

WORLD EXPORT DEVELOPMENT FORUM – W·E·D·F 2008

BREAKOUT SERIES 2: FINANCING THE ENVIRONMENTAL DIVIDENDS: WHO DOES WHAT?

The Issue:

As the concern over the environment becomes more widespread, so does the pressure for producers to act in an environmentally responsible manner. An increasing number of consumers expect them to invest in environmentally friendly production methods that will hopefully yield environmental dividends for all mankind.¹ For such consumers, complying with established international, regional and local regulations related to environment protection is considered as a strict minimum.

An efficient use of scarce resources lies in the interest of both producers and producing countries. From the producers' perspective, the adoption of environmentally friendly technologies could yield interesting returns. Ignoring this call could, on the other hand, put them out of business.

Yet, adopting environmentally friendly production methods is not necessarily cheap and might represent a heavy financial burden for producers in developing countries.

Who is going to pick up the bill?

The Proposition:

In niche markets, small and medium enterprises (SMEs) of the developing world may be able to directly capitalize on the environmentally friendly character of their products. They may increase their chances of accessing finance by presenting funding proposals that specifically cater to the consciousness of consumers in destination markets and demonstrate their ability to reduce costs by efficiently using scarce resources. The bottom line is that good business prospects appeal to commercial banks.

It is also important for producers in poorer countries to realize that consumers in developed countries expect large companies to lead the change by introducing new eco-friendly incentives. This may provide producers with an opportunity to leverage consumer expectations to convince corporate buyers to foot the bill.

Alternatively, exporters could seek funding from local, regional and international organizations. Countries have an incentive to boost their export reputation, as well as their ability to use their scarce resources in an efficient and sustainable way, and striving to protect the environment may accomplish this.

Focus of the debate:

The debate will address the following questions:

1. Is there economic justification for SMEs to invest in environmentally friendly production methods?
2. What alternative financing models are available for exporting SMEs to adopt environmental friendly technologies?
3. What role should international organizations and financial institutions play to encourage the adoption and financing of environmentally friendly technologies?

¹ See Raphael Bemporad and Mitch Baranowski, *Conscious Consumers Are Changing the Rules of Marketing. Are You Ready? Highlights from the BBMG Conscious Consumer Report*, November 2007 (discussing how American consumers want companies to positively impact society).