

Circular economy: Why the sector is fertile ground for South African entrepreneurs

BY: CATHERINE WIJNBERG

South Africa needs entrepreneurs to reverse our shrinking economy and high unemployment rate. And while they face numerous barriers in almost every sector, there is one industry that offers them the key to success: The circular economy.



Source: [Unsplash](#)

Only about 1% of micro-enterprises in South Africa, starting with one to five employees, will grow to employ more than 10 people. This means most entrepreneurs will face so many barriers they will make little meaningful difference to unemployment in the country. But this is not the case within the circular economy.

The circular economy consists of businesses that focus on eliminating waste. Circular thinking goes beyond the reduce, reuse and recycle focus in the green sector to design out waste altogether. It promotes sustainability by ensuring that raw materials and products are recycled, repaired and reused. The focus on waste reduction means improved efficiency and greater profit margins.

The circular economy offers entrepreneurs a real business opportunity. Almost 90% of South Africa's waste ends up in landfills – but recycling, refurbishing, redesigning or remanufacturing this waste could unlock millions of rands in economic growth. This sector holds so much promise, that it has been identified as a key part of South Africa's post-Covid-19 Economic Reconstruction and Recovery Plan.

And entrepreneurs in the circular economy sector have several other advantages: Start-up costs are usually lower than in other sectors, the markets for sustainable solutions are growing exponentially, and businesses with significant social and environmental impact have a growing appeal to consumers who want to feel good about the future

Lower startup costs

Start-ups in rural areas in particular face many challenges – with one of the largest being a lack of access to finance [3]. This means that very often businesses don't get off the ground because simply they cost too much to for the entrepreneur to finance.

However, circular thinking moves away from the traditional ideas of manufacturing products. Instead, it looks to reuse existing products or materials in an endless cycle. This means that start-up costs for circular economy businesses can be much lower than other sectors, which in turn makes this industry much more accessible to township or rural entrepreneurs.

A very popular circular economy model is product sharing, such as the renting or hiring of equipment, which requires minimal start-up costs. For example, an entrepreneur could start a business in which parents are able to hire or exchange baby equipment, allowing them to trade in items as their children grow.

Shifting eco-conscious consumerism

The market for “green” products and services is growing significantly, especially in the face of climate change. According to the *State of Waste Report* issued by the Department of Environmental Affairs, South Africans dispose of 54.2 million tons of general (municipal, commercial, and industrial) waste per year. That's enough municipal solid waste to fill an entire football field 10 metres deep, every day. That's also an indication of a huge market opportunity because landfill sites are filling fast and companies are starting to look for other alternatives

But consumers are also becoming increasingly concerned about their carbon footprint. Research commissioned by WWF found a 71% rise in popularity of searches for sustainable goods over the past five years, with consumers more inclined to click on eco-friendly product options. While the South African consumer may be lagging behind the international trends, more and more local shoppers are starting to look for green alternatives.

Consumer demand drives production, and many international corporates are already having to meet sustainability targets. Even South African government department are starting to consider sustainability in their purchasing.

Creating social change

Joblessness is a major concern for South Africa. The latest labour statistics place the unemployment rate at just short of 35% in the third quarter, which translates to almost 8 million unemployed people.

To create enough jobs for to employ this number of people 22,000 jobs would need to be created every day for a year.

The burden of job creation falls to small and medium enterprises – across the world they account for 45% of employment – which is why it's essential to harness the potential of game-changing opportunities like the circular economy. Research presented at the Global Climate Action Summit estimates that over 65 million new low-carbon jobs will be created around the world by 2030 – if South African entrepreneur can tap into this sector, we could drastically reduce the country's unemployment rate.

In South Africa, estimates are that the waste sector alone could add as much as 3% to the country's gross domestic product (GDP) and create scores of jobs.

This is why enterprises focused on circular economy need to be nurtured: They not only reduce our impact on the environment, but they also have the potential to unlock economic development and job opportunities. With the right support to succeed, entrepreneurs in circular economy hold the key to large scale economic growth.

ABOUT THE AUTHOR

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