ROMUN

STUDY GUIDE
ROUNDTABLE 5

JUMP BEYOND THE BORDERS AND FOSTER INNOVATION

Investing in Space, developing rural infrastructures and promoting high communication technologies

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Distinguished participants to ROMUN2015,
Honourable delegates,

It is with pleasure and a great sense of responsibility that I welcome you to ROMUN2015!

ROMUN2015, the most prestigious Model of the United Nations Organisation in Italy, is organised by the Italian Society for International Organisation/United Nations Association of Italy in partnership with the United States Diplomatic Missions in Italy, and will be held from 16 to 20 October in Rome, Italy. Its main theme is food security and sustainability. This is not a coincidence, as 2015 is an exceptional turning point for the international agenda on both issues.

Since the Millennium Declaration in 2000 and the Millennium Development Goals (MDGs), the United Nations are specifically working to raise awareness on the paramount importance of developing a sustainable way of life at all levels and addressing those critical matters, old as humanity itself, which are connected with the idea of a fully sustainable planet: granting basic education, reliable health services, and access to nutritious food for all.

The amazing technological shift, particularly in the field of communications, and the massive geopolitical changes of the past few years make it necessary to continue to work hard to overcome the challenge laid down 15 years ago with an effective and well-balanced agenda from today to 2030.

In recent months, great efforts have been made to develop a responsible and effective Post-2015 Development Agenda and in one week's time, from 25 to 27 September, world leaders will meet in the international UN Headquarters in New York in order to finally adopt a resolution for a sustainable development agenda which encompasses the next 15 years, setting 17 goals and 169 targets.

Italy is currently at the frontline of this international debate and, thanks to the EXPO2015 in Milan, a world exhibit wholly focused on food and sustainability, it is currently one of the most inspiring places to be worldwide. Rome, which houses the Headquarters of International Organisations such as the FAO, the IFAD and the WFP, provides the best location for a youth conference on food security and sustainability.

From Tuesday 15 September, we will launch, in collaboration with MunPlanet, an innovative Internet-based platform for Delegates to start negotiation over one month before the actual conference. Each of you will receive a personal invitation by email. All you need to do is to click on the link, log in, and start negotiating with young people from all over the world, both in your assigned Roundtable and in the General Assembly. In your Roundtable you will be responsible for representing your interests and proposals related to a specific topic, while in the GA you will be called to give your contribution to the draft ROMUN2015 Youth Roadmap. This is a unique opportunity to multiply the results of your efforts and proactivity, virtually extending the length of the overall experience from less than one week to over one month. Chairs and Rapporteurs will direct and guide you along the track.

Delegates and participants to ROMUN2015, you have a real chance to participate in human enhancement through the only worthwhile way: dialogue and mutual understanding. Don't miss it, make it count! I am looking forward to meet you all on 16 October in Rome!

Edoardo Morgante
Secretary General of ROMUN2015

Esteemed Delegates,

It is our utmost pleasure to present you the Study Guide for Roundtable V, whose subject this year will be *JUMP BEYOND THE BORDERS AND FOSTER INNOVATION - Investing in Space, developing rural infrastructures and promoting high communication technologies*. As some of you maybe remember from your high school geography and history lessons, when talking about Globalization and Industrial Revolution there was always the suggestion that a fourth Industrial Revolution was yet to come. This fourth Industrial Revolution would be mainly focused on information and telecommunications technologies which will facilitate business transactions as well as it will reduce its costs. Indeed, in the recent years, we have seen a number of technological startups take the lead in many sectors. Moreover, with the recovery of the 2008 Financial Crisis, the developed World is witnessing a revolution in the business sector as sustainable Small and Medium Enterprises are changing the way business is done and have been recognized to be great drivers of economic growth. Thus, we, the Roundtable V, have thought very relevant to focus on SME's, specially sustainable SMEs since empowering sustainable SMEs in emerging economies has become an important agenda for development agencies, since businesses, unlike charities or community projects, are expected to generate incomes and thus could reinvest their profits to scale up their activities, while delivering a socio-environmental impact and creating values for their community. Thus, a one-off investment or financial contribution would in theory suffice to kickstart a sustainable enterprise, whose benefits would continue over the lifespan of the business, essentially multiplying the value of impact created per unit of currency.

While capacity building frameworks for social enterprises and sustainable SMEs have been set up through various branches of the United Nations (United Nations Development Programme and United Nations Environmental Programme) as well as via development agencies such as the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), SIDA and USAid amongst others, the issue of financing and fundraising for sustainable SMEs has largely remained undeveloped and ignored by the international public sector until very recently. Thus our Roundtable is seeking to start an international dialogue on creation of global framework to finance sustainable businesses. During the conference, delegates will be expected to build a consensus on how to create an inclusive and effective model to boost sustainability agenda amongst the private sector newcomers.

The Study Guide below sets forth the main background details on the issue consisting of various thematical sections, followed by a variety of questions that the delegates may take into consideration in their discussions. Further sources for research will also be suggested at the end.

We remain at your disposal should you have any questions or concerns and we are looking forward to meeting all of you in Rome this October!

The Roundtable 5 Team
Angel, María, Haziq & Rocío
email@romunsioi.org

I: Introduction – Financing for Sustainable Businesses

Least developed, emerging and transition economies are particularly vulnerable to the consequences of unsustainable lifestyles and climate change and their resources to address these issues are limited. At the same time micro-, small and medium enterprises (MSMEs) are often unable to incorporate sustainable consumption and production (SCP) into their business models due to perceived incompatibility of sustainability agenda with profit-generation. Local sources of financing prefer to invest into businesses with proven business models, thus discouraging and disabling innovation and adoption of SCP by businesses. Existing ventures that promote SCP frequently remain non-revenue generating, non-commercial projects that depend on constant external funding. Those few that do transform their projects into businesses, often have to spend significant resources and time contacting multiple investors without knowing their target geographical area or industry. As a result sustainable MSMEs are unable to secure financing for a potentially profitable business opportunity. Likewise, existing MSMEs have no incentives to switch to SCP. Thus adoption of sustainable lifestyles by societies does not happen, as lack of financing precludes emergence of an organic competition of sustainable products and services, which could shift the cross-sectoral consumption and production patterns.

On the other side, impact investors, international organisations and development agencies in prosperous countries are actively seeking to invest into reliable business opportunities that can mainstream sustainable lifestyles – either enabling development of endogenous products and services or investing in integration of cleaner technologies and resource-efficiency practices into existing businesses. They are unable to find such opportunities due to lack of structured communication channels and lack of management capacities of MSMEs. Investors are flooded with large numbers of unsolicited investment proposals from a broad variety of unscreened MSMEs that may not fit their investment thesis or basic due diligence requirements. As a result many innovative project proposals and scalable sustainable businesses remain unseen and unfunded, while investors with funds available either reallocate these funds away from SCP or have to invest into subprime quality enterprises, which leads to allocative inefficiency of finances as well as failure and further discredit for sustainable business models.

Thus a framework to optimize information flows, educate businesses and match supply and demand for financial resources is urgently needed in order to kickstart market innovation for sustainable consumption and production.

II: Types and Attributes of Sustainable Businesses

Small and Medium Enterprises – need to be defined before we proceed to discussing sustainable businesses. By definition SMEs are businesses or start-ups that maintain their revenue and number of employees below a certain standard. However, every country has their own definition of what a SME is; ideally, it depends on the type of the industry the company competes in. For example, in the EU, a small-sized company is a one with 50 or fewer employees. A medium-sized company is a one with 250 or less employees. In emerging economies, these number are slightly lower. SMEs are a vital component of emerging economies. They play an essential role in innovation, creating employment, provision of goods and services to underprivileged sectors of the society, and generate growth by creating jobs and driving innovation. Moreover, stronger SME sector can bolster a country's resilience by broadening and diversifying the domestic economy, thereby reducing the vulnerability to sector-specific shocks and fluctuations in international private capital flows.

Sustainable business refers to the practice of improving profitability, competitiveness, and market share while preserving natural resources and ensuring people´s well-being on this planet. Furthermore, the business activity creates no negative impact on society, the economy, or the environment. While most businesses focus on the bottom line (profit), sustainable businesses have two other bottom lines: impact on society and environment.

In the last decade, SME's, in general, having been adopting a series of sustainable practices which allowed for a change to happen in business practices in the developed world that are now being spread around the globe. Sustainable SMEs are defined as companies that capitalize on commercial opportunities while generating environmental and social benefits as part of their core business (Hoff, 2007). Nevertheless, the lack of capital in developing countries makes the growth of sustainable SME's almost impossible. Dalberg Global Development Advisors, in its 2011 "Report on Support to SMEs in Developing Countries through Financial Intermediaries" argue that when asked to name the most severe obstacles to growth, SMEs worldwide listed financing constraints as the second most-severe obstacle, while large firms placed it only fourth

Sustainable businesses can be classified based on their following goals and principles:

- ***Environmental:*** It has reached relative maturity compared to the other two sustainable business reference matrixes, since several companies have been addressing environmental concerns for the past 10 years (E.g. growth of Green Markets and the European Commission IPP Policy). The environment approach involves carrying out activities such as finding sustainable solutions for the use of natural resources, reducing pollution and emissions, maximizing the efficiency and productivity of all assets and resources including improvements in the management of water, energy and materials.

- ***Social:***
    - *Human rights and labor standards*: creating workplaces free from discrimination, promoting learning and a balance between work and other aspects of life (agreed within the International Labor Organization´s standards)

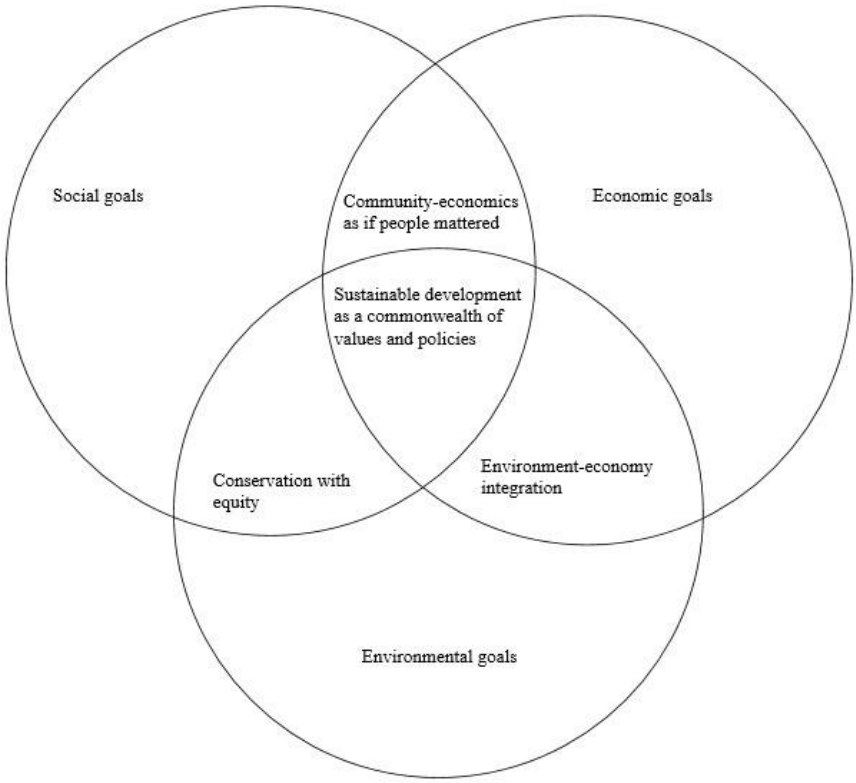
    - *Health promotion*: promoting positive health and safety at the workplace. Companies with products that can directly affect health are expected to reduce the negative impacts of their products/services. Critical health issues large multinationals can help

with are access to basic medicines, development of basic infrastructure for public health and combating HIV/AIDS. The World Health Organization´s work better exemplifies this matrix.

- *Community issues*: response to critical issues as education (e.g. sharing know-how and supporting training centers…), regional development (e.g. boost employees to engage in voluntary actions), poverty and maximizing donation´s impact. This is also referred as Corporate Citizenship focusing on philanthropy/social investment.

- ***Economic:*** It includes ethical trading and governance.
  - *Ethical trading:* It is in charge of regulating activities with suppliers and customers. An essential part of sustainable practice is supporting equal opportunities including supplier diversity and the protection of children.

As we can see in the following Figure, the model of sustainable development is well defined in three sets of references/indicators/best practices. Notwithstanding, establishing a universally applicable set of Sustainable business indicators may be impractical as there are plenty of variations of nationally and sector related influence factors. As we will see later, regional needs play also an important role when defining. Sustainable Business practices and matrix.



III: Global Mechanisms for Financing of Sustainable Businesses

Sustainable finance is the practice of creating economic and social value through financial models, products and markets that are sustainable over time. To mobilize the financing detailed in the preceding section and to facilitate its effective use according to national priorities, it is necessary to have an adequate enabling international environment and policy architecture that provides the policy space necessary to implement effective national sustainable development strategies.

Interactive multi-stakeholder dialogues with Member States, intergovernmental organizations, non-governmental organizations, business sector and other major groups engaged in the United Nations Conference on Sustainable Development are a must when talking about financing sustainable businesses. Hence, financial sources/landscapes for sustainable business can be classified into four categories: domestic public, domestic private, international public and international private sectors.

As a matter of fact, concerning the private access to capital (both international and national), it seems to remain a significant constraint on business and entrepreneurs operating in developing markets, which are often considered higher risk environments for investors. Many of the conversations worrying the international public access to capital is focused on broadening the role for the private sector and investors in development finance. As John Buckley stresses in a recent article and basing himself on the latest U.N. Financing and Development Conferences (FfD), it is clear that traditional sources of funding from the public sector and philanthropic institutions are not enough for sustainability plans. Investor´s capital can fuel development if the enabling environment is in place. Then, social entrepreneurs usually struggle with the dilemma of how to raise finance.

Nevertheless most of the times commercial investors do not understand or trust this kind of sustainability projects, since they are generally dismissed as loss-making. So the fledgling social enterprise looking for capital to grow can find itself falling between charitable and commercial funding, since our current financial system is simply not designed to meet the needs of organizations seeking to go further on sustainability. In response to the dilemma, social enterprises dedicated to provide personal loans as well as to give financial advice on sustainable ends are starting to flourish. Social financial instruments like this are just the very beginning of the process, and new institutions and funders are starting to come forward to meet this emerging market of socially mission driven businesses (e.g. crowdfunding, on-line platforms, micro-investments). However all these new measures seem to be not enough, and corporate organizations with deep financial and business expertise can play an invaluable role in helping social entrepreneurs out.

On the other hand, at the international public sphere, the United Nations Conference on Sustainable Development, the international community agreed to undertake a major effort to promote sustainable development globally. In this spirit, the General Assembly, in its decision 67/559, established the Intergovernmental Committee of Experts on Sustainable Development Financing, which included addressing the following precepts to help building a strategic approach to sustainability financing:

i) Ensure country ownership and leadership in implementing national sustainable development strategies, along with a supportive international environment;

ii) Adopt effective government policies as the linchpin of a sustainable development financing strategy

iii) Make use of all financing flows in a holistic way

iv) Match financing flows with appropriate needs and uses

v) Maximize the impact of international public finance;
vi) Mainstream sustainable development criteria in national financing strategies
vii) Exploit synergies across the economic, environmental, and social dimensions of sustainable development;
viii) Adopt a multi-stakeholder, people-centred and inclusive approach to achieve tangible results on the ground
ix) Ensure transparency and accountability of financing at the national, regional and international levels.

People have generally seen non-governmental organizations and philanthropists as key players alongside governments. However more solutions need to come out from developing countries, where entrepreneurs are witnessing social challenges and hence boost private financing as well. In this manner, donor agencies are exploring new financial mechanisms to support entrepreneurs and strengthen the ecosystem and some governments have created business-friendly legislation to encourage sustainability, ensuring access to microfinance when interest rates charged by commercial banks are too high for small producers. This way, we will obtain maximized effectiveness.

Furthermore, international organisations offer concessional loans to governments to support bank lending to SMEs, usually channeled through an SME agency or state bank. On top of this, some governments, like the UK's government, have created equity funds to finance SMEs. According to the report on the efficiency of these equity funds by the Department for Business Innovation and Skills, this type of funding is the most appropriate for young innovative businesses that are looking for modest amounts of funding (Centre for Enterprise and Economic Development Research , 2010). State-owned banks have also been shown to play a crucial role in SMEs support and funding according to the World Bank (International Finance Corporation, 2010).

When trying to evaluate the models of finance for SMEs, the International Finance Coproration identified 164 finance models covering the following areas:

1. Legal and regulatory interventions that enable SME access to finance;

2. Financial infrastructure components designed to help address information asymmetry and reduce transaction cost;

3. Public support mechanisms to foster SME financing; and,

4. Private sector models suited to provide sustainable financial services to SMEs

The most represented area was public support while legal and regulatory interventions were the least represented. Moreover, the International Finance Corporation outlines that initiatives located in middle-income countries represent the largest share of cases in the stocktaking (54 percent), while initiatives in low-income countries are the least represented (10 percent) (International Finance Corporation, 2010).

The financing of SME's is never easy but in developed countries these types of enterprises enjoy countless opportunities, especially sustainable SMEs as with the end of the 2008 Financial Crisis, Governments are more focused in engaging with more sustainable business practices. Nevertheless, the panorama is very different in developing countries where SMEs seem to be able to access more funding and governments usually are more effective in creating and implementing a series of regulations to protect creditors, which is essential in the granting funding. In Less Economic Developed Countries (LEDCs), SMEs, which are catalysts for economic growth, enjoy extremely limited opportunities for funding and external support. LEDCs' governments have very weak

regulatory measures when it comes to protecting creditors rights and there is, of course, a great fear in investors when it comes to countries that are political unstable. Moreover, it is true that grassroots approaches are good ways to grant micro-funding to SMEs but this are only suitable for smaller enterprises, when SMEs reach a certain level of growth they require higher amounts of financial support that only external investors, such as commercial banks, can give them as well as a series of regulations to attract greater investment, specially foreign investment.

IV: Regional Needs of Sustainable Businesses

Following the Marrakech Process regional stakeholders meetings on UN Sustainable Consumption and Production strategies, such as the African 10YFP, the LAC SCP strategy, the Arab regional strategy on SCP, the Asian Green Growth Initiative and the European Union SCP and sustainable industrial policy Action Plan all identified insufficient investments are a significant barrier to achieving effective growth of value chains that would incorporate and promote SCP. IBIS aims to respond to that need by boosting investments in resource efficiency across all regions.

Sustainable regional communities are places that meet the needs of its current population, future changes in communities and their needs. Regional communities usually need to work with all levels of government and the private sector to adopt a more collaborative approach to protect the environment and achieve sustainable goals by addressing environmental, social, and economic matrixes, as we saw above, through long-term strategic planning.

As stressed by the Sustainable Development Goals, financing needs differ not only across countries but across regions. There are very often specific needs in least developed countries, small island developing states, landlocked developing countries, countries in Africa and countries emerging from conflict that need to be taken into consideration when projecting a sustainable business plan. Challenges facing middle- income countries should also be addressed as well, just to mention some regional needs that may arise.

Moreover, linkages between the multi-stakeholder networks of sustainable businesses initiatives need to take into consideration the social, economic, political and cultural sensitivities that are specific to each area/region of the globe. Hence, each country/region ought to encourage and adopt locally grown approaches to sustainable businesses that are innovative, appropriate, gradual and applicable to the region. It would be a mistake to take the same approach dismissing regional inequalities, whatever the nature of these inequalities is.

An instance of such a regional, multi-stakeholder initiative was demonstrated in Tthe Marrakech Process Project Report belonging to the U.N. Environment Programme, which paves the way for Sustainable Consumption and Production (SCP). This Process has worked on developing capacity through regional workshops and trainings, and the implementation of demonstration projects at regional levels. These regional SCP programmes or strategies have been elaborated thanks to the participation of governments and experts, basing themselves on the several needs and key thematic priorities (such as energy, waste management, water, mobility, housing, agriculture and tourism), identified during the previous regional consultations. These final regional outcomes on SCP strategies/programmes have been endorsed by regional intergovernmental organizations, national governments and international organizations as well. This demonstrates not only the need to stress particular regional needs on the matter, but also the need to develop a multi-stakeholder and bottom-up strategy when dealing with sustainability issues.

V: Challenges of Sustainable Businesses in Emerging Economies

SMEs are imperative to the growth of emerging economies; however, the process of their inception, survival and success is extremely tough. From problems on the individual level to the government, from lack of expertise to the lack of finances, from harsh social conditions to the lack of economic awareness, these SMEs face a lot of different challenges.

Financial Constraints

For any business to act, finance is required at all levels; to initiate, to sustain, and to reproduce. In emerging economies, this factor is hardly ever present. This anomaly primarily stems from the fact that business owners lack financial information.

SMEs face this dilemma – business owners act as business managers. Generally, owners do not have financial expertise that normally managers do. What is my risk? How much risk am I willing to take? What will be my return of the defined risk? These questions need to be answered or at least analyzed prior to starting up any business. In emerging economies, business owners usually don't take these specifications into account and are unable to determine the financial position company has to, or is undergoing. They barely have finance departments that may overlook such scenarios. On the other hand, lack of financial information affects the activities that have been carried out together with the banks negatively. In spite of the fact that the credit types that are not related to covering the requirements have been preferred and the ultimate attention has not paid to reimburse the installments, the credibility of the firm has been negatively affected in the coming periods.

Moreover, even if financial information is catered to, there are very few investors or donors available in these emerging economies. Business owners do not know where and how to find any investor or donor. In cases where SMEs find donors or investors, the concerned parties have little or no idea about the type of industry they are about to invest in. Lack of knowledge and awareness makes the entire project costly and unsustainable.

Finally, the Dalberg Global Development Advisors report outlines a number of barriers to finance for SMEs. These barriers are as follows:

1. Banks are not adequately providing SMEs with capital in developing countries,
2. Banks can often earn high returns in their core markets, giving them little reason to take on additional risk in the SME market,
3. Banks incur higher administrative costs by lending to SMEs,
4. Banks have difficulty providing long-term capital,
5. Banks have difficulty providing tailored foreign exchange products,
6. Banks have limited information, skills and regulatory support to engage in SME lending.

The innovative financial intermediaries are identifying ways to channel more capital to sustainable SMEs whether through direct investment or using other mechanisms to bridge the financing gap (Hoff, 2007). These financial intermediaries are: funds which locally based ventures and target growth sectors such as renewable energies and clean technologies; and something that Hoff defines as "capital aggregators" which are internationally based funds with a primary focus on creating positive economic, social, and environmental impact by supporting sustainable SMEs and generating financial returns for investors (Hoff, 2007). VC Funds and Capital Aggregators, nevertheless, cannot alone face the lack of funding for sustainable SMEs as they operating under far from ideal conditions and carry great risks in each of their investments. Creditor rights and protection regulations need to still be addressed in order

to ensure that the financial intermediaries that are operating in the region incur less risks facilitating more investment and finally attracting investment from banks and other major investors.

Managerial Restrictions

SMEs, although with a thought-out, detailed business plan, often lack professionalism in emerging economies because there is lack of financial backing, business owners usually run the business themselves. They cannot leave the management decisions to professional managers who a) are not present and b) even if they are, they don't want to leave the production and development decisions to anyone else. These business owners have established the company with great zeal and endeavor; they cannot leave important decisions to anyone else. Hence, these owners face managerial difficulties as a result.

Business owners are consequently forced to make decisions for themselves that are often hasty and costly. What may seem minor problems to them in the beginning, accumulate over time and become a major problem over time. By that time, because there is no management, feasibility reports cannot be generated, effective cost-benefit analysis cannot be catered to, additional, unnecessary costs are added and a lot of time is consumed with little or no result.

Personal Gains VS Societal Gains

In emerging economies, most business owners have the sole purpose of profit and nothing else. They will do whatever it takes to earn profit. Firstly, with a lack of expertise, financial information and resources, capable management, earning profit is not an easy task. Secondly, suppose that these SMEs do earn profit, they hardly ever have the sustainable goal in their mind. Environment to them is a background that does not affect them. Wastage is very common and environmental hazards are a routine product of these SMEs. Their personal gains outweigh the societal gains in absolute terms; there is hardly a midpoint.

Limited Production Capacity

As stated before, due to lack of financial resources, the production capacity of SMEs in emerging economies is limited. This means that the cost of production is inevitably high. Business owners may or may not keep this in mind while drafting their business proposals. High costs entail lower initial profits which demotivates the business owners resulting in a lack of conviction and development ideas.

Absence of Technology

There are very few SMEs in emerging economies that adopt new, latest technological means of production. This is, of course, subject to investment. Majority of SMEs are labor-intensive and the advantages of technology are not being utilized that saves time and cost. The establishment of SMEs is such a huge deal for these business owners that technological breakthroughs are a farfetched idea for them.

Lack of Knowledge of International Markets

Business owners are so occupied with the local markets that they do not have sufficient information how the international market operates. This is very important in order to understand how markets operate internationally or in same/different regions. The progress of an SME can be increased many folds once such valuable information is gathered. Moreover, because they lack training, their products

cannot be produced at western standards. Hence, exports are barely an option and revenue generation becomes extremely tough.

Inefficient Business Plans

An investor will only invest in a plan if it is detailed enough to outline profits in short and long terms. Business owners in emerging economies, owing to their lack of education and knowledge, make inefficient business plans. Certain parts of the incomes earned by these SMEs are used as their personal expenditures by the business owners leading to corrupted cash flows and ineffective future investment plans.

VI: Role of Scaling Up of Businesses for Sustainable Agenda

Businesses need to change their strategy from having the spotlight of their activities on production (e.g. controlling and optimizing their existing production processes) to a more sustainable consumption focus (e.g. influencing and encouraging sustainable consumption patterns) to address the product and service needs of a sustainable society. Since sustainable living business models are considered to be new practices and relatively new, they might be subject to further study, increase and development.

This is exactly what scaling up is about. The impacts derived from sustainable living business can be achieved by increasing their positive impacts in one primary hotspot or by expanding their positive impacts on other secondary hotspot. Scaling up is not only about increasing and expanding, but also about minimizing potential negative impacts which may be created during the process.

Depending on the focus, scaling up strategies for sustainable businesses can be grouped as follows:

- **Strategies to scale up impacts of organizations**: growing the organization (organic growth and acquisitive growth), scaling impacts beyond organizational boundaries (dissemination, joint ventures, partnerships, franchising and smart networks), and scaling impacts by reducing organizational boundaries (licensing and mergers/sale).
- **Strategies to scale up impacts from projects and programs:** quantitative, functional, political scaling up strategies and capacity building.
- **Strategies to scale up impacts through value creation:** value creation through product substitution, efficient use, shared use, longer use, and efficient end-of-life strategies.

Despite this, it is broadly acknowledged that sustainable businesses could transform the poorer economies, contributing thus to the international sustainable agenda launched by the international agenda. Community work can release skills in poorer communities and when combined with social enterprise can be a powerful tool for growth in places like Africa. In Great Britain, for instance, the British Council is providing a £10m social incubator fund to help start-ups in the UK to scale. Furthermore, a study by Robert Eccles and George Serafeim of the Harvard Business School (HBS) carried out between 1992 and 2010, demonstrates that companies that had previously adopted high-sustainability policies were more profitable than those that did not.

However, the problem arises because most companies might seek to save energy or cut waste anyway, regardless of the impact on the environment, and many times the schemes do not in fact contribute that much to sustainability agenda. The majority of greenhouse-gas emissions associated with consumer goods, for example, are produced either in the supply chain or by shoppers. As a result, most corporate sustainability plans rarely amount to more than cost-saving measures and compliance with government regulations. They fail to place sustainability at the heart of what firms do.

Questions for Roundtable Discussion

Below are some of the questions delegates may wish to address during the Roundtable discussions and while drafting their position papers. By no means is this list mandatory is exclusive and delegates are encouraged to find and address further relevant areas and subjects to discuss:

a. What could be the elements of the framework to finance sustainable businesses?
b. What definition would you apply for sustainable SMEs?
c. Which funding sources could you identify and how do you think they would contribute the finances?
d. Would it be a centralised or decentralised structure? Top-down or bottom up approach?
e. How could it be implemented most efficiently? International design, regional implementation, coordination; which actors have what roles? (governments, NGOs, UN, civil societies, businesses, other stakeholders?)
f. Who could become interested parties as investors and sponsors for such a framework?
g. How can Private-Public Partnerships be fostered to drive business investments into sustainability?
h. What could influence consumer behaviour to enable shift of preferences towards resource-efficiency and environmental resilience?
i. What financing mechanisms could be applied and how? (equity sale, common loans or performance-contingent loans, grants, crowdfunding, others)
j. What are the needs of businesses small (seeking investment) and big (providing funds)?
k. Who could be partners and under what arrangements/conditions?
l. How can we match business interests with sustainability agenda?
m. How to make sure that impact investment becomes more mainstream and that benefits are equitably distributed to all stakeholders?
n. What should preliminary research focus on?
o. How would least-developed countries get engaged in IBIS?
p. What are the possible risks and challenges facing this project and how could they be overcome?

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