

Panel Report 4

# Community-Based Environmental Business for Sustainable Consumption and Production



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**Community-based Environmental Business  
for Sustainable Consumption and  
Production**

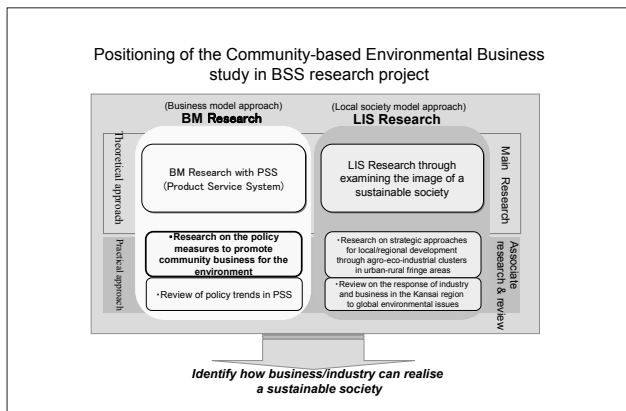
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**IGES**

Slide ①

The IGES Kansai Research Centre receives the cooperation of visiting researchers from private businesses. Together with two such visiting researchers, I have been working on the theme of “community-based environmental business”, getting a picture of its background and investigating its present state in Japan. Today, I would like to report our findings.

This is a structural view of the Business for a Sustainable Society Project that Prof. Gunjima explained before. There are two basic approaches: one for business models and the other for local society models. The research is positioned as research into eco-friendly business models. At the core of the business model research is research into Product Service Systems (PPS), but we did research into other kinds of business models and from the close relationship to the local society model approach.



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**Examples of Community-based Environmental Business**

<p><b>Material Recycle</b></p> <ul style="list-style-type: none"> <li>• Utilisation of school lunch leftover</li> <li>• Utilisation of wasted cooking oil</li> </ul> <p><b>Renewable Energy</b></p> <ul style="list-style-type: none"> <li>• Citizens wind power</li> <li>• Operation of micro-grid</li> </ul> <p><b>Nature Regeneration</b></p> <ul style="list-style-type: none"> <li>• Regeneration of lake, river and satoyama (mountain)</li> </ul> <p><b>Environmental Education</b></p> <ul style="list-style-type: none"> <li>• Operation of eco-centre</li> <li>• Eco-tourism etc.</li> </ul>	<p style="font-size: small;">Centre for Alternative Technology (CAT), UK</p>
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To begin with, I want to introduce a few cases of community-based environmental business so as to give you idea what it is. With regards to material recycling, a certain community has created a business where they collect school lunch leftovers and used cooking oil, and use these materials to make animal feed, fertilizer and, recently, energy. Also, there is wind power generation project funded by residents, which was

mentioned earlier. A microgrid is an energy demand and supply system on the community level. In Hachinohe, Aomori Prefecture and Kanazawa Ward, Yokohama City, communities have spearheaded the formation of a business group to manage their microgrids. Nature regeneration requires the participation of many, many people. It has been applied as a business model in some places and business is going well. Furthermore, an “eco-center” shown here under Environmental Education is an educational facility capable of developing environmental technology. One example is the Centre for Alternative Technology (CAT) in UK. A representative of CAT was invited to a symposium of ours a year ago and spoke.

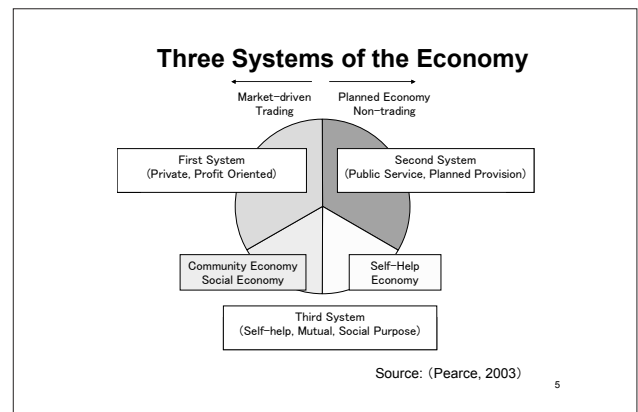
**Case study sites in Japan**

Category	Area	Outline
Urban	Kasumigaura Lake Watershed, Ibaraki prefecture	An NPO has emerged from citizens group concerned with water pollution of the lake Kasumigaura. It coordinates elementary schools and various organizations in the watershed, and develops “Citizens Public Works Project” in order to “please the lake” with financial supports from national government etc.
Rural	Kuzumaki town, Iwate prefecture	Utilizing local forestry and livestock resources, the municipal government is taking initiatives of renewable energy business. The town is called “An Open Museum of Clean Energy”, which is attracting many tourists. Regional network initiative, which surpasses the boundary of the town, is also progressive.
Small local city	Iida city, Nagano prefecture	An organization established primarily by local companies conducts “Local Society-wide Environmental Management” activities. A company established by a local NPO, collaborating in and out of the area, conducts business on energy conservation and new energy business targeting at the local society.

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Community-based businesses are popping up all over the world. Some are involved with the environment. Nevertheless, our research objective at present is to share information on the situation in Japan with the rest of the world, therefore our case studies came from Japan. The first was the Asaza Project, an NPO initiative aimed at cleaning up the water in Lake Kasumigaura. It is a public works project headed up by residents. The second was in Kuzumaki of Iwate Prefecture, where various clean energy projects are being developed. The third was in Iida City of Nagano Prefecture, where local environmental management activities were launched and served

as the basis for establishing Ohisama Shinpo Energy Co., Ltd., which develops energy conservation and new energy business. We investigated these case studies from both theoretical and policy approaches, which I would like to explain here following.



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This slide positions the socio-economics of a community that creates a “community-based environmental business”. There are basically three economic systems working here: the first system of private businesses, the second system of governments and the third system of self-reliant, reciprocal activities with social objectives. Within this third system are the community economy and social economy, both of which are market-driven.

In order to categorize everything, there are these diagonal lines, but the fact is that these three systems are interrelated. The community economy and social economy are closely related to the CSR trend of private businesses and the project outsourcing of governments.

Community businesses abound in Japan. A community-based environmental business is one such business that “deals with the environment”. By that definition, a community business has five elements of business, locality, reform, citizenship and local contributions.

### A Definition of Community Business

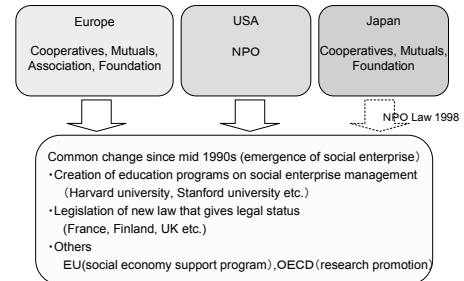
Socio-economic activities that consist of the following five elements.

- 1) Business (Continuous activity with self-income)
- 2) Locality (Activity targeting at a local society)
- 3) Reform (Activity to solve local social problems)
- 4) Citizenship (Activity led by local society)
- 5) Local contribution (Activity that benefits local society)

Source: (Kobe Institute of Urban Research, 2002)

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### Changes in Social Economy with the emergence of Social Enterprise



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### Characteristics of Social Enterprise

Economic Aspect	<ol style="list-style-type: none"> <li>1. Continuous activities of production and supply of goods/services</li> <li>2. Highly autonomous (partnership with Biz. &amp; Govt.)</li> <li>3. High economic risks</li> <li>4. Minimum paid work</li> </ol>
Social Aspect	<ol style="list-style-type: none"> <li>1. Clear objectives of contribution to community</li> <li>2. Built by citizens group</li> <li>3. Democratic decision making system</li> <li>4. Participation of stakeholders</li> <li>5. Limited profit distribution</li> </ol>

Source: (Borzaga, 2003, Social Enterprise)

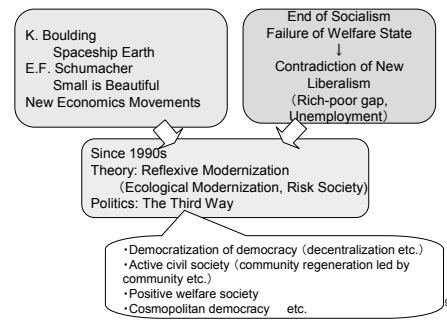
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The term community business is widely used in England and Japan, but, in recent years, the term social enterprise has become common in more countries. This table outlines the characteristics of a social enterprise. If we compare it to the elements of a community business as I just mentioned, you can see that there is no emphasis on locality, and matters concerning business finances and organizational management are detailed. The community businesses of Japan add these concepts of a social enterprise in their development.

Each country and territory has developed its own social economy. The social economies of Europe are supported by cooperatives, while those in the USA by NPOs. However, common changes

have been seen in all since about the mid 1990s. Those changes have been caused by the emergence of social enterprises. Educational programs have been started on social enterprises management and laws have been enacted to give them legal status. Moreover, the term social innovation has spread worldwide and new developments in social economies are being seen on a global scale.

### Contexts of “Environment and Economy” and “Welfare and Economy”



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The “social” part of the term social economy includes the environment. But, the context of a harmony between the environment and the economy, and that between welfare and the economy are different. The conceptual pairing of the environment and the economy goes back to the Spaceship Earth and Small Is Beautiful movements of the 1970s, where the importance of local communities was advocated. On the other hand,

with regards to “welfare and the economy”, many countries that have experienced the failures of a welfare state and the contradictions of new liberalism are having to choose a third way. This third way is based on reflexive modernization and involves active civil societies and community regeneration led by the local communities themselves. What is hoped for with these communities is that this environmental flow merges with this welfare flow. In fact, a community-based environmental business goes beyond environmental protection to contribute to social aspects of the community.

**Conclusions**

(1) Significance and outlook of community-based environmental business

- Fundamentally different from modern industrialism that has promoted mass production and consumption.
- Corresponds with the movement that has critically evaluated economy from the viewpoints of environmental conservation.
- Expected to occupy a significant place in the future.
- Becoming feasible for the works that were regarded difficult to carry out as a business.

(2) Findings of the research on Japan

- Crisis of local society becomes an opportunity.
- Utilization of network in and out of the area brings better management resources.
- Open network management creates new business opportunities.

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As a final note, I would like to explain our conclusions. First of all, a community-based environmental business is fundamentally different from the modern industrialism that promoted mass-production and consumption, and exists along a path that seeks compatibility between the environment and economics. Moreover, the importance of the environmental business is expected to grow as the social economy grows in the future. Furthermore, business projects that were difficult to undertaken before have become feasible because of various changes in the business environment.

Then, what became evident from our case studies in Japan was that economic crises and natural disasters have been the opportunity to

launch new business. Moreover, internal and external networks are being used to secure the necessary management resources. And, by using an open network that emphasizes relations with other economic groups, business is creating business and having a ripple effect of creating new business opportunities.

**Conclusions (continued)**

(3) Policy agenda for promoting community-based environmental business

- Provision of various financial supports by government programs and private enterprises
- Improvement of self reliance and independence by introducing local circular economy tools such as local money
- Implementation of social audit system

(4) A Subject of System Innovation Studies

As a concrete pattern of sustainable consumption and production that is expected to have system innovation that attains significant increase of resource productivity, Product Service System has been studied. Community-based environmental business is another subject of system innovation studies.

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As policy issues, a business environment must be created to ensure of flow of diversified strategies and capital from government and the private sector. Various tools can be injected into the local economy to enhance self-reliance. Moreover, there is need for a system that can appropriately evaluate social enterprises, therefore a system must be built to enable social audits.

Lastly, this is just a supplementary note, but I already said that community-based environmental business is a subject of system innovation research. Product Service Systems (PSS) have been researched as a means of system innovation because of the ways they improve productivity. In that same breath, let me point out that not enough research has been into community approaches, which leads me to believe that upcoming research will be quite significant.

This concludes my report. I thank you for your attention.

Thank You Very Much for Your Attention!



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## *Community-based Environmental Business for Sustainable Consumption and Production*

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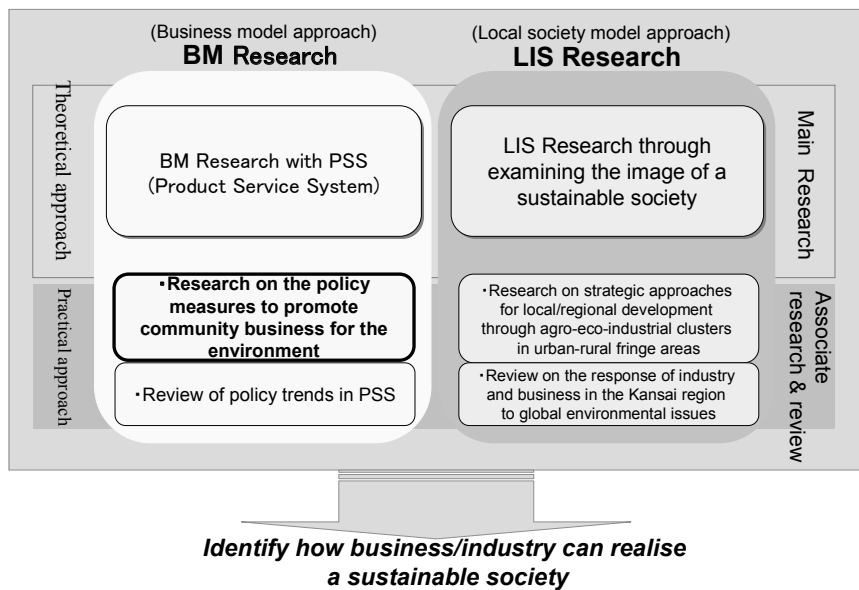
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### Positioning of the Community-based Environmental Business study in BSS research project



Slide ②

## Examples of Community-based Environmental Business

### Material Recycle

- Utilisation of school lunch leftover
- Utilisation of wasted cooking oil

### Renewable Energy

- Citizens wind power
- Operation of micro-grid

### Nature Regeneration

- Regeneration of lake, river and satoyama (mountain)

### Environmental Education

- Operation of eco-centre
- Eco-tourism etc.



Centre for Alternative Technology (CAT), UK

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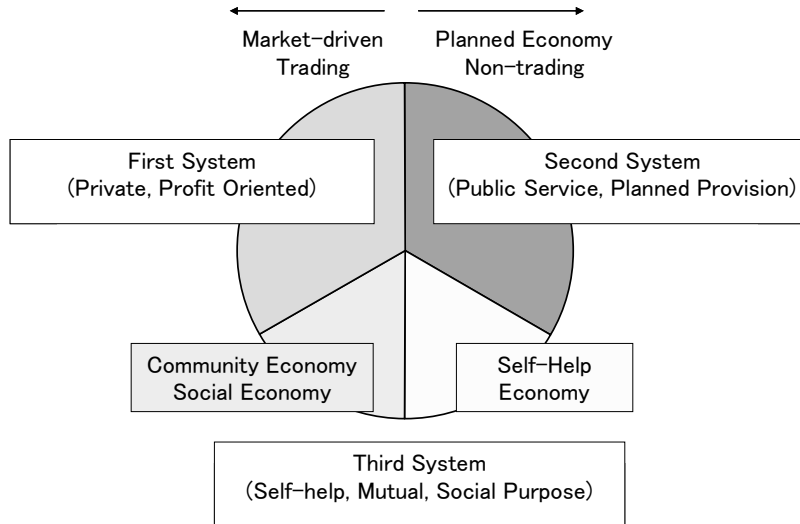
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## Three Systems of the Economy



Source: (Pearce, 2003)

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Slide ⑥



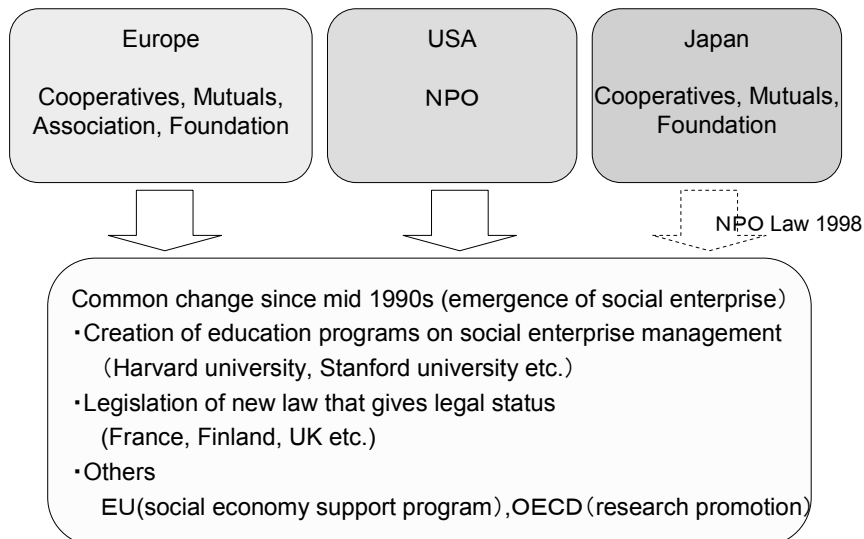
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Source: (Borzaga, 2003, Social Enterprise) 7

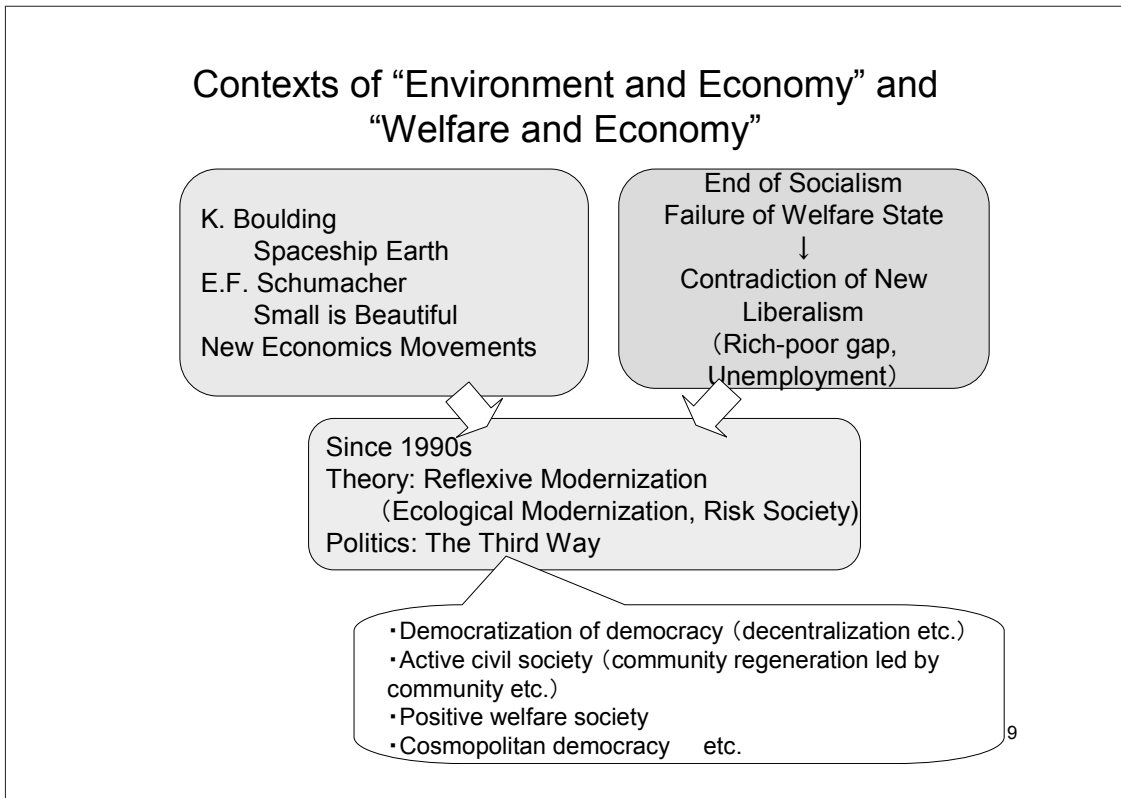
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