
Breakout Session 2

Exporting Environmental Services – A Clean Sweep of the Marketplace

The Issue: Largely as a consequence of increasingly rigorous legislation on environmental protection (clean water, clean air, and a sustainable approach to waste disposal), the market for environmental services is growing and growing rapidly. And this growth is not limited to the rich, industrialized world. It is universal¹.

Firms in developing and transition economies are, however, struggling to take advantage of what looks to be a major and long-term commercial opportunity.

They appear to confront three major constraints: first, the lack of capacity to meet the increasingly sophisticated demands of the commercial market; second, obstacles to competing for government environmental service contracts in domestic and foreign markets; and third, their inability to effectively promote existing capacities internationally.

All three enterprise-specific constraints can be addressed through concerted strategic action at the sectoral and national levels.

The Proposition: Few developing / transition economies are likely to become significant players in the international market for environmental services. Yet market opportunities do exist, particularly on a South-South basis. The potential for exporting environmental services should, therefore, be included at least in the strategy-maker's initial appraisal of existing and prospective export capacity.

In the longer term, success in the international market will be a function of three inward-looking (i.e. "border-in") initiatives, all of which are designed to promote and accelerate the development of capacity to supply (and deliver).

1. The country must establish its own environmental protection legislation equivalent to international standards. This will, in turn, generate a national capacity to "service the legislation" which may eventually develop into export capacity. At a minimum, this will reduce the need to purchase basic service requirements from foreign suppliers. Subsequently local firms will be better positioned to affiliate with foreign suppliers on domestic contracts (Mode 2 exports) or regional projects (Mode 1 and 4 exports).
2. The country must ensure that its domestic public procurement system and those of its trading partners are transparent and non-discriminatory, thereby enabling domestic suppliers to tender, on a strictly competitive basis, for national and foreign government contracts.
3. The country must foster partnerships between business and academia (i.e. between service providers and university faculties of applied sciences) that are designed to raise local technical and commercial capacities and develop innovate systems consistent with national and regional requirements.

Strategy-makers should also investigate the relevance of promoting the formation of consortia among specialized, local providers of environmental services, particularly for the purpose of meeting commercial demand for environmental services in the areas of clean air and wastewater treatment at home and abroad.

¹ The global environmental industry was valued at US\$ 550 billion in 2000, over two thirds of which was represented by services. The emphasis that development finance institutions, such as the World Bank, and other donors place on environmental impact analysis, is, in itself, providing impetus to market demand in developing/transition economies.

Focus of the debate: It is proposed that the debate focus on the following:

1. Do you agree with the analysis above and, if so, what represents a realistic follow-up plan of action?
2. In what business areas and markets do greatest opportunities exist for developing / transition economy suppliers of environmental services? What are the principal factors impeding the development of export capacity in this sub-sector and how can they most effectively be addressed?
3. Should strategy-makers use a particular sequence of reform to raise environmental standards and thereby improve the prospects for environmental service exporters?
4. How can international affiliations (business partnerships) improve domestic environmental protection and increase environmental services provision capacity? What are the main components to get right in such partnerships?
5. Is there a linkage between the local manufacture of environment-related equipment and the development of environmental services export capacity? If so, what can strategy-makers do to support this linkage?