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**EXPORT OF SERVICES: HYPE OF HIGH POTENTIAL?
IMPLICATIONS FOR STRATEGY- MAKERS**

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Exporting Environmental Services – The Buyer’s Perspective

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EXPORTING ENVIRONMENTAL SERVICES – THE BUYER’S PERSPECTIVE

Introduction

The sustainable development agenda was first espoused at the Earth Summit in Rio de Janeiro in 1992 and affirmed at the World Summit in Johannesburg in 2002. Within the context of this global agenda, world leaders are in agreement that economic development which ignores social development and environmental management can not lead to sustainable development.

To underscore the importance of environmental sustainability, it has been included as one of the Millennium Development Goals to be achieved by 2015. This has helped elevate the profile of environmental issues and placed new emphasis on environmental concerns, which has led to various legislations. In response to these developments, the world has witnessed an increase in the supply and demand for environmental services.

Services are generally characterized by intangibility, inseparability, heterogeneity, perishability and ownership problems making their purchase decisions difficult. Environmental services are not exempt from such perceived risks and therefore their purchase requires special attention.

Types of Environmental Services

There are many different types of environmental services. While this presentation mainly focuses on technology led environmental services, it is worthy noting that there are other groups of environmental services which are gaining importance such as consulting, operational and supervisory services. These groupings are not at all exclusive. It is, therefore, not unusual to have one environmental service that incorporates aspects of the other groups. However, the dominant feature of an environmental service tends to influence what strategies may be followed in selling and how the buying is done.

- Technological (equipping) environmental services are predominantly environmentally friendly technologies for better environmental management. This is perhaps the most recognizable group of environmental services. These would include:
 - Renewable technologies;
 - Water treatment technologies;
 - Recycling technologies;
 - Air pollution monitoring and control technologies;
 - Fuel efficient technologies; and
 - Land reclamation and cleanup technologies.

Most of these technologies are available in the developed world but there are now many up and coming technologies being developed or adapted in the developing world. The major problem in the developing world is the lack of capacity to develop and service such technologies.

Such technology driven environmental services pose particular challenges for buyers because they may not even be aware of their existence and therefore their advantages may not be fully appreciated. It is important that environmental benefits are emphasized when introducing and promoting such services.

The Malawi Environmental Endowment Trust has been in the forefront of promoting renewable energy technologies in Malawi. By supporting demonstrations of windmills designed by a local engineer, Mr. Christopher Mzamu and installation of imported solar equipment, it has resulted in much interest to acquire renewable energies by many individuals and organizations who might have not been aware of the existence of such technologies. The solar energy programme incorporates certification of suppliers, training of installation technicians so as to build the much needed capacity as well as innovative financing mechanism to improve accessibility.

In Botswana, Wave Sanitation Limited has developed the technology for recycling domestic and industrial wastewater, which can then be used for watering gardens thereby reducing water bills and helping conserve water. Having seen this technology at work, many people are showing interest. There is a lot of potential for this technology in the SADC region, which has had water problems due to persistent droughts. This technology may even have export potential beyond the SADC region.

One of the hurdles to be overcome in promoting such technologies is to convince the buyer that the technology does work, it can be serviced and maintained and that it is cost effective. In such cases, the holding of demonstrations, running of exhibitions or appearance at trade fairs are proven ways of promoting the technology. As the technologies get popular, the risks tend to reduce as there are people who can testify to their efficacy.

Besides the technology driven environmental services, there are other groups of environmental services, which also deserve mention:

- Consulting (advisory) environmental services are the more abstract services being offered by professionals. These are specialists in their fields able to conduct feasibility studies of large environmental projects. The majority of these come from the north although there is now a growing number of consultants from the south. The range of services offered may include:
 - Feasibility studies, research and client consultations;
 - Project monitoring and evaluations;
 - Training and capacity building;
 - Environmental Impact Assessments, environmental auditing and screening; and/or
 - Geographical Positioning Systems.

There is a lot of potential for providing such services regionally and even internationally. The critical issue is being recognized as experts in those areas and being properly networked to know what jobs are coming up. The partnership between the north and the south is very important in this area.

- Compliance (supervisory) environmental services are also on the increase as a result of the various legislations, protocols, national and international obligations, conventions and treaties. Predominantly this is a service being provided by international organizations and is financed by them as technical support to assist developing countries comply with these requirements. Such services would include:
 - Standards and Guidelines (national & international observance);
 - Policy and legislation;
 - Environmental management systems - ISO 14001;
 - Protocol, Obligations and treaties (e.g. Kyoto Protocol); and
 - Convention adherence (e.g. Desertification, Biodiversity, etc.).
- Operating (management) environmental services has to do with the contracting of third parties to do the actual environmental management work. These would either be big government projects or even routine city council responsibilities such as collection and disposal of waste being contracted out. This is an area where national operators are making inroads. For example the collection and disposal of waste by Bingiza in Malawi, collection and treatment of clinical waste by Wave Sanitation in Botswana. Other services would include:
 - Environmental project management;
 - Collection, treatment of waste (management);
 - Program development and implementation; and
 - Storage and disposal of dangerous chemicals.

Typical Buyers

While private sector and non-governmental organizations are among buyers of environmental services, central and local government tend to be the biggest buyers of environmental services. This has a profound effect on how the services are bought or sold.

In terms of budget allocation from central government for most developing countries it is difficult to allocate adequate resources for environment management because of competing needs for social development such as education, health, and food security.

In some of these countries as much as half of the national budget is supported by donors, which further compounds the sourcing of environmental services. Besides the national procurement procedures, donors have their own requirements, which often take precedence when they are financing a project.

Various criteria are used by buyers such as quality, service, price, company image (reputation) and capability of the firm selling the services. Sellers must be familiar with such criteria and must attempt to address them in their interactions with the buyer. Considering that some of the services are not even tangible, professionalism is often deduced from the quality of their presentations, brochures, attention to detail and many peripheral areas.

The Buying Process

Buying of environmental services quite often uses the buying centre principle where several personnel with different special areas of interest come together to influence the buying decision, i.e. users, gatekeepers, influencers, deciders, and buyers.

Pre-qualification of suppliers is now becoming quite popular especially among donors; for United States Agency for International Development (USAID) the firms will preferably be American firms who can then partner with local institutions. The European Union also prefers firms registered in the EU or those in the recipient country or a consortium of EU and recipient country bidders.

While the invitation to tender or call for proposals is made public, the critical thing is to be on the short-listing of organizations being invited to bid after the initial screening. And for most national institutions to get a piece of the action partnership with the international firms is critical. Key to this is to know what organizations are out there and what synergies might exist in working together with them.

In the developing world it is not uncommon to see contracts being awarded to dubious firms without the necessary capacity to undertake the project, raising questions about the credibility of the bid selection process and suspicion of corruption.

In Malawi, in order to contain issues of buying inducements and corruption, the public sector has reinforced establishment of internal procurement committees within organizations. The committee is charged with the responsibility of handling procurement at the departmental or ministerial level and is provided with a limit of values which it can conclude and anything beyond that limit must be referred to central government to the Directorate for Procurement to decide. This makes for complex organizational buying and long time leads.

The bidding process normally has two requirements; one is the Technical Proposal and the other is the Financial Proposal. Usually the technical proposals are dealt with first and the firms are ranked on that basis before considering the financial proposals.

The implication of this is that the price for an environmental service is important but it is unlikely to be the major factor for consideration. The main factor will be the technical superiority, quality of service, support service, ability to match specifications. It is only when the technical proposal is acceptable that the price becomes a factor for consideration.

While buyers will often make public announcements of the need for environmental services, sometimes they will just go to a pre-qualified list of suppliers and advise them of their requirements. It is therefore important for a would-be seller to be on that shopping list.

There are some directories of consultants, mailing lists and web based listings of service providers that provide environmental services which buyers may consult. This may limit their exposure to those appearing on such lists leaving out others not known to them.

Exporting Environmental Services

Exporting of environmental services means that on top of the local challenges, there will be international challenges to be overcome. In the cases of such services as consulting, references of previous similar work and appearance in international consulting directories or listings by donors is a big help because this is where the buyers will look for services.

In terms of national organizations wishing to export their services, the export strategy has to include networking and doing the early assignments in partnership with other international agencies at least initially.

Where technologies are developed elsewhere, there will be issues of patenting and also standards depending on the market being intended for entry. The challenges of locally developed technologies to meet international standards are even bigger. It may even require services to get them into shape, as related to form and documentation for export business.

Conclusion

In conclusion, environmental services are on the increase as there is growing realization that better management of the environment is at the core of any sustainable development. There is also export potential for these services provided that sellers develop a thorough understanding of how the buying decisions are made and how they can leverage the various partnerships with other international sellers of environmental services.