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WHEN Different BRAINS Connect NEW Solutions SOLVE Old PROBLEMS



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It has been two decades since Jules Newton had a vision; an Avocado vision. From humble beginnings, the core focus of the business was training. In essence, empowering people to develop to their full potential. Avocado Vision has stood the test of time and evolved; it has enthusiastically embraced the principles of Transformation. The result of Avocado Vision working in communities across South Africa is the building personal financial skills and business acumen that benefits micro business owners.

South Africa is staring down a looming water crisis. It's not a surprise, it's been creeping up on us for years. Small bands of tree-huggers have been warning us for decades. They have been putting their hearts and souls into mitigating the disaster with limited resources and lip-service support at best, from most. Take Cape Town, our second-largest metropol, facing Day Zero. We can no longer leave it to the tree-huggers to solve the issue – talent and resources from the corporate sector are needed to address this matter on a scale that will make a meaningful impact on our long-term water security.

The questions that must be addressed are:

- 1 How can we use existing compliance tools, market-driven solutions, as well as both the corporate and public sector imaginations, to solve the water security challenges facing our nation?
- 2 How can small businesses within the Environmental Sector benefit and grow to form part of the solution?

The Water Challenge

There is a sector that matters to each of us living in South Africa that currently has little corporate attention. It is a key identified risk that threatens South Africa as a whole. The sector in question is Environmental Affairs. The identified key risk is water security. One of the key battles, which Environmental Affairs has been fighting for over 20 years, is protecting our precious water resource. It is a continuous battle against the invasion of alien plants, which pose a genuine threat to the amount of water contained in our rivers. These plants are typically from other countries, with no local natural enemies, so they multiply with impunity. Our rivers and riverbanks have been overrun by these foreign invaders, which consequently use millions of litres of water to thrive and survive. Without invasive plants, water would flow freely into our water system to provide us with drinkable water. In fact, research reveals that this invasive foliage uses between three and six percent of South Africa's usable water! In a water-scarce country such as ours, this is water we cannot afford to lose!

The Natural Resource Management (NRM) team at Environmental Affairs employs about 4,000 contracted micro-enterprises that specifically provide invasive clearing and land restoration services in the Public Works 'Working for Water' programme. This programme, and other 'Working for programmes in the sector, form part of the most significant Green Programme in the world. It is renowned for its innovative approach to job creation and currently employs well over 50,000 people. At the same time, the programme is working towards protecting South Africa from the genuine risk of running out of water due to losing so much of our usable water to these invasive plants in our watercourses across our country.

The work they do is incredible, but it is not enough. Despite spending R2 billion a year on alien invader plant clearing activities, they are still losing the battle against the invaders. Research in the sector indicates that approximately R12 billion per annum would be needed to stand a chance of winning this battle. So, in a world where climate change is upon us and water scarcity is a real challenge in cities like Cape Town, we therefore, have to find a new approach.

Finding an innovative way to address this would not be for the 'tree-huggers' amongst us to have created a better world for us all, but the risk of not finding a new approach is too severe to contemplate. Basically, 'water shedding' is only a couple of years away.

If you consider how disruptive the electricity load shedding was on our economy a couple of years ago, that challenge will prove to be almost insignificant compared to the challenge of running out of water.

This isn't news to corporate South Africa. They know the stats. In fact, 80% of South African-based organisations currently list water security as a key risk area, although less than 20% of them currently have a strategy in place to manage the risk in any way. This isn't through a lack of appetite to act, but instead, it is because they are at a loss for what to do to mitigate this risk. There are talented government and university teams that have been grappling with this challenge for more than two decades, introducing innovative initiatives that have over that time been implemented. But there is still a piece of the conversation that is missing, namely corporate input and partnerships that will holistically go a long way towards solving the problem. Currently, there is not a lot of engagement taking place between government and organisations representing the Environmental Sector. However, the public sector and environmental scientists could do with the commercial acumen and resources of corporate South Africa to help solve this problem at a significant enough scale to impact our water security risk positively.

To a lesser extent, corporate South Africa has been getting involved on the fringes by contributing CSI funds to support existing programmes. However, due to the sheer magnitude of what is needed, CSI budgets will not bridge the annual R10 billion gap necessary to address the water security issue adequately. So, there is a dire need for corporate South Africa and government to join forces to tackle this challenge and it begins with a conversation about Enterprise Development.

New Collaborative Thinking

Currently, there is an unlikely team of people from various fields of expertise investigating how to incorporate Enterprise Development to solve this key, but complex, challenge facing South Africa. They hail from government and the Environmental Sector, to beer makers, community educators, environmental activists, and those operating in the economic, banking, mining, transport logistics and business sectors, to name but a few.



The conversation begins with the Enterprise Development challenge at the one end and the water security challenge on the other. So how can we, a gathering of concerned and talented citizens, with corporate, government and civil society positions, solve this challenge collectively? How can we successfully impact water security in our country? Is there a solution that moves beyond traditional approaches to solving the challenge which creates shared value, positive economic impact and growth opportunities to the small business sector during the process?

Can development be party to solving the water crisis?

The Amended Codes have challenged corporate South Africa to unequivocally focus on stimulating economic growth by supporting the small 'Black' business sector. Emphasis was placed on this through the introduction of the Enterprise Development and Supplier Development elements of the Amended Codes, which makes sound business sense.

The 'Anchor Client' is one of the key success factors for the low percentage of small businesses that survive past the first five years of operation. Within this 'Anchor Client' relationship lies the opportunity for predictable cash flow, reliable revenue through off-take agreements, as well as access to skills and development for the beneficiary businesses. For the 'Anchor Client,' it translates to investing in their supply chain while complying with the expectations of the Amended Codes.

Legislatively pushing organisations to support small business within their supply chains was a genius move to harness both corporate resources and talent to solve some tough socio-economic challenges, which our country faces. I have been heartened in conversations with corporate South Africa over the past year, who have been putting enormous amounts of strategic thought into managing their Supplier Development spend within their supply chains. All but gone are the days of 'tick the box' or spend-to-comply' methodologies, replaced with robust processes aimed at longer-term sustainability. I think once we have addressed the state thievery and groaning of State Owned Enterprises that is currently draining our economic growth prospects, we are going to yield some positive results, as initiatives presently being put in place begin to bear fruit.

I'm not sure if it was the original intent of Enterprise Development and Supplier Development to harness corporate resources and talent to solve societal challenges, but it has been effective. The way I see it, once corporate South Africa was compelled to spend to grow 'Black'-owned businesses within their supply chains, it became serious; sustainability became critical; efficiency and quality became key. Insight on how to build shared value between organisations, their suppliers and their customers began to unravel. Hence small businesses in supply chains started to become more robust. Therefore, I believe this will reveal real growth built on real business, putting us all on the road to economic empowerment and sustainability. Mostly, Enterprise Development and Supplier Development operating within existing value chains provide the best version of small business development that exists so far!

The Development Challenge

So let's unpack the 4,000 odd small businesses currently in the supply chain of the Department of Environmental Affairs, otherwise known as Green Businesses. These are typically small, 'Black'-owned businesses. Their core activity is clearing alien invasive plants from the rivers and riverbanks, and in some instances restoring landscapes. The Green Business owner typically owns a bakkie and clearing equipment. They employ up to 11 people or as many as they can fit onto the bakkie. Generally, these businesses live hand to mouth, only surviving on intermittent clearing contracts with periods of zero economic activity. The result for many is indebtedness and a spiral of poverty. Others, however, have built a business acumen which provides cash flow, allowing them to employ larger teams. Consequently, this qualifies them to enter into more substantial and extended service contracts.

Currently, there is a lack of sustainability in the Green Business environment. There is an unhealthy dependence on government funded agencies to supply work packages, especially in remote and rural areas. Their inability to build alternative revenue streams besides the intermittent NRM work exacerbates their instability. Seasonal work has a negative impact on cash flow and managing debt commitments for critical assets such as a bakkie for transport or equipment to carry out the actual work. This is a core challenge for Green Businesses and their investors.

The negative social impact of these unsustainable Green Businesses is profound when you consider the 50,000 people employed by the sector and the families depending on an unstable income. There is a further implication for NRM as they continue investing in the up-skilling of new Green Businesses and their employees, knowing the inevitable churn that takes place annually. Therefore, creating solutions to make Green Businesses more sustainable through continued reliable income will have a positive effect on community livelihoods and secure much-needed economic activity in rural communities.

A market-driven Solution

The work-flow of many small Green Businesses could be described as 'cut and go'. They are contracted to clear swathes of alien invasive plants. Mostly the biomass remains on the land from where it was cut due to the cost and logistics of moving the biomass, which further makes the initial activity unviable.

Therein lies the golden opportunity; the biomass, in many cases, has a value. There are currently small programmes afoot that are proving again that there is value in biomass. For example, alien biomass could be used for a broad range of value-adding products in energy, agriculture and wood fibre value chains. I've seen scientists experimenting with black wattle leaves to create winter feed for cattle; others are making fire-proof building materials as starter kits in squatter camps; the manufacturing of school desks from invasive gum trees. Many of these are gems of ideas that, with the proper incubation and commercial support, may link into existing supply and value chains in commercial operations.

These have the potential to create real revenue flows into the Environmental Sector. For instance, could alien biomass be used to manufacture pallets? Mining support? Is there a viable Alien Biomass Economy that can be built to create a real market for alien biomass? What could the size of this market potentially become? Could it, in fact, grow to the extent of the R12 billion necessary to secure alien invasive clearing. In short, could a Biomass Economy become the market engine to help solve the water security challenge?

These are great questions, but they need real research based answers. Enter the economists. One of the functions of Green Business working groups is investigating the viability of existing and potential value chains.

An essential part of the investigation is to ascertain whether small Green Businesses can participate in an Alien Biomass Economy. Corporate South Africa is intrigued by this approach. Many early adopters are getting on board, examining their supply chains and exploring how they could integrate an Alien Biomass Economy, or even, how they could produce innovative new products.

It is evident that the Green Economy is one of the fastest growing sectors that will reap the rewards in the future. As forward-thinking organisations across the world position themselves to take advantage of the opportunities that are evolving, this challenge creates a golden opportunity for exploration. It has all the ingredients of success; a positive environmental impact; business growth opportunities, water risk management, small business and economic development crossing over into the rural areas, and the blue sky innovation space. All it needs is nurturing so the thinkers can grow the potential and participate in the solution.

If you think your company would benefit from being part of this conversation, join it. Get in touch with me directly at jules.newton@bts.com.

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