ASPEN NETWORK OF DEVELOPMENT ENTREPRENEURS
aspen institute

Climate Entrepreneurship in Developing Economies

Funder Perspectives on Approaches, Challenges, and Opportunities

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improving lives through invention

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AUTHORS AND ACKNOWLEDGEMENTS

Contributing Authors

- Abigail Sarmac, Co-Author
- Mary Fifield, Co-Author and Editor
- Pablo Angulo-Troconis, Interviewer

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ABOUT THE ORGANIZATIONS BEHIND THIS REPORT

Aspen Network of Development Entrepreneurs

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in developing economies. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs create jobs, stimulate long-term economic growth, and produce environmental and social benefits.

As the leading global voice of the SGB sector, ANDE believes that SGBs are a powerful, yet underleveraged tool in addressing social and environmental challenges. Since 2009, ANDE has grown into a trusted network of nearly 300 collaborative members that operate in nearly every developing economy. ANDE grows the body of knowledge, mobilizes resources, and connects the institutions supporting the small business entrepreneurs who build inclusive prosperity in the developing world. ANDE is part of the Aspen Institute, a global nonprofit organization committed to realizing a free, just, and equitable society.

The Lemelson Foundation

The Lemelson Foundation was established by Jerome and Dorothy Lemelson in 1992 with the vision of cultivating future generations of inventors to create a better world. After twenty-five years of giving, the foundation continues to be led by the Lemelson family. To date, the foundation has supported its mission by providing more than $290 million to the people and systems needed to advance impact invention by creating products that have a positive social impact, reflect environmental responsibility, and support financially self-sustaining businesses. In this way, inventors will solve our biggest challenges and improve lives in communities in the U.S. and around the world.

Through interviews with leading funders in the entrepreneurship and climate action fields, this report offers a look at how donors currently consider entrepreneurship as a mechanism for climate action and which advocacy approaches might spur these donors toward greater support for climate entrepreneurship. This report, along with ANDE's additional work in the areas of climate and environment, is the result of a partnership supported by The Lemelson Foundation. As part of this partnership, ANDE will continue to expand its work in this area through engaging in additional research and sharing learnings for the sector.

EXECUTIVE SUMMARY

The release of the August 2021 report from the United Nations Intergovernmental Panel on Climate Change emphasized the urgent need to address the existential threat of climate disruption. Most climate investment is directed toward new technologies and other innovations in the Global North. Supporting climate entrepreneurs in developing economies represents an opportunity to support the transition to a low carbon economy and help mitigate the worst impacts of climate change. It will also help communities adapt to a changing climate and transform an economy dependent on fossil fuels into one that supports greater equity, prosperity, and health for people around the world. Given the narrow window during which the worst effects of climate change can still be mitigated, climate action must happen rapidly and on a global scale. This will require stepped-up action to strengthen the ecosystems that support climate entrepreneurs in developing economies.

The Aspen Network of Development Entrepreneurs (ANDE), a global network of organizations that propel entrepreneurship in developing economies, is creating a strategy to catalyze significant investment in climate entrepreneurship. With support from The Lemelson Foundation, ANDE conducted interviews with 13 representatives from a select group of funders and impact investors to identify barriers to and opportunities for funding climate entrepreneurship. While not an exhaustive list of funders, these representatives provided practical insight on how climate entrepreneurship is seen among funders focused primarily on climate action and/or entrepreneurship and how greater funding could be allocated to the intersection.

This preliminary exploration reveals four key barriers:

1. Funders and climate entrepreneurs lack exposure and access to each other.
2. Funding channels tend to be siloed, even though climate entrepreneurship is cross-sectoral.
3. Some funders are skeptical of the social benefit of for-profit models.
4. Attitudes toward scale and growth affect funding flows.

The interviews also point to opportunities and tactics to overcome these barriers:

1. Funders need stories, data, and other evidence of what works.
2. Strategic communication can reframe narratives around entrepreneurship.
3. Education and tools can build capacity for all actors in the entrepreneurial ecosystem.
4. Cross-sector cultural awareness and bridge-building will advance the entire field.

This report also outlines several investment approaches that funders are exploring to advance climate action and entrepreneurship: funding for the community-led global climate movement, integrated capital and other alternative finance models, application of a climate lens for both portfolios and fund operations, cross-sector partnerships and investments in "climate plus" solutions, and investment in climate enterprise support structures.

Finally, the report emphasizes that while everyone plays a role in confronting the climate crisis, funders, in particular, have special leverage. Significantly more funding is needed to scale entrepreneurial solutions to climate change, and three calls to action convey the urgency of the moment and the rationale for funders and others to take immediate action.

SPECIFICALLY, FUNDERS SHOULD:

- **Expand support with the whole ecosystem in mind.** Significantly more financial resources are necessary to scale climate solutions effectively. This shift needs to happen at the ecosystem level, not only to bring solutions to millions of people but also to build capacity across multiple sectors simultaneously.
- **Make inclusion a priority.** The shift needs to integrate a range of effective approaches for meeting 2050 emissions targets, from technological solutions, such as wind energy generation, to socio-economic solutions, such as health and education for women and girls. Climate, community, and gender issues can be tackled *together*.
- **Think tactically to change institutional culture.** Funders need to break down the institutional and cultural barriers that prevent them from achieving the transformative, cross-sector impact necessary to confront climate change and related crises. Climate and entrepreneurship finance remain largely siloed, and an integrated approach could help unleash catalytic funding to help achieve proof of concept.

INTRODUCTION

In light of the social and economic turmoil of the last several years, the critical and urgent role that small and growing businesses (SGBs) must play in the global economic recovery has become apparent. Cassie Flynn, Strategic Advisor on Climate Change to UNDP's Administrator, explained that some countries will be struggling for years, if not decades, to recover from the economic devastation of COVID-19, but support for SGBs can help bring economies back more quickly, and small business experts agree.[1]

As part of the fabric of their communities, entrepreneurs in developing economies are not only an enduring engine of economic development but have a particular, often untapped, influence on the culture, health, and well-being of their communities. The Aspen Network of Development Entrepreneurs (ANDE)'s strategy aligns with the complementary and overlapping indicators of progress articulated in the UN Sustainable Development Goals (SDGs), highlighting how SGBs promote climate and environmental action (SDG13), decent work and economic growth (SDG1), and gender equality (SDG5).[2]

Climate change is one of the biggest threats facing humankind globally, and ANDE members consider growth-oriented entrepreneurs to be one of the most powerful resources for mitigating and adapting to drastic changes that people and other species are experiencing on a warming planet. Building on over a decade of work to promote developing economy entrepreneurship, ANDE is developing an advocacy strategy addressing climate change via support of "climate entrepreneurs" (sometimes also called "green entrepreneurs") — those companies that, through their business models and operations, are "promoting mitigation of climate change drivers or supporting communities in adapting or becoming more resilient to climate change impacts."[3]

ANDE seeks to strengthen and better integrate the, oftentimes separate, entrepreneurship and climate financing ecosystems to enhance the power and potential of entrepreneurs to address the climate crisis. This report is a preliminary exploratory study of funder perspectives on climate entrepreneurship, including strategies evolving in the field and a snapshot of current approaches, challenges, and opportunities for expanding support for this sector. Its purpose is also to identify what funders and other stakeholders may need to increase awareness of entrepreneurship as a key tool for climate action.

1 Rep. SME Competitiveness Outlook 2021: Empowering the Green Recovery. International Trade Centre, 2021.
2 https://www.andeglobal.org/ande-strategy
3 Rep. Climate Entrepreneurship in Developing Countries. Aspen Network of Development Entrepreneurs, 2021, p.4.

METHODOLOGY

This report offers insights from a select group of interviewees from bilateral and multilateral agencies, private foundations, and impact investment managers and is not intended to be an exhaustive or comprehensive research scan of the field. Rather, it provides a snapshot in time from stakeholders with significant experience and expertise in climate change and environmental action, climate funding and financing, entrepreneurship ecosystem-building, international development, and impact investing. It is intended to help clarify and inform areas for further research, strategy development, and climate action for the field.

Data for this report came almost exclusively from thirteen semi-structured interviews conducted from May to July 2021. The interviews explored funder perspectives on drivers, promising models, constraints, opportunities, and trends around funding at the intersection of climate change and entrepreneurship.

EXAMPLES OF CLIMATE ENTREPRENEURSHIP AND HIGH-POTENTIAL CLIMATE IMPACT SECTORS

In 2018, Paul Hawken and the global Drawdown research team published Project Drawdown[4], a resource for climate solutions leading to "drawdown," the future point when levels of greenhouse gases in the atmosphere stop climbing and start to steadily decline. Based on an extensive, global, multi-sectoral research collaboration, Project Drawdown has developed a live list of climate solutions that individuals, businesses, civil society organizations, and governments can undertake and promote to stop further climate change. Listed below are Project Drawdown's perspective of the top solutions with the greatest potential. These solutions represent a sample set of high potential impact sectors in which climate entrepreneurs could - and are - launching and growing companies:

- Onshore Wind Turbines
- Tropical Forest Restoration
- Utility-Scale Solar Photovoltaics
- Improved Clean Cookstoves
- Reduced Food Waste
- Distributed Solar Photovoltaics
- Promotion of Plant Rich Diets
- Health & Education (especially of women and girls)
- Refrigerant Management & Alternative Refrigerants
- Silvopasture[5]

A few examples of such climate enterprises include:

Solar Electric Light Company (SELCO) in India works in the distributed photovoltaics sector, among others, and delivers and finances last mile sustainable energy solutions, such as distributed household solar lighting and water heaters, that improve the quality of life and socio-economic development of the poor.

True Moringa in Ghana works to support more resilient smallholder farmer communities and reforestation. Established in 2013 as a project of students, including a Ghanaian MIT-trained engineer, True Moringa developed a cold-pressed oil of the traditionally unused moringa tree seed that contains more iron than spinach, more protein than yogurt, and more calcium than milk and outperforms argan, jojoba, and shea. The company supports training and market access for Ghanaian farmers while reforesting lands suffering from desertification. To date, True Moringa serves over 5,000 smallholder farmers and has replanted over 2,000,000 moringa trees.

Grassroots Energy in India works in distributed renewables and reduced food waste as it generates distributed, renewable natural gas from agricultural residues. The residue from operations is processed into organic fertilizers, which sequesters carbon and improves farm yields. The circular economy model creates greater environmental and economic value for communities and businesses.

4 Hawken, Paul. Editor. *Drawdown: The Most Comprehensive Plan Ever Proposed to Reverse Global Warming.* 2017. Living data online at Project Drawdown including Table of Solutions.

5 Deliberate use of trees and grazing livestock operations on the same land.

CONTEXT: A CRUCIBLE OF GLOBAL CRISES

Funder interviews took place in mid-2021, after a year and a half of intense global strife and multiple evolving crises: climate emergencies such as catastrophic wildfires and flooding in various parts of the world, the COVID-19 global pandemic, and unprecedented street protests in dozens of countries over structural racism and extreme wealth inequality. These crises and the complex factors driving them were top of mind for interviewees. For some funders, the events of the past eighteen months served as a wake-up call. For others, they served as a tipping point for work they had long been engaging in to address the systemic causes of these crises.

The funders interviewed for this study were optimistic about the opportunities, clear-eyed about the barriers, and cognizant of the urgency of rising to the moment. John Balbach, Director of Impact Investment with the MacArthur Foundation, described a trend he is seeing as investors become motivated by market opportunities, not just environmental concerns, to finance climate-smart solutions at much higher amounts. This is the momentum that many in the green economy have been waiting for. Yet leveraging this momentum, not only to keep the planet habitable but to build a just socio-economic foundation, is a delicate and time-sensitive task. He explained, "Climate finance and investing with an economic-first lens (are) starting to intersect in an exciting way… the time to ensure that this convergence happens in an equitable manner is now." The interviews explored funder motivations, skepticism, and ideas around supporting climate entrepreneurship. Based on these discussions, key barriers emerged that currently limit support, as well as opportunities for catalyzing funding stronger, more integrated ecosystems for climate entrepreneurship."

BARRIERS TO CATALYZING SUPPORT FOR CLIMATE ENTREPRENEURSHIP

BARRIER 1

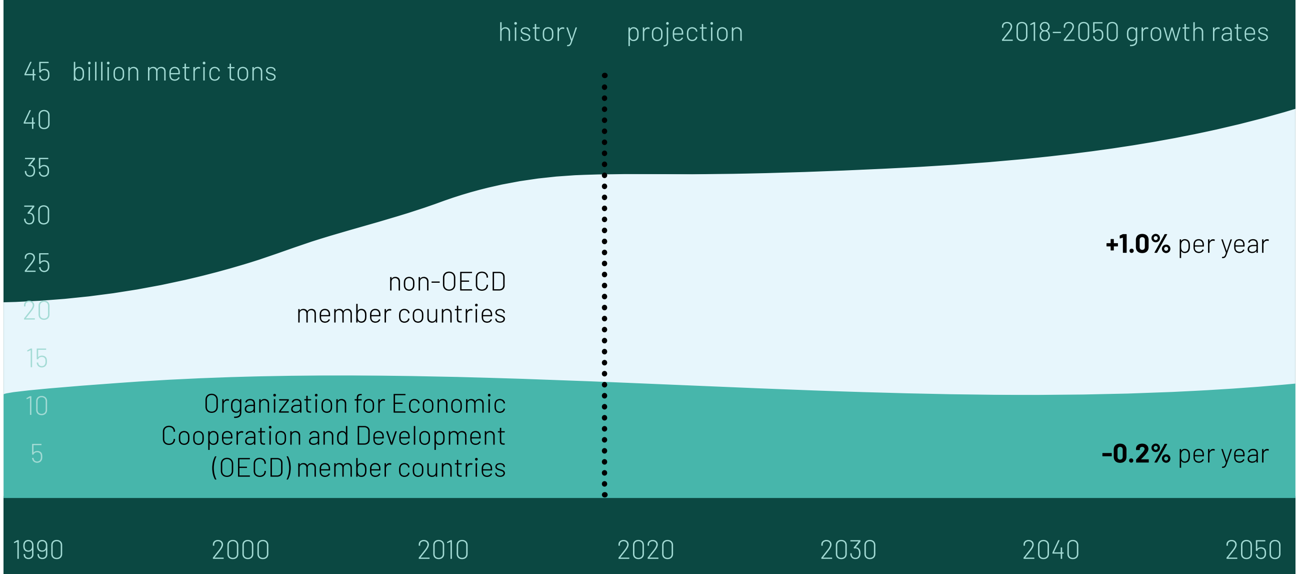
Funders and climate entrepreneurs lack exposure and access to each other

Most interviewees shared that their organizations have at least a general awareness that entrepreneurship can be an effective approach for climate change mitigation and adaptation in developing economies. However, in general within this group, climate entrepreneurship is not considered a mainstream funding category. Most funding for climate mitigation appears to be concentrated in the Global North—partly because research and development, intellectual property, financing, and other elements of climate tech invention, innovation, and entrepreneurial ecosystems are well established[6] and partly because large industrial economies have been the largest emitters of greenhouse gases. However, if developing economies continue to industrialize in the same way countries have in the North, emissions will rise there too and jeopardize efforts to meet global climate targets. As one U.S.-based interviewee noted, "The U.S. is currently 15% of global emissions[7]....what does our energy transition look like in economies where the majority of emissions [will] come from between now and 2100?"

GLOBAL SOURCES OF GREENHOUSE GAS EMISSIONS

The chart below shows data compiled by the Center for Global Development, indicating 63% of global emissions come from developing countries.[8] Further, developing economies are on an economic path that will grow these emissions significantly. As the International Energy Agency states, while investment for entrepreneurial climate solutions tends to focus on more developed economies, "developing economies in Africa, Europe, Latin America, the Middle East, and Asia.... are set to account for the largest source of emissions growth in the coming decades unless sufficient action is taken to transform their energy systems."[9]

Global energy-related carbon dioxide emissions in IEO2019 Reference case (1990-2050)



Source: International Energy Outlook 2019. U.S. Energy Information Administration.

6 Rep. International IP Index: Recovery Through Ingenuity. U.S. Chamber of Commerce Global Innovation Policy Center, 2021.
7 Rep. Each Country's Share of CO2 Emissions. Union of Concerned Scientists. August 12, 2020.
8 Developing Countries Are Responsible for 63% of Current Carbon Emissions. Center for Global Development. 2015.
9 Rep. Financing clean energy transitions in emerging and developing economies. International Energy Agency, 2021, p. 26.

To meet 2050 emissions reductions goals[10], climate mitigation investments will need to expand to include developing economies, and funders will need to broaden their search and knowledge to identify opportunities for mitigation investments. Financing research and development in growing economies will be part of the solution, but new technological inventions and applications alone will not address structural inequities that exacerbate the climate crisis[11].

For some funders, the biggest hurdle may be making connections. The U.S. Development Finance Corporation (DFC) is under mandate through recent commitments of the Biden Administration to become a net-zero financial institution by 2040. Early analysis indicates the DFC may need to divest from carbon-emitting projects by 2030 and deploy one-third of its portfolio (approximately US$2B) in climate action projects. Jake Levine, Chief Climate Officer of DFC, is eager to find climate-friendly partners leading companies suitable for investment, as potential partners may not be as aware of DFC's current financing goals and the newly developed climate investment thesis. For other funders, the challenge is a mismatch between the scale at which they wish to fund and the capacity of local entrepreneurs. Tom Adlam, Principal of Palladium Group and Director of the UK Foreign, Commonwealth, and Development Office (FCDO), believes funding and support for supply chains, research and development, business administration, and other elements of the ecosystem that support and bolster entrepreneurs, as well as for entrepreneurs themselves, can help unlock potential investment opportunities.

BARRIER 2

Climate entrepreneurship is cross-sectoral, but funding tends to be siloed

For many large, traditional funding institutions, climate funding and entrepreneurship funding have typically flowed through separate divisions or groups, or as separate cross-cutting lenses, similar to issues of diversity/equity/inclusion/justice or innovation. Programs, especially long-established ones, are often organized as discrete, independent funding areas (e.g., agriculture, women's rights, education for girls, energy development, and economic development). Internally, they cannot respond nimbly to the interconnected, systemic drivers of climate change that are constantly changing at the country, city, and community levels. Outcome indicators and targets have been designed to measure impact exclusively for those funding streams, reinforcing fragmentation and inefficiencies. Not surprisingly, groups within these larger institutions have tended to work in isolation from each other and have not had access to data and on-the-ground contacts that reveal the broader, more nuanced story of impact and opportunity. Interviewees at bilateral and multilateral agencies expressed (a sometimes long-held) awareness within their organizations that a more integrated funding approach is necessary, but a major internal challenge is aligning strategic goals, indicators, and evaluation protocols so that the multi-faceted impacts of climate entrepreneurship can be captured and understood.

Other types of silos have also historically made cross-sector funding and cooperation complicated. Interviewees discussed global political silos, not only those driven by partisanship but also within issue areas, such as the politics of climate change versus those more specific to sustainable development, which for many years were kept separate. These areas, however, have become more integrated since the Paris Climate Agreement and

10 IPCC, 2018: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. In Press.

11 Rep. Climate Entrepreneurship in Developing Countries. Aspen Network of Development Entrepreneurs. 2019, p.11.

the adoption of the SDGs in 2015. Organizations and sectors have distinct cultures, world views, and theories of change, which can create fragmentation. Funders and investors are not monoliths and are themselves influenced by their internal and external contexts and the voices they choose to center: for example, tech innovation and entrepreneurship funders tend to be influenced by Silicon Valley; some environmental funders are influenced by grassroots movements; and some private family foundations are influenced by narratives and their legacies. Mitigating the climate crisis requires that institutions and leaders navigate these different spheres, which are sometimes in conflict, in new and often unknown ways.

BARRIER 3

Some funders are skeptical that profit-driven models can provide social benefit

Among some climate funders and private foundations, and the communities they collaborate with, concerns about the nature of global capitalism are a clear barrier to increasing support not just for climate entrepreneurship but entrepreneurship in general. Especially in light of the turmoil of the last eighteen months, many funders are questioning the wisdom of contributing to an economic model that has, while conferring significant and remarkable benefits to many, also left behind the majority of the world's people and dangerously depleted natural resources. Entrepreneurship as a product of modern capitalism is viewed with caution at the least and often with skepticism, especially within communities in developing economies that have not benefited from traditional forms of growth-oriented entrepreneurship.

The purpose and effects of entrepreneurship raise questions for some private foundations whose mandate is to fulfill a charitable purpose. Boards are sometimes wary of investing in for-profit projects, even those legally established as benefit corporations or social enterprises, out of fear that these models might perpetuate the racial and wealth inequities that they are trying to eradicate. In this same vein, grassroots movement funders—active in strengthening frontline community climate action—are keenly guarded against the type of entrepreneurship through which billionaires and elites deepen the injustices of the modern-day extractive economy. These funders, centering community voices and experiences, are working towards a regenerative economy that results in the collective sustainable well-being for future generations[12]. Extractive entrepreneurship is anathema to that vision.

Ultimately, different funders and stakeholders need each other and share the same end goals. Part of the disconnect lies in the perceptions and narratives around entrepreneurs, who they are, and what they represent. Movement funders support and uplift local people engaging in commercial activities to support their families and communities because they want strong, vibrant, regenerative economies; growth-oriented entrepreneurs can be—and often are—positive change agents in their local communities; and entrepreneurship funders and impact investors are beginning to reckon with the flaws in our current economic system that stand in the way of economies that promote well-being for everyone. As Chris Jurgens of the Omidyar Foundation forthrightly stated, "We believe in the power of markets and entrepreneurial innovation to solve big problems. But we think the current manifestation of capitalism that we have…is fundamentally broken."[13]

12 Spectrum of Extractive to Restorative to Regenerative Philanthropy excerpted from Rep. Resonance: A Framework for Philanthropic Transformation. Justice Funders and the Resonance Collaborative. 2015.

13 Jurgens, Chris, interview with David Bank. "Reimagining Capitalism," Impact Alpha, podcast audio, June 8, 2021.

BARRIER 4

Attitudes toward scale and growth affect funding flows

Another barrier, related to the structure of the global market economy, is a debate over how and whether to scale and grow. For practical, operational reasons, large institutional funders may lean towards disbursing relatively large grants to fewer organizations, not only to reduce administrative costs and burden but to "prove" impact through the scale of funding. Therefore, they seek organizations that can absorb a large financial investment, and as described previously, the perception (and sometimes the reality) is that individual climate entrepreneurs in developing economies, in general, do not yet have this capacity.

This approach assumes that vertical growth (channeled to one organization) is inherently positive and that more money is more effective than less money. Funders in the international climate justice movement question these assumptions and push back on defining the scale of impact in these terms. Laura Garcia, Executive Director of Global Greengrants, explained that many grassroots or community-based organizations that are small by design (to maintain close relationships to their communities and address their needs more nimbly) are already implementing effective adaptation and mitigation solutions that mainstream funders overlook because their outcomes appear small when viewed in isolation. Climate movement funders leverage the collective impact of these projects and promote horizontal growth by distributing a significant total investment but in smaller amounts to more organizations.[14] Movement funders look for partners (especially those closely connected to affected communities) with whom to build consensus, capacity, and influence collaboratively. They consider the redistribution of power and the channeling of financial resources to marginalized communities to be inextricably linked.

Divergent views about growth and scale point to the deeper tension over who controls resources and decision-making—a schism at the heart of the debate around the global market economy. But interviewees agreed that regardless of where one stands on how to scale solutions, the climate challenge is vast, and no potential partnerships to align workflows and resources should be left on the table. Several pointed to growing evidence that networks can be an effective and efficient mechanism for building bridges across opposing camps and, ultimately, alleviating their concerns. Well-designed networks can reach millions of people and create the conditions for strong, equitable, and dynamic partnerships, which can help transform the underlying inequities that perpetuate injustice and environmental degradation.

14 As an example, the Clima Fund members collectively have an annual budget of over US$35M, and have distributed $40M through 15,000 grants to 168 grantees since its founding in 2018.

OPPORTUNITIES TO INCREASE SUPPORT FOR CLIMATE ENTREPRENEURSHIP

OPPORTUNITY 1

Funders need stories, data, and other evidence of what works

To increase awareness of climate entrepreneurship and build the pipeline of entrepreneurs, funders expressed the need for stories, data, and evidence that illustrate what climate entrepreneurship is, how it contributes to climate solutions specifically, and finally, how investors can be confident that strategies they finance will work. Often the key is not just having the right data but having the right story to tell with that data. Different types of data are necessary to ensure consistency and rigor but also depth and breadth: quantitative data allows for comparative analysis and repeatability, while qualitative data adds nuance and context. Case studies, testimonies, and stories provide rich information for investors and illustrate impact in a way that numbers alone cannot.

Some interviewees lamented the dearth of examples, data, and evidence around climate adaptation and resilience investments in particular. This is due, in part, to the fact that community resilience and adaptation business models—at least as they are currently envisioned and pitched—lend themselves less to the standard hockey-stick style returns that attract growth-oriented funders and impact investors. As a result, many climate adaptation enterprises that may have a significant, yet underappreciated, impact on emissions reductions—such as those that improve women's and girls' health and education—are underfunded. Business models for these transformational projects need more development to incentivize more investment. One interviewee noted that global networks such as the G7 Working Group for Climate Resilience are beginning to spur global discussion and action on this gap and should be further engaged.

OPPORTUNITY 2

Strategic communication can reframe narratives around entrepreneurship

While mega-entrepreneurs dominate the news (and often the stage and conversation at international economic development summits), the reality of millions of entrepreneurs in developing economies is, of course, quite different. Some interviewees remarked that it is easy to forget that the majority of entrepreneurs are small business owners, including women and young people, that seek to grow and contribute to the wealth and well-being of their communities and beyond. They have knowledge of service or product gaps that can be filled, and they have local networks of people who are partners, employees, or customers. Their enterprises are the backbone of thriving and resilient local economies.

Targeted and adeptly crafted messaging and outreach can change the prevailing narratives around entrepreneurship and create opportunities for more trust and cooperation among different sectors in philanthropy. The more that climate entrepreneurs can tell their stories and describe their experiences, and the more that they are involved in discussions about solutions that scale vertically and horizontally, the more apparent it will be that supporting these local entrepreneurs with the right tools and resources to increase their capacity and access to markets will promote a thriving economy, social justice, and a healthy planet.

For some experienced entrepreneurship funders, reframing is necessary around the links between climate and business. Some funders that are heavily focused on entrepreneurship are slow to recognize that climate change is an important risk factor, as it influences the operating environment: those who recognize and adapt to those risks are those that fare well. Climate adaptation is a risk mitigation strategy, and it should be incorporated as a baseline in standard business plans for ventures of any size, no matter where in the world they are located. Framed this way, climate risk analysis and assessment should be an intuitive and easily accepted concept for companies and entrepreneurship funders that do not yet apply a climate lens to their operations and portfolios, according to Tom Adlam.

OPPORTUNITY 3

Education and tools can build capacity for all actors in the entrepreneurial ecosystem

Several interviewees remarked on the opportunity not just to build a pipeline of investment-ready entrepreneurs but also to increase the capabilities of other influential actors in the climate entrepreneurship ecosystem. Stories, data, and training can raise awareness and enhance skills among funders, accelerators, researchers, service providers, and others that create a supportive environment for entrepreneurship. For example, according to one interviewee, the challenge for accelerators is making a credible case that an early, higher-risk investment in a proof of concept will eventually produce scalable results. Those organizations would benefit from learning and data that go beyond a particular market and can be used to communicate how solutions can be successful in broader regions.

Busy funders and intermediary organizations that are not experts in addressing climate change or entrepreneurship would also benefit from tools to help them understand the climate financing and climate investment landscape. The key is finding the right tools among many numerous and widely available options. For example, the World Resources Institute Greenhouse Gas Protocol has become a standard set of guidelines to help organizations in many industries and sectors become net-zero by 2050. However, determining how to apply and use the tool in a particular organization can be difficult. Networks can offer a solution, not only by raising awareness of tools and resources but in helping organizations use them successfully.

OPPORTUNITY 4

Cross-sector cultural awareness and bridge-building will advance the entire field

Climate/environmental conservation funders and entrepreneurship/economic development funders each work in different spheres and engage in different circles. They attend different conferences and have different kinds of conversations. In many ways, there is not just a technical information gap but also a cultural gap that must be bridged in order to begin co-developing solutions that align to promote entrepreneurship at the forefront of climate action. Beyond training, tools, and other educational activities, these funders (and others in the ecosystem) would benefit from becoming more aware of each other. Building relationships among actors from different spheres and supporting them with education and communication helps create the conditions to move from conversations between individual actors to field-wide conversations. Bridging these spheres expands and strengthens the ecosystem and, in turn, helps widen the supply and demand side of the pipeline.

CLIMATE ENTREPRENEURSHIP FUNDING AND INVESTMENT MODELS

Below are examples of models the interviewed funders are exploring to advance climate action and entrepreneurship goals.

Applying a climate lens to funding portfolios and fund operations
More funders and impact investors are reviewing their grant and investment portfolios with an eye to positive climate outcomes. The goal is to finance innovative and promising climate-friendly approaches, such as the development and distribution of clean technologies, reforestation, sustainable agriculture, and waste reduction, etc., as well as divesting from fossil fuel companies and others that are heavy emitters of greenhouse gases. To accomplish this, funders often develop climate criteria or key questions or screens to evaluate climate impact at pipeline development and decision-making phases, as well as during monitoring and evaluation over the life of the grant or investment.

Funding enterprise support structures
Many of the interviewed funders recognize the need to confront root causes of social and environmental problems, which are often interrelated and embedded in complex, self-reinforcing systems that become stronger when only symptoms are addressed. Climate change is one example of such a challenge. For example, rather than funding a single climate entrepreneur, several interviewees seek to address the challenges affecting many climate entrepreneurs and to strengthen the structures that support them, such as intellectual property rules that disadvantage SGBs. As an example, New Energy Nexus in Asia supports several climate entrepreneurs active in creating climate-friendly transportation in Asia. Local, regional, and global policy change to promote climate entrepreneurship is another significant intervention funders support to promote fundamental, systemic change.

Funding community-led climate movement builders
Community-led organizations have, out of necessity, long been on the frontlines of climate action, adaptation, and resilience. However, according to Laura Garcia, Executive Director of Global Greengrants Fund, less than two percent of climate funding goes to grassroots climate justice movement organizations. Philanthropic organizations, like the CLIMA Fund and Global Greengrants Fund, channel resources directly to grassroots movement builders with the explicit goal of supporting community self-determination and filling this significant gap in ecosystemic funding. Using the distributive power of networks, as described earlier, these funders help thousands of small organizations build collective power to influence policy makers and promote effective solutions that support community self-determination. Movement funders call on mainstream philanthropy to recognize that most impacted communities must lead the development of a just, regenerative global economy.

Alternative economic structures

All the interviewees recognize that, to some extent, business as usual is deeply flawed. Some funders are experimenting with new financing structures that still work within the system but attempt to balance and introduce other incentives, such as ESG fund criteria. Other finance models, such as integrated capital, go even further. As Jen Astone, principle of Integrated Capital Financing, explained, creators of integrated capital funds "take on this work because they believe (that) in organizing communities and individuals who have experienced a history of extraction and disinvestment, they help to create the future we want. In parallel, they ask investors and those with wealth to participate in creating solutions by embracing social, relational, and ecological returns over financial ones as a starting point."[15] This deeper questioning of our global economic system extends even to those that have helped create the digital economy. Omidyar Foundation, seeded with eBay capital, has a highly publicized portion of its giving aimed at "reimagining capitalism," with an imperative to "design markets to serve the well-being of society….and to stop designing our society around serving the well-being of markets."[16]

Seeking integrated solutions with unlikely partners

The roots of the climate crisis are systemic and cut across many sectors and issue areas. More funders are beginning to explore "climate-plus" solutions that reflect the multi-faceted nature of the problem and involve collaboration to address issues such as poverty, environmental degradation, and gender discrimination simultaneously. One example is the Global Alliance for Green and Gender Action (GAGGA), a consortium of 14 women's funds, five environmental justice funds, 44 NGOs, and more than 400 grassroots groups across more than 30 countries in Africa, Asia, and Latin America. It aims to promote the collective power of global women's rights and environmental justice movements to ensure women's rights to water, food security, and a clean, healthy, and safe environment. The consortium is supported by the Ministry of Foreign Affairs of the Netherlands, Global Greengrants Fund, and Prospera (an international network of women funds). GAGGA is notable because multi-year government funding rarely reaches community-based organizations. It also cultivates unlikely partnerships that lay the groundwork for strong cross-sectoral, multi-faceted collaboratives - exactly the types of solutions required to address complex global problems such as climate change.

15 Astone, Jen. The Transformative 25, *25 funds transforming finance for people and planet*. Integrated Capital Investing, white paper, 2021.

16 Jurgens, Chris, interview with David Bank. "Reimagining Capitalism," Impact Alpha, podcast audio, June 8, 2021.

CALL TO ACTION

The latest United Nations Intergovernmental Panel on Climate Change report, released in August 2021 and based on over 14,000 studies, is the most comprehensive review to date on the physical evidence of climate change. The data indicate that some devastating impacts of climate change are unavoidable, but a narrow window to avert the most catastrophic impacts still exists. However, that means aggressive, rapid, and widespread emissions cuts must begin now.

According to the report, the biggest hurdle is not technological but rather financial and political. Most governments have been unable to muster the commitment to invest in a massive retooling of the fossil fuel economy. Strategic funding for entrepreneurs in developing economies can help tip the balance not only to avoid the worst impacts of the climate crisis but to alleviate simultaneous and interconnected economic and social crises as well.

The time is now. While everyone must play a role, funders have critical leverage to help avoid societal and economic devastation and to build the foundation for more equitable prosperity, health, and well-being around the globe. Climate entrepreneurship is emerging as a field, but significantly more funding is needed for these solutions to be truly transformative.

Three calls to action convey the urgency and the rationale for funders and other stakeholders to rise to the moment with bold action to propel climate entrepreneurship in developing economies:

1. **Expand support with the whole ecosystem in mind.**
   Ecosystem-level change is necessary to scale climate solutions effectively, and this requires significantly more financial resources. The focus must be not only on reaching millions of people but also involving many sectors simultaneously and in a coordinated way to build the capacity of the entire system. Climate risk is systemic: solutions must be developed systemically as well.

2. **Make inclusion a priority.**
   A range of approaches that are effective at meeting 2050 net-zero targets and are economically and socially viable need to be considered, for example, not limited to tech-heavy, "hard" climate solutions, such as utility-scale and distributed solar, on- and off-shore wind and reducing fossil fuel dependence, but also community-focused, "soft" climate solutions that are less discussed in the general climate debate, but are just as important, such as agricultural community resilience and the health and education of women and girls. Climate, community, and gender issues can and must be tackled *together*.

3. **Think tactically to change institutional culture.**
   Funders need to break down barriers to collaboration, seek out and share data more readily, cultivate knowledge of communities' experiences to inform funding streams, and look for opportunities to shift economic power while striving to achieve specific climate goals. These practices can help create a culture that rewards holistic approaches and more transformative, cross-sector impact, which are necessary to confront the enormous challenge of addressing the climate crisis.

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aspen institute

For more information please contact:

MATTHEW GUTTENTAG
Director of Research & Impact
Matthew.Guttentag@aspeninstitute.org