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Fostering Inclusive Green Growth: SMME Participation in the Just Transition

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Abstract

As the global community increasingly prioritises the transition to a sustainable and equitable economy, ensuring the inclusion of small, medium, and micro enterprises (SMMEs) becomes paramount. Within this context, empowering youth and female-owned SMME newcomers in green industries is a pivotal strategy for fostering just transition inclusion. This paper explores the business challenges and opportunities faced by SMMEs owned by marginalised groups, such as youth and women, as they navigate the transition to greener practices and industries. Drawing on a review of existing literature and case studies, the paper identifies critical SMME business barriers such as limited access to capital, a lack of technical expertise, and limited market opportunities. Moreover, it examines green sectoral challenges youth and female entrepreneurs face, focusing on the energy, water, and waste sectors. Building on these insights, the paper proposes tailored strategies to strengthen the participation of youth and female-owned SMMEs as newcomers in green industries to ensure that the Just Transition does not leave anyone behind. These strategies encompass capacity initiatives, targeted financial support mechanisms, business development and mentorship programmes, enterprise and supplier development initiatives, and policy interventions aimed at levelling the playing field and fostering an enabling business environment for inclusive participation in the Just Transition as local green entrepreneurs. By addressing the unique needs and aspirations of youth and female entrepreneurs, this paper argues that empowering SMMEs owned by these demographics can drive meaningful progress toward a Just Transition, promoting economic resilience, social equity, and environmental sustainability.

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Abbreviations

CANARI	Caribbean Natural Resources Institute
DFFE	Department of Forestry, Fisheries and the Environment
DSI	Department of Science and Innovation
dtic (the)	Department of Trade Industry and Competition
EDSE	Ecosystem Development Support
GDP	Gross Domestic Product
IEA	International Energy Agency
LGEs	Local Green Entrepreneurs
MRF	Material Recovery Facility
MSME	Micro, Small, and Medium Enterprises
NDP	National Development Plan
PV	Photovoltaic
PCC	Presidential Climate Commission
PWD	Persons with Disabilities
SAREM	South African Renewable Energy Masterplan
SMMEs	Small Micro and Medium Enterprises
SSE	Social and Solidarity Economy

1. Introduction

Including SMMEs in the Just Transition towards building a low-carbon economy is essential for unlocking economic prosperity and addressing climate adaptation challenges, mainly through the social impact on local communities. This encompasses newcomers to green industries from marginalised groups, including youth-owned, female-owned, people with disabilities-owned, and black-owned green enterprises. The urgency of transitioning towards a more sustainable and environmentally conscious economy has become increasingly apparent in recent years.

This shift – often termed the “Just Transition” – presents significant challenges as well as substantial opportunities for businesses of all sizes. Among these, SMMEs are poised to play a crucial role in driving innovation, fostering economic growth, and promoting social inclusion within the green economy. As the world faces critical global issues such as climate change, resource depletion, and environmental degradation, the demand for sustainable solutions has never been more pressing. Green industries, which include sectors such as renewable energy, energy efficiency, waste management, sustainable agriculture, and eco-friendly manufacturing, offer viable paths towards a more sustainable future. These industries not only reduce environmental impacts but also create new markets, generate jobs, and stimulate economic growth.

SMMEs occupy a unique position within green industries. Despite their smaller size, they are characterised by agility, adaptability, and entrepreneurial spirit, making them well-suited to seize emerging opportunities in the green economy. In addition, SMMEs often operate at the grassroots level, directly addressing the needs and challenges of local communities. Empowering SMMEs to engage in green industries can, therefore, promote the democratisation of sustainable development, ensuring that its benefits are widely shared across society.

However, the potential for SMMEs in green industries is not without obstacles. SMMEs, particularly those owned by young entrepreneurs, women, and people with disabilities (PWD) frequently encounter barriers such as limited access to capital, insufficient technical expertise, and lack of market opportunities. Overcoming these barriers and fully unlocking the potential of SMMEs in green industries will require coordinated efforts from policymakers, investors, civil society organisations, and other stakeholders.

2. Towards a Just Transition

There is no doubt that the adverse effects of climate change will exacerbate South Africa’s triple challenges of poverty, unemployment and inequality. South Africa thus faces the difficult task of balancing development with socio-economic and environmental concerns, especially given its carbon-intensive economy. Currently, South Africa is among the most carbon-intensive economies globally, with a heavy reliance on fossil fuels in its power, industry, and transportation sectors. Coal, in particular, accounts for 70% of the country’s primary energy sources, presenting significant challenges to achieving a transition to more sustainable energy systems (Prater, 2018; Climate Transparency, 2021; IEA, 2024).

Within this context, South Africa has committed to transforming into an environmentally sustainable, climate-resilient, low-carbon economy and just society by 2030, as outlined in its National Development Plan (NDP) 2030 (NPC, 2020). In 2022, South Africa committed to a Just Transition Pathway to shift towards a more equitable and inclusive low-carbon economy, ensuring adherence to its Nationally Determined Contributions targets (PCC, 2022). A Just Transition pathway can, therefore, provide greater inclusion of marginalised groups and meet net-zero carbon emission targets by 2050.

As noted by the Presidential Climate Commission (PCC, 2022), the Just Transition is an environmental and economic and social imperative. As such, “addressing climate change means strengthening adaptation measures to improve the resilience to immediate events...as well as long-term climatic shifts that impact water security, food security and human health, with a particular focus on vulnerable groups, particularly rural communities, the poor, women, the youth, and children” (PCC, 2022:3). However, it cautioned that a blanket approach to net-zero targets is not advisable, as developing countries have not yet reached their peak emissions and have lower emissions per capita.

South Africa is nonetheless undergoing a transition, committed to reducing carbon emissions and fostering economic prosperity through green growth, which views the environmental crisis as a financial opportunity. Green growth is considered a solution to the two fundamental issues of our time: economic development and environmental degradation. However, given South Africa’s triple challenge of poverty, inequality, and unemployment, transitioning to a green economy is unlikely to succeed without addressing social and environmental justice. Therefore, a Just Transition in South Africa must adopt a holistic approach, addressing the environmental and economic aspects as well as the socio-economic challenges prevalent in its society. Within this holistic approach, it is argued by this paper that SMMEs play an increasingly important role in South Africa’s Just Transition. A Just Transition towards environmentally sustainable economies must contribute to decent work, social inclusiveness, and poverty alleviation. When managed effectively, this transition can drive job creation, alleviate poverty, and promote social justice (ILO, 2022).

SMMEs play a crucial role in fostering this Just Transition, as they are known for their adaptability in the face of change. SMMEs can provide innovative solutions to the issues facing their communities, and, as noted by Marks and Hidden (2017), they are often at the forefront of developing radical environmental innovations. SMMEs in vulnerable communities are particularly well-positioned to address environmental and socio-economic challenges. These SMMEs are a source of innovation and job creation, and a vital means of empowering women, youth, and PWD.

2.1 Climate change, Just Transition and SMMEs

SMMEs can be vital in addressing pressing climate change challenges through innovation and adaptation. Local Green Entrepreneurs (LGEs) can offer innovative, practical, low-cost solutions that enhance community resilience. Compared to larger corporations, SMMEs are often more agile and creative. SMMEs can quickly adapt to changing market conditions and technological advancements, positioning them to drive innovation in sustainable practices and technologies. Consequently, they are more likely to seize the opportunities presented by the green economy and the Just Transition, acting as agents of change. In addition, social enterprises and businesses add significant value as agents of change. These grassroots green enterprises have proven to be early adopters of radical environmental innovations, often overlooked by larger companies, and are vital for establishing an inclusive transition to a green economy. As noted in a report by the Department of Forestry, Fisheries and the Environment (DFFE), “it is often forgotten that ‘just transition’ does not only apply to multinational corporations, but is above all about the small businesses who struggle to adapt without help, incentives, and support”. (DFFE, 2021).

SMMEs are hotbeds of innovation and entrepreneurship, and their inclusion is essential for driving the development and adoption of low-carbon technologies and practices. These enterprises, often more agile and adaptable than larger corporations, are well-suited to pioneering new approaches to sustainable production, renewable energy generation, waste reduction, and resource efficiency. By fostering a supportive ecosystem for SMMEs, governments can unlock their potential to catalyse the transition to a low-carbon economy. SMMEs are thus essential for building resilience and adaptive

capacity in the face of climate change impacts. By supporting SMMEs in adopting climate-resilient practices and technologies, governments and organisations can help strengthen the resilience of local economies and communities to climate-related risks and disruptions. Climate change impacts the resilience, productivity, and profitability of SMMEs. Enabling them to green their business processes, products, and services is critical for securing future economic growth and decent jobs (ILO, 2022). Including SMMEs is also crucial for achieving environmental justice and a Just Transition to a social and solidarity economy (SSE) that leaves no one behind. By empowering SMMEs to embrace sustainability, innovation, and resilience, governments can catalyse the transition to a low-carbon economy that benefits people and the planet and secures prosperity.

The South African Constitution notably emphasises the importance of the environment, asserting that everyone has the right to a safe and healthy environment, and the protection of the environment for both current and future generations. (Republic of South Africa, 1996). This mandate involves preventing pollution, encouraging conservation efforts, and ensuring sustainable development and utilisation of natural resources while promoting fair economic and social progress. South Africa's Just Transition is situated within this commitment to sustainable development and social justice. Consequently, the Just Transition Framework for South Africa builds on the foundation of the country's legislative obligations to social and environmental justice, such as the Bill of Rights. Therefore, the shift towards a greener economy must encompass ecological sustainability and economic and social inclusivity. The Just Transition should thus not negatively impact workers and low-income communities, especially those that have depended on carbon-intensive industries for their livelihoods.

It should, however, be noted that South Africa faces numerous socio-economic challenges rooted in the historical legacy of apartheid, making it one of the most unequal societies globally due to the wealth gap between the rich and poor. For some, these adverse socio-economic conditions signal an unsustainable business environment in the country. (Anwana, 2020). Therefore, greater attention is needed to create an enabling environment to overcome these challenges. SMMEs are often deeply embedded in local communities and play a vital role in regional economic development. However, the benefits that SMMEs can offer are frequently overlooked and underutilised. By supporting SMMEs in transitioning to a low-carbon economy, governments and stakeholders can promote sustainable livelihoods, create green jobs, and stimulate economic growth at the grassroots level. This approach contributes to building a SSE where resources are distributed more equitably and communities are empowered to thrive harmoniously with the environment.

2.2 Local green entrepreneurs and local economic development

Local economic development is when LGEs can make a significant impact, as SMMEs are typically rooted in their communities. Supporting these businesses in transitioning to a low-carbon economy can foster local economic development, create new opportunities for entrepreneurship, and reduce dependency on fossil fuel-intensive industries. With South Africa facing high levels of unemployment – the official unemployment rate stood at 32.9% in the first quarter of 2024 (Maluleke, 2024).

SMMEs are crucial contributors to employment generation, employing between 50% and 60% of the workforce and contributing around 34% of the GDP (International Finance Corporation, 2019). Although the growth in the number of SMMEs over the past decade has lagged behind economic growth, their contribution to South Africa's gross value-added (equivalent to GDP before taxes and subsidies) has significantly increased, rising from 18% in 2010 to 40% in 2020 (OECD, 2022) Furthermore, the NDP envisions that SMMEs will create 90% of new jobs and contribute 60% to 80% of GDP growth by 2030.

However, the COVID-19 pandemic caused considerable damage to the global economy, with SMMEs being particularly hard hit. It is estimated that before the pandemic, in 2019, there were 2.2 million SMMEs active in South Africa, with 1.6 million being informal and 625 000 being formal businesses. The impact of the lockdown measures the South African government put in place led to a 25% decrease in informal enterprises between the first and second quarters of 2020, dropping from 1.6 million to 1.2 million enterprises. For formal enterprises, the effect was delayed; registered small enterprises initially increased by 2% (15 000) in the first two quarters of 2020 before experiencing an 11% decline. Looking at employment in the country, SMMEs contributed to 66.5% in the first quarter of 2019 compared to 54.3% in the first quarter of 2018. The pandemic, however, reversed this progress, with it being recorded that SMME contribution to employment in South Africa dropped to 63.5% in the first quarter of 2020 (NPC, 2023). Thus, SMMEs need support in overcoming the ramifications of the COVID-19 pandemic and capitalising on the opportunities presented by the Just Transition.

It is crucial to recognise that the Just Transition cannot be achieved in isolation, as SMMEs play a pivotal role in transitioning to a low-carbon economy. SMMEs significantly contribute to local development and economic activities. (Montmasson-Clair & Mudombi, 2019; DFFE, 2021). They are essential for unlocking opportunities for growth and job creation in the Just Transition, as they “play an important role in South Africa’s economy and society by providing income generation and wealth-building opportunities for people who might not be able to access more formal alternatives”. (DFFE, 2021). It is important to note that despite facing historical suppression, particularly under the apartheid regime, SMMEs in South Africa have struggled with challenges related to land, access to finance, infrastructure, education, and training. Nevertheless, SMMEs remain a critical source of innovation and climate change adaptation in fostering a just transition. According to the DFFE, “[SMMEs] offer a wide range of local business actions that provide crucial insights for innovation and adaptation in support of technological and social change, productivity, and market access”. (DFFE, 2021:73). This role is crucial for uplifting vulnerable groups, such as women, youth, and people with disabilities. SMMEs can thus play a vital role in ensuring these groups are not left behind in South Africa’s transition to a greener economy.

It is well-reported that the green economy has widened economic opportunities and opened new markets worldwide since the popularisation of the green economy post the 2008/2009 global financial crisis. (Mukonza, 2016) This is no different in South Africa, which has seen an increase in LGEs. This mirrors an increasing recognition of climate change and the rising demand for sustainable products and services.

In a report by the authors (Hattingh & Hector, 2024), it is noted that considerable opportunities are available for SMMEs within the energy, water, and waste sectors in the Just Transition. The report illustrates how SMMEs have capitalised on the green economy, actively engaging in these sectors and significantly contributing to their local communities. Through innovative solutions, these enterprises address community-specific challenges and stimulate regional economic growth. The growth of green SMMEs is also being supported by governmental support through policies such as the South African Renewable Energy Masterplan (SAREM), which outlines significant opportunities for SMMEs in the energy sector:

- Solar Power Installation and Maintenance: SMMEs can specialise in installing and maintaining solar photovoltaic (PV) systems for residential, commercial, and industrial clients, including rooftop solar installations, off-grid solutions for remote areas, and solar panel maintenance services.

- **Wind Turbine Maintenance:** With the increasing deployment of wind energy projects in South Africa, there is a growing demand for wind turbine maintenance services. SMMEs can offer blade inspection, gearbox maintenance, and turbine performance optimisation services.
- **Energy Efficiency Consulting:** SMMEs can provide energy audit services and consulting to help businesses and organisations identify opportunities for energy efficiency improvements, including recommendations for energy-saving technologies, behaviour change initiatives, and sustainable energy management practices.

In the water sector, the privatisation of water treatment through the Independent Water Producers Scheme is expected to change the management of infrastructure in South Africa (Foster et al., 2022). While large corporations can tender for significant opportunities, SMMEs can access smaller supplier development opportunities. The Water and Sanitation Master Plan (Department of Water and Sanitation, 2019) and the Green Cape Market Intelligence Report (2023) provide detailed information that SMMEs can use to understand market opportunities. Key areas include:

- **Water Infrastructure Maintenance:** SMMEs can specialise in the maintenance and repair of water infrastructure, including pipelines, pumping stations, and water treatment facilities. This includes preventive maintenance, emergency repairs, and rehabilitation of ageing infrastructure.
- **Water Conservation Services:** SMMEs can offer water conservation services to help businesses, municipalities, and households reduce water consumption and improve water efficiency through leak detection, water metering, and water-saving technologies.
- **Rainwater Harvesting and Greywater Recycling:** SMMEs can provide services for rainwater harvesting systems and greywater recycling systems, helping clients reduce reliance on municipal water supplies and minimise water wastage.

Waste management in South Africa faces significant challenges due to constrained landfill capacities. Despite the unclear total volume of waste to landfills, solutions for waste management at the source and increased circular economy initiatives are being implemented by organisations such as the National Cleaner Consumption and Production Centre and local municipalities. Some opportunities for SMMEs in the waste sector include:

- **Recycling and Waste Management:** SMMEs can specialise in recycling and waste management services, including the collection, sorting, processing, and recycling of various waste streams such as paper, plastics, glass, and metals. This includes setting up recycling facilities, operating material recovery facilities (MRFs), and implementing waste diversion programmes.
- **Organic Waste Management:** SMMEs can offer solutions for organic waste management, including composting, anaerobic digestion, and biomass conversion, helping businesses and municipalities to divert organic waste from landfills and produce valuable resources such as compost and biogas, especially given the recent focus on banning organic waste from landfills.
- **E-Waste Recycling:** With the increasing volume of electronic waste (e-waste) generated in South Africa, there is a growing demand for e-waste recycling services. SMMEs can specialise in collecting, dismantling, and recycling electronic products to recover valuable materials and reduce environmental pollution.

By capitalising on these opportunities, SMMEs can enhance infrastructure and service delivery in South Africa while promoting sustainability, innovation, and economic growth. Government support, access to finance, and capacity-building initiatives can further strengthen the role of SMMEs in driving the transition towards a more resilient and inclusive economy.

SMMEs are thus pivotal in the shift to a Just Transition, actively working to decrease carbon emissions, conserve water, improve energy efficiency, adopt renewable energy, and practice responsible waste management. Therefore, the role of LGEs in spearheading eco-innovation is crucial for advancing towards a low-carbon economy. The South African government often highlights the importance of LGEs/SMMEs in the green economy in various Just Transition-related policies and programmes. However, SMMEs in the green economy continue to face several barriers that negatively impact their contribution to the Just Transition. These barriers are complex and multifaceted, related to market access, funding, compliance and governmental red tape.

3. SMME Barriers in the Just Transition

SMMEs in South Africa exhibit considerable diversity and, despite sharing common challenges such as limited access to finance and skill shortages, they often encounter unique obstacles shaped by their specific environments or target markets. For instance, township SMMEs in South Africa are frequently driven by the need to address immediate necessities or to tackle social or environmental issues within their communities. Moreover, the growth trajectories of township SMMEs differ significantly from those of more formal SMMEs (Bvuma & Marnewick, 2020).

The same could be said for SMMEs that operate within the green economy, as they face several internal and external barriers affecting their ability to succeed. As highlighted in a report by the authors (Hattingh and Hector, 2024), some of the key obstacles faced by SMMEs in the Just Transition are a lack of governmental support, governmental red tape, access to funding, access to markets, adequate resources and skills and infrastructure related issues.

3.1. Access to markets and funding

Although new economic opportunities have emerged with the popularisation of the green economy and a global shift toward low-carbon, there are, however, barriers to entry due to rising competition. For instance, in the waste sector in South Africa, a common issue is the inability of SMMEs to compete with larger corporations, often losing municipal waste management contracts due to limited track records. There is thus a greater need to support SMMEs in the green economy, or they risk being left behind (ILO, 2022). The inability to compete with larger corporations is indicative of the overall nature of the South African economy, which offers limited market access for SMMEs, particularly those SMMEs that are owned by women, youth and people with disabilities, with SMMEs located in rural and township areas lacking adequate support mechanisms. These challenges are exacerbated by factors like loadshedding, which hinder SMME performance and contribute to their failure. (Parliamentary Monitoring Group, 2019). In the energy sector, marginalised communities and individuals frequently encounter intense market competition, primarily due to the capabilities and resources of inclusive SMMEs in non-marginalised areas (Hattingh & Hector, 2024c). A significant barrier that SMMEs in the energy sector experience, especially individuals with disabilities, is accessing markets compared to more established SMMEs and large enterprises active in independent renewable energy projects (Hattingh & Hector, 2024c).

Securing finance continues to be a critical challenge for green SMMEs. Although government, Development Finance Institutions and private sector financial institutions have made efforts to

develop the SMME sector in South Africa, the SMME sector continues to face access to finance challenges. This, in tandem with other external and internal issues, have made growing green SMMEs a complex problem in South Africa (Hattingh & Appies, 2022). Research has shown that a diverse range of enterprises owned by women, Black individuals, and youth are actively contributing to solutions for South Africa's significant issues of poverty, inequality, and unemployment. Despite their efforts, these LGEs face substantial barriers in accessing finance, which hampers their growth. For some youth-owned businesses still in the early stages of development, these financial constraints prevent them from launching successfully (Hattingh & Appies, 2022).

Limited access to funding may stem from various factors, including low productivity, inadequate capital accumulation, and failure to meet commercial loan criteria set by banks (ILO, 2022). Access to sufficient financing is crucial for the growth and success of SMMEs, influencing the development of skills, labour, infrastructure, and logistics. Limited access to funding thus significantly jeopardises the survival of entrepreneurs in South Africa (Sibiya, Van der Westhuizen & Sibiya, 2023). This is an area of particular concern when assessing green SMMEs, as they often lack the support the scale their operations. "In the past local green enterprises have been overlooked by financial regulators who have been excluded local green enterprises from public investment, inhibiting their growth" (Green Economy Coalition, 2023:7). The reason for this has predominantly been that green SMMEs do not meet the "normal" standards when compared to "normal" SMMEs.

Many banks still view green SMMEs as high-risk due to their perceived lack of sufficient collateral to secure loans. According to a Caribbean Natural Resources Institute (CANARI) report, many green entrepreneurs do not possess the traditional assets typically required as loan collateral (Thanoo, Mitchell & Leotaud, 2021). These issues were underscored during a waste sector workshop hosted by the authors in April 2024. Speakers, including government officials, industry experts, and entrepreneurs, highlighted difficulties accessing funding and business development support, especially for startups. They stressed the urgent need for interventions in an ecosystem that currently lacks support (Hattingh & Hector, 2024b). Despite efforts by the national government, such as the Recycling Enterprise Support Programme, aimed at providing financial assistance to small businesses in the waste sector, only 56 startups, SMMEs, and cooperatives have received support in its first six years of operation (SA News.gov, 2023).

Access to finance issues becomes even more complex when female-owned, youth-owned and people with disability-owned green SMMEs are considered. In Africa, a significant gender gap persists in access to green finance, estimated at around US\$42 billion. UN Women notes that green finance is predominantly distributed through commercial banks, which are not well-equipped to address the specific needs of small businesses, where most female entrepreneurs are concentrated, often lacking sufficient collateral (UN Women, 2024). In South Africa, women face substantial barriers to empowerment and economic inclusion, particularly in the labour market. The high unemployment rate among women highlights this challenge. According to Stats SA's report for the first quarter of 2024, the national unemployment rate was 32.9%, while the rate for women was significantly higher at 35.2%. Among these, black women are the most affected, with an unemployment rate of 39.2% during the same period (Maluleke, 2024). According to Hattingh and Hector (2024a), enterprises such as those owned by people with disabilities often encounter challenges in securing financing due to factors like insufficient collateral, lack of financial literacy, and biases from financial institutions. Without proper funding, these businesses may struggle to engage in procurement processes or invest in essential equipment and resources.

3.2 Government support and reducing red tape

Findings from numerous engagements with SMMEs in green sectors indicated a greater need for governmental support, though this is often a complex task (Hattingh & Hector, 2024a). One of the challenges in supporting LGEs is the lack of understanding regarding their nature. Therefore, support for LGEs must be provided intentionally and holistically, considering their specific needs and positions. Many entrepreneurs who took part in a study by Hattingh and Hector (2024a) were regarded as innovators rather than traditional businesspeople, often motivated more by the socio-economic conditions they encountered than the pursuit of profit. For example, a young black female entrepreneur in the waste sector noted that her motivation for starting her business stemmed from the issue of plastic pollution in her community (Hattingh & Hector, 2024b). Similarly, in another interview, a youth-owned recycling SMME in the Western Cape noted that it aimed to make recycling more accessible and equitable, viewing business as a tool to create environmental and social impact. Another female-owned SMME working in the water sector indicated in an interview that she committed her life to bringing positive change to her local community based in the Mpumalanga province where she grew up. She is aware of the shift from coal to renewable energy, and she felt positive about the economic opportunities that a Just Transition can offer to build low-carbon industries. Her experience of coal mine air pollution and water pollution motivated her to start a green business that can benefit the environment and her community members by providing food security (Hattingh, & Hector, 2024d). She is in the process of setting up a fish farm using a circular economy business model and low-cost affordable technologies that are easy to set up. This SMME attended over 11 youth-based entrepreneurial development programmes and still faces multiple business barriers due to a limited track record. Many of these programmes were offered as government support initiatives.

Considerable work remains to be done to create an ecosystem that fosters greater inclusion. Many SMMEs, often found within small communities, are innovators who have developed unique solutions to address climate change issues in their areas. However, the nature of their work usually conflicts with what is outlined in policy. Many policies and bylaws are frequently seen as outdated or out of touch with the evolving business environment and technological advancements. Therefore, procurement strategies and policies must adapt to the changing landscapes in sectors such as energy, water, and waste, especially with the emergence of technologies like waste-to-energy and digital platforms.

Furthermore, SMMEs are often faced with burdensome governmental regulations and red tape. For instance, considerable advances have been made in the waste sector in South Africa with the introduction of the EPR and the revision of the National Waste Management Strategy in 2020; however, a mismatch between policy intentions and implementation continues to persist. For many SMMEs, there are significant issues surrounding licensing, particularly for newcomers and startups in the waste sector. It was also noted that engaging with local authorities presents numerous challenges due to the bureaucratic red tape involved in applying for licenses, procurement, and adhering to local bylaws (Hattingh & Hector, 2024a). This is especially problematic for green entrepreneurs who provide essential services to communities but face barriers beyond their control. Key informant interviews and participants in the sustainable waste management workshop further emphasised these challenges (Hattingh & Hector, 2024b), highlighting the need to reduce governmental red tape. One respondent noted that existing governmental policies and compliance requirements need revision, as they make it difficult for SMMEs to enter and survive in the waste sector.

As per Hattingh and Hector (2024a), government regulations can sometimes create difficulties or increase costs for green SMMEs attempting to implement renewable energy and energy efficiency measures in the energy sector. For example, zoning laws or building codes might prohibit the installation of specific renewable energy systems or require costly permits. Enterprises owned by marginalised citizens, such as people with disabilities, may lack the resources or expertise to navigate these procedures effectively, making it challenging to access procurement opportunities. Despite legal protections against discrimination, PWD-owned enterprises may still encounter bias and prejudice from procurement officials or other stakeholders in the renewable energy sector. This bias can manifest in various forms, such as stereotypes about the capabilities of PWD-owned businesses or unconscious bias in procurement decision-making processes (Hattingh & Hector, 2024a). A similar issue is evident in the water sector, where regulatory obstacles and administrative burdens hinder SMMEs from securing financing. Complex licensing procedures, ambiguous land tenure issues, and excessive bureaucratic red tape can discourage investors and lenders from offering financial support, especially to businesses in underserved or marginalised areas (Hattingh & Hector, 2024a).

3.3. Resources, skills and infrastructure

Due to the nature of their work, green SMMEs require specialised skills. According to GreenCape (2024), due to the specific skill requirements of green SMMEs, academic institutions often fail to produce the specialised skills these businesses need. As a result, SMMEs must invest in training and upskilling graduates themselves. Even when individuals possess the necessary skills, green SMMEs still face competition from larger corporations, which have more significant financial resources to attract skilled employees. This is particularly noticeable in the renewable energy sector, where there is a lack of skilled labour in specific areas such as engineering, project management, and other technical roles, which is exacerbated by the limited resources of SMMEs (Hattingh & Hector, 2024a). While TVET colleges and the localisation education scheme have been established to include youth and women in technical labour, this has not necessarily translated into market and capital access in the renewable energy sector. As a result, large enterprises remain highly competitive, often to the exclusion of SMMEs (Hattingh, 2023).

Furthermore, entrepreneurs require the skills to run their businesses successfully internally. This is especially important for newcomers and startups, which need such skills to grow their businesses. As noted by Hattingh and Hector (2024a), compliance and financial readiness are of the utmost importance for SMMEs in South Africa, as compliance and access to funding go hand in hand. There is thus a need for de-risking entrepreneurs to meet funder requirements and make these businesses bankable and attractive for prospective investors. A study by Muswema and Oelofse (2020) on SMMEs in the waste sector in Kwazulu-Natal revealed that long-term sustainability is a significant issue, with some SMMEs struggling to remain viable without support. This highlights the importance of compliance, emphasising that SMMEs in the waste sector need to understand and possess financial and operational management, as well as accounting skills. These skills are crucial for SMMEs to become successful and bankable. "SMMEs should be aware of what is expected of them if they are to access better terms of loans..." (Muswema & Oelofse, 2020:7). Possessing the appropriate skills and equipment necessitates substantial resources and investment, which many green SMMEs lack in terms of infrastructure and financial capacity. These internal challenges extend to the development of business models, financial management, and human resource management. Moreover, access to information is a significant barrier, particularly for SMMEs and newcomers to the green economy.

Focusing on compliance and bankability is thus a crucial component for green SMMEs, as participants in the sustainable waste management focus group highlighted the need for support and training in

areas such as compliance, financial management, and marketing (Hattingh & Hector, 2024b). In a workshop discussion on the renewable energy sector, it was noted that financial management is a particular skill that has been a debilitating issue for young entrepreneurs who lack experience and have limited access to financial services such as internal auditors and accountants (Hattingh & Hector, 2024c).

Lastly, an issue that keeps recurring in the energy, water and waste sectors is the issue around infrastructure and land. Lacking proper infrastructure or land can constrain green SMMEs, especially newcomers and female, youth and PWD-owned green SMMEs. In some cases, a lack of infrastructure may act as a barrier to entry for these SMMEs and hinder their ability to compete with more established firms and make the procurement process even more complex. This is particularly noticeable in the waste sector, as the waste recycling sector is one that is dependent on volume. A 2018 SEED report underscores that the viability of SMMEs in the waste management sector is significantly reliant on waste volumes. As a result, these entrepreneurs require adequate storage facilities, essential equipment, and transportation such as trucks to handle larger quantities of waste. The report reveals that many waste entrepreneurs are impeded by the high costs of these resources, which acts as a barrier to their success. Moreover, securing operational space, particularly in industrial zones, is prohibitively expensive due to the extensive areas needed for efficient operations, encompassing waste receipt, sorting, handling, processing, and pre-shipping storage. To mitigate expenses, some entrepreneurs opt to rent smaller spaces and manage aspects of their business, such as storage and handling, from their homes (Meyer & Mkhabela, 2018). However, this strategy incurs additional costs for transporting waste between residential and business locations and may violate municipal zoning regulations.

Furthermore, inclusive SMMEs must have the capacity to incorporate marginalised labour, which necessitates resources, capital, and specialised machinery to foster inclusive participation. However, limited capital and financial constraints hinder their ability to achieve significant internal inclusivity. Additionally, individuals with disabilities require a constant supply of electricity, which is unreliable due to frequent loadshedding. This situation escalates operational costs as SMMEs are compelled to invest in costly renewable energy alternatives (Hattingh & Hector, 2024a).

4. Concluding Remarks

Establishing a Just Transition in the context of South Africa is indeed a complex and multifaceted endeavour. As such, a holistic approach to understanding what needs to be done to create a more inclusive (green) economy is thus required. The South African Just Transition has room to offer more inclusive opportunities for newcomers (LGEs) by facilitating more accessible access to emerging green industries and unlocking economic opportunities. It is imperative for policies to evolve and establish a supportive green economy ecosystem that nurtures marginalised SMMEs, promoting fair trade and inclusive participation in a low-carbon economy.

Harnessing the potential and resilience of SMMEs to drive sustainable development and eradicate poverty in South Africa should be a central focus of the Government, supported by a robust green economy ecosystem. By prioritising the inclusion of SMMEs in the Just Transition process, the National Government can unlock the potential of LGEs as catalysts for sustainable economic growth, job creation, and community development. We are already witnessing significant work being done within the energy, water and waste sectors. In the waste sector for example, eco-inclusive enterprises are becoming vital, especially in the discussion around waste picker inclusion and micro-enterprises in small, rural communities and townships. Here, the social enterprise approach is often stressed and

has become associated with the co-operative model – but this has not seen significant success in South Africa. However, the 2018 SEED report does highlight the need to support eco-inclusive waste management enterprises as a more sustainable alternative (Meyer & Mkhabela, 2018). For these enterprises to contribute effectively to the Just Transition, they require support that extends beyond mere political commitment. These social enterprises are crucial in fostering relationships between waste entrepreneurs and local governments, serving as platforms for support and market access. Non-profit social enterprises can play essential socio-economic roles, especially those that assist micro-entrepreneurs run by youth, people with disabilities, and women. Furthermore, within the renewable energy sector the voices of social ownership are becoming increasingly more vital. Social ownership of renewable energy is crucial for addressing the country's disparities. Involving communities in renewable energy projects provides an opportunity to uplift marginalized areas by creating jobs, fostering skills development, and providing much-needed electricity access. Swilling (2019) asserts that community ownership of renewable energy is essential. He notes that countries like Denmark and Germany have driven their renewable energy revolutions through cooperatives. Although policy shifts, such as the SMME & Cooperative Finance Policy (DSBD, 2023), have favoured cooperatives, this policy has yet to link finance specifically for cooperatives in social ownership of renewable energy.

South Africa is undoubtedly making significant progress in laying the foundation for the Just Transition through its policies, such as the Just Energy Transition and the promotion of and focus on becoming less carbon-intensive and looking toward becoming a forerunner in Africa's green economy drive. Although this is commendable, there needs to come a time where the nation's technological strides, political commitments and policy imperatives to combat climate change matches its moral authority. Therefore, the Just Transition needs to create a green economy ecosystem that supports community-based, public, and inclusive ownership and uplifts those who are most likely to be negatively impacted by the drastic effects of climate change.

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