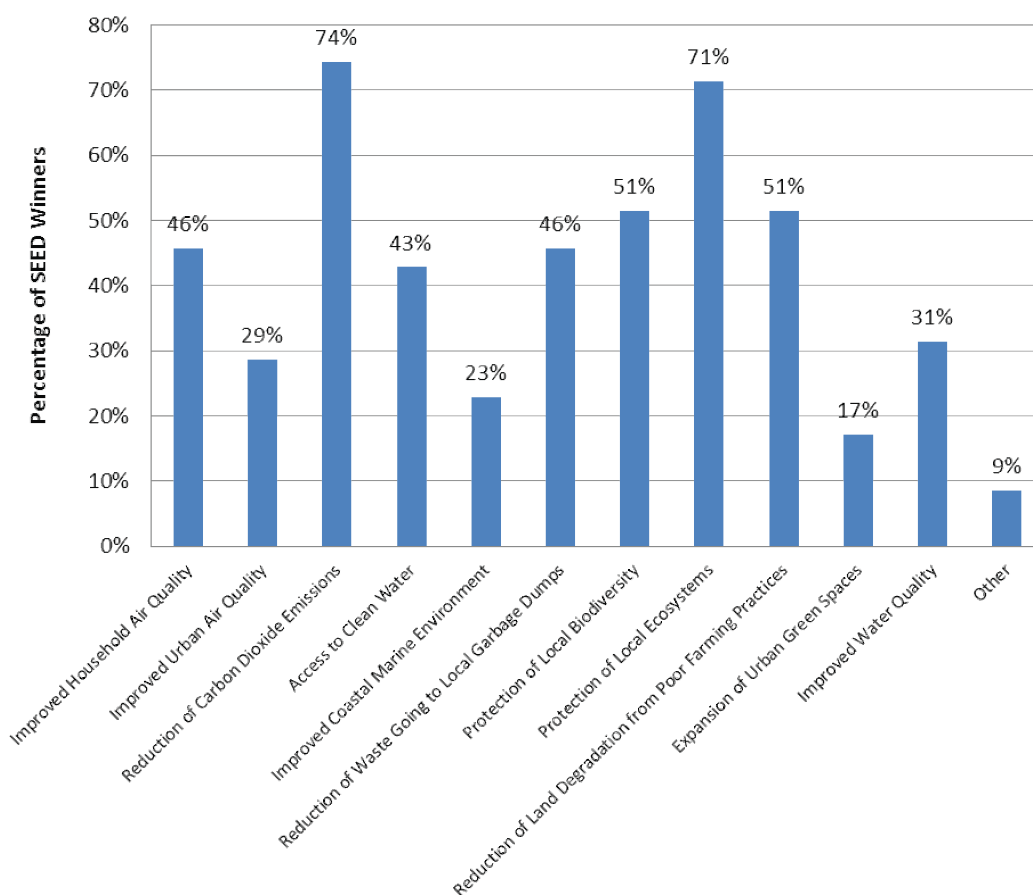
The top four environmental benefits being achieved by the SEED Winners are the same as those of the Cohort as a whole: CO₂ reduction, ecosystem protection, protection of local biodiversity and reduction of land degradation. Like the full Cohort, they ensure that negative environmental impacts are managed through public awareness-raising. The second most important mechanism is establishing relationships with research partners. What is different with the SEED Winners is that a higher percentage of Winners use these mechanisms than the group as a whole.

Also noteworthy is the importance to SEED Winners of introducing or following certification schemes and codes of practice: 51% of the SEED Winners selected this compared to 28% group as a whole.

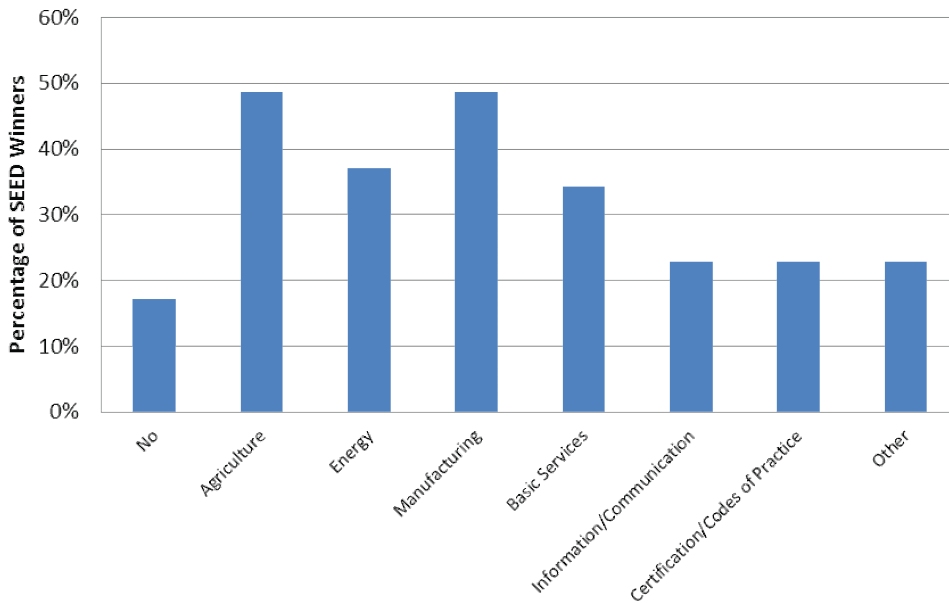
Consistent with previous SEED Winners, the majority of Cohort 3 Winners are involved in introducing new technologies or processes to their communities. A few interesting variations with the Cohort 3 Winners compared to the full Cohort 3 group include:

- A higher percentage of SEED Winners are introducing manufacturing technologies (49% of the Winners compared to only 24% of the full Cohort)
- Likewise for agriculture technologies (49% of Winners compared to 37% of the full Cohort)
- Likewise for energy technologies (37% of Winners compared to 23% of the full Cohort)

SEED Winners: Expected environmental benefits from the enterprise



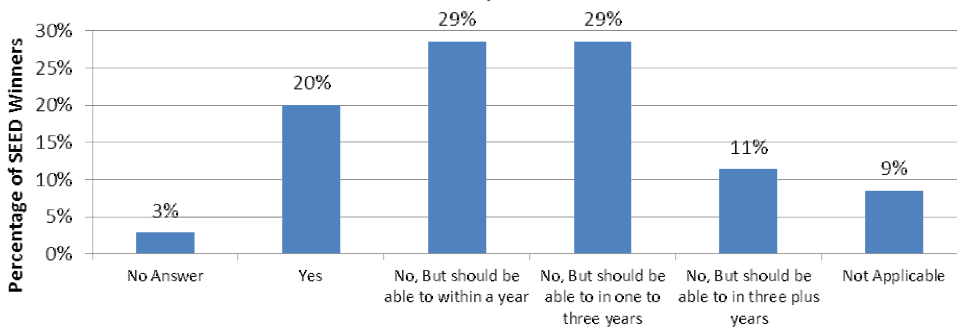
SEED Winners: Technologies introduced



10.5 The economic dimension: additional business benefits

With respect to the question on whether the respondents were able to make a living from the enterprise: the most significant variance here is that only 12% of Winners said either the question was not applicable, or did not answer, compared to 45% of the full Cohort. A fifth said that they are already able to making a living off the enterprise (down slightly from the Cohort 2 Winners), with 60% saying they will be able to make a living from it within 3 years (twice the percentage of the full Cohort). This suggests that the SEED Winners have a somewhat stronger business approach to the financial sustainability of their enterprises.

SEED Winners: Ability of manager/coordinator to make a living from the enterprise

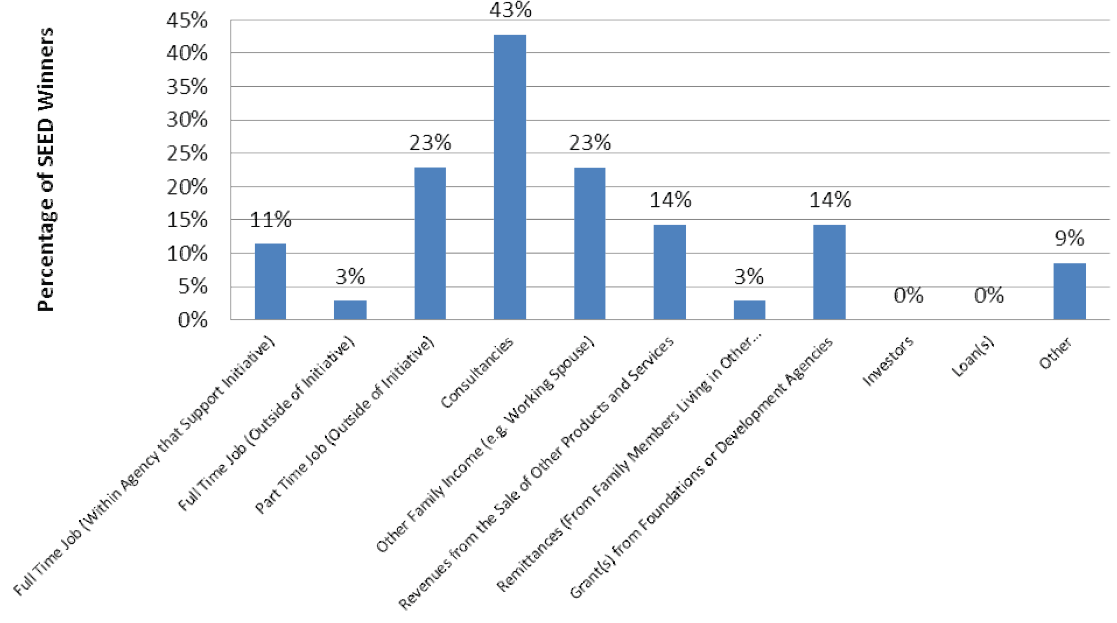


Their main source of supplemental income is the same as the full Cohort, and the Cohort 2 Winners: consultancies. As with the full Cohort, SEED Winners also rely on other family income and a part-time job. However, unlike Cohort 2 Winners, where we began to see these enterprises approaching investors and loan departments for revenues to support their activities, no Cohort 3 Winners are yet adopting these more business-like approaches.

10.6 Enabling factors and barriers

An average of 20% of SEED Winners did not respond to the following questions in the survey; this should be kept in mind when reviewing the following results.

SEED Winners: Other sources of income supporting the enterprise



External: National and local factors

As with the full Cohort, SEED Winners in Cohort 3 noted that collaboration with organisations that have good standing in the community is in place, more so than for any other factor. Like the rest of the Cohort, SEED Winners report that access to skilled people within the communities is either absent or only partially available, and support for training is limited. The involvement of technical and research partners is also an issue: only 6 percent of SEED Winners report that such partners are available or in place. SEED Winners also observe, along with the full Cohort that while national environmental legislation and regulations are in place, local level monitoring and enforcement is not.

Full Cohort: National and Local factors Answer Options	% indicating available or in place	% indicating partially available or in place	% indicating absent	% indicating not applicable or not relevant
Endorsement/Involvement of local governments (village councils)	43%	26%	6%	3%
Collaboration with organisations that have good standing in the community	57%	23%	0	0
Involvement in local associations (e.g. farmers' associations)	49%	17%	9%	6%
Involvement of local schools and/or training facilities	26%	34%	11%	9%
Community members have appropriate knowledge and skills	20%	46%	14%	0
Courses available for training people in the local community	23%	37%	11%	9%
Available funding for training community members	6%	23%	46%	6%
Involvement of research partners and technical experts	6%	37%	34%	3%
Recognition by community of the need for environmental protection/restoration	26%	43%	6%	3%
Local level environmental monitoring and enforcement mechanisms	20%	17%	37%	3%
Media interest	26%	40%	14%	0
National organisation endorsement/involvement	34%	31%	14%	0
International organisation endorsement/involvement	17%	26%	37%	0
Government programmes available for community development	31%	31%	14%	3%
Government programmes available for small business development	23%	31%	26%	0
Government regulations for business, including import/export regulations	46%	17%	11%	6%
National legislation/regulations for environmental protection	54%	14%	9%	3%
Political stability and security of the country	54%	14%	11%	0
Good governance in the country	26%	40%	11%	3%

Internal factors

As with the full Cohort, lack of financial resources continues to be a significant barrier to success for SEED Winners. The interest in securing international aid and project financing is also an issue: no SEED Winner indicated that this factor was not relevant. The fact that 65% of those who responded indicated that aid was absent or only partially in place suggests that most still look to this type of financing as important to their operations. The SEED Winners also report a lack of or limited ways to secure loans and lines of credit and lack of access or only partial access to investors.

The majority of SEED Winners indicated that their leadership is secure, and that they have the support of their key partners.

Full Cohort: Internal Enterprise management factors Answer Options	% indicating available or in place	% indicating partially available or in place	% indicating absent	% indicating not applicable or not relevant
Secure leadership	69%	9%	0	3%
Support of key partners	51%	23%	0	6%
Concept has been tested and validated by others	46%	31%	0	0
Access to needed technology	34%	26%	17%	0
Business plan	40%	29%	9%	0
Business management skills	40%	37%	3%	0
Access to courses for business management training	31%	31%	14%	0
Funding to support business management training	6%	37%	34%	3%
Financing	11%	29%	40%	0
Access to investors	3%	34%	40%	0
Access to international aid or project financing	9%	14%	51%	0
Securing loans/lines of credit from financial institutions	3%	20%	51%	3%
Marketing strategies	26%	46%	6%	0
Access to markets	34%	40%	3%	0
Ability to meet market demand	46%	26%	6%	3%
Certification through a recognised certification scheme	26%	17%	34%	3%
Risk management plan	14%	40%	26%	0
Short/long term community benefits identified	49%	26%	6%	0
Ability to provide environmental education and/or awareness raising to the community	46%	29%	6%	0

10.7 Gender considerations

An equal percentage of Cohort 3 Winners' enterprises are led by women and men. Moreover, 79% of the SEED Winners indicated that they were working to provide alternative livelihoods specifically to women in their communities. Furthermore, 64% are training more women than men, compared to only 40% of the full Cohort (these percentages are consistent with the Cohort 2 findings). These three points suggest a measure of gender awareness among SEED Winners that is greater than that of the full Cohort.



2011 SEED Winner KICK Kenya





2011 SEED Winner Siviculture Kenya

11. Summary of findings over three years

There is little doubt from the data collected over the three years of the study that the majority of enterprises within this community of social and environmental entrepreneurs are changing the model of how to deliver sustainable development on the ground. The SEED winners in particular are demonstrating significant capacity to establish and deliver on social, environmental and business targets and indicate a level of progress beyond that of the survey group as a whole.

The following analysis was drafted during year two of the study; the additional data from Cohort 3 reinforces these findings.

1. The “Green” economy is also a “knowledge-based” economy: Small and micro social and environmental enterprises need access to the technology, skills and research and technical partners, and support their efforts to take innovation to market, with special attention to women and women-led initiatives to ensure equal access.

- ▶ Access to technology is an important requirement for social and environmental small and micro enterprises. This requirement has been increasing in importance from year one of the study to year three; and may continue to increase in importance to SMMEs over the next few years. These small and micro enterprises are making a significant investment in the introduction or development of new, more environmentally friendly technologies and production processes. Policy makers should undertake a more in depth review of the types of technologies and processes in demand by small and micro enterprises in order to determine:
 - a. whether channels for information and communications about technology and processes to the small and microenterprise sector exist at national levels
 - b. whether there are barriers to the importing or transfer of technology to small and microenterprises for use at the local level and how these might be overcome.
- ▶ Access to technical expertise and research partners is also critically important for these enterprises; respondents noted significant levels of concern about the absence or only partial availability of research partners and technical experts. How national policy makers can connect these local level actors with the innovation, research and development bodies in their countries is a matter worth further attention.

- ▶ Each year, nearly 100% of respondents indicated that they were involved in some type of training or skills development at the local level. More attention should be paid to supporting small and microenterprises in the development of skills within their communities:
 - by further exploring the skills gaps at the local level and reviewing current development programmes to strengthen the skills base at the local level, in particular with respect to new, more environmentally friendly technologies and production processes.
 - by providing programmes for small and microenterprises to improve their own capacity to deliver a range of training and skills development activities on the ground.

2. In building the green economy, NGOs and CBOs need training and other services and support in order to adopt and develop more business approaches in their work.

- ▶ The increased interest in business approaches by not-for-profit organisations suggests new windows of opportunity for policy makers to build business and entrepreneurship capacities in the NGO and CBO sectors. National small business development offices should consider targeting NGOs and CBOs to use their services, in addition to reaching out to the more traditional small business sector. This will serve not only to strengthen the financial sustainability of these entities that are starting up small enterprises; it will also serve to increase their contribution to economic development in the communities in which they work.

In light of growing interest internationally in shifting to a green economy, national policy makers should review how these social and environmental enterprises are contributing to that economy, and provide training and other means for these enterprises to build more sustainable businesses.

3. There may be gender-based barriers to the success of small and micro social and environmental enterprises.

- ▶ As the Cohort 3 group demonstrates, it is possible to have gender parity in these types of enterprises; and it is possible to have women-led enterprises involved in the introduction of new technologies and production processes. However, women-led enterprises appear to be more aware that they do not have all the enabling factors in place: awareness of business regulations and government programmes for SMMEs, as well as not yet having many of the necessary building blocks in place, such as business management skills, business plans, marketing strategies and access to markets. National policy makers should work with their programmes for small business development to ensure that they are reaching out to women-led enterprises, and in particular to those women-led NGOs and CBOs that are beginning to adopt business practices. Whether there are barriers to women-led enterprises to access and use technologies should be also explored. Finally, particular attention should be paid to linking women's enterprises with research and technical experts.

4. Local level environmental communications, monitoring of local environmental conditions, and monitoring and enforcement of environmental laws and regulations, need to be strengthened, in order to create an enabling environment for local actors to achieve their goals.

- ▶ The presence of national environmental legislation and regulations is one of the top four enabling factors. But, among the most significant barriers to success is the absence of local level environmental monitoring and enforcement: 45% of the respondent group states that this factor is absent or only partially available. There is a clear role here for policy makers to:
 - help these small and micro enterprises with community awareness rising;
 - work with these enterprises to identify and monitor key locally relevant environmental indicators



2005 SEED Winner Madagascar's first community-run marine protected area

- focus on monitoring and enforcement, in order to improve the conditions under which social and environmental SMMEs can achieve their goals and grasp potential competitive advantages through compliance with prevailing rules.
 - ▶ International agencies also have a role to play in raising public awareness and providing tools for monitoring environmental challenges at the local level in order to create conditions that are more receptive and enabling for small and micro enterprises. In particular, agencies such as UNEP can work with national authorities and MEA Secretariats to emphasize the need for compliance with regulatory requirements.
- 5. Social and environmental entrepreneurs could benefit from training and support for triple bottom line planning.**
- ▶ There continues to be a real challenge for small and micro enterprises in setting clear and measurable targets, even with the most ambitious and innovative start-ups. Simple tools for Triple Bottom Line planning should be incorporated into capacity building programmes developed and offered by the multilateral financial institutions (such as the World Bank and International Finance Corporation), development agencies (such as UNDP) and international NGOs working with small and micro enterprises on the ground (such as IUCN and World Wildlife Fund).
- 6. Partnerships with international research and technical institutions are of critical importance to social and environmental enterprises.**
- ▶ Small and micro enterprises consider partnerships with research and technical experts to be one of the most significant factors in their success. How international agencies can connect these local level actors with the innovation, research and development bodies internationally is a matter worth further attention.
- 7. The not-for-profit sector contributes to income enhancement and local economic development, but this contribution may not be recognized in national and international economic analyses.**



- ▶ Over half of the respondents indicated that they have been able to supplement the income of members of the communities in which they are working. It is difficult, however, to quantify and validate this contribution to economic development. Bearing in mind that 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. Certainly it warrants more attention, with consideration given to methodologies to capture and report on this data in national economic analyses.



2011 SEED Winner Solar Kenya

12. 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 are 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*.

All reports are published at www.seedinit.org/en/best-practices-and-policy/seed-reports.html.



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