International Labour Organization

ILO Brief

Policy Brief

Promotion of Green Entrepreneurship for Youth

Background

Entrepreneurship has proven to be a key driver of employment creation and economic growth. It is also a powerful tool for the promotion of gender equality, human rights and empowerment of marginalized and vulnerable communities. Despite a growing number of opportunities, the full potential of entrepreneurship is still not being utilized in Sri Lanka.

In Sri Lanka, people often turn to entrepreneurship out of necessity rather than opportunity, which is renowned as 'push entrepreneurship'. Lack of an entrepreneurship ecosystem including access to resources, training, awareness and exposure to enterprise development support were limiting the start-up aspirations of young people. Promoting a more conducive and favorable policy environment is pivotal, in creating such friendly ecosystem.

The **South Asia Leadership in Entrepreneurship** (SALE) Program has been launched by the International Labour Organization (ILO), with the main objective of promoting youth entrepreneurship, by facilitating a change in the entrepreneurial ecosystem and encouraging youth transition into the entrepreneurial world. The SALE program is implemented with the financial assistance of the US Department of State.

This policy brief has been prepared incorporating insights from the policy dialogue held in Colombo on the 9th of December 2022, under the theme of "**Promotion of Green Entrepreneurship for Youth".** This was the third of a series of policy dialogues organized by the Ceylon Chamber of Commerce in association with the Central Bank of Sri Lanka, under the SALE Program.

Green Entrepreneurship

United Nations Environmental Program defined Green Economy as 'one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities'. The Green Entrepreneurship is the building block of originating the Green Economy. OECD (2011), defines a "Green Entrepreneur" in simple terms as, either 'making the business green' or 'starting a green business'. The green entrepreneurship has a high growth potential, aiming at optimizing the human's dependency on natural resources in a systematic, dynamic and innovative approach.

Rapid growth in population has resulted in rapid urbanization and high demand for energy, water and other resources. The inter and intra-state competition to gain competitive advantage through resource accumulation has risen the problems of unsustainable extraction of natural resources, mass-scale waste and unprecedented volumes of pollution.

Today, Climate Change has become a global concern, as it causes unaccountable impacts to the world, states, institutions and individuals. Global warming, unusual weather patterns and unanticipated natural disasters affect all the living-beings, agriculture and all economic sectors as well as the governance.

The **Environment, Social and Governance** (ESG) responsibility targets have encouraged businesses to introduce innovative methods/products that support the **Just Transition to a Green Economy**. Furthermore, entering the market as a green business has become a necessity due to the competitive advantage this brings. Green entrepreneurs will be ahead of the curve and also gain support from consumers.

Even though the youth unemployment and climate change said to be two distinctive problems, Green Entrepreneurship could be a solution for both these irresistible issues. Young entrepreneurs can find technologically advanced, innovative solutions and models to address the issues at present and might occur in future.

Outcomes of the Forum

Against this backdrop, the policy dialogue explored the following sub-topics:

1. Scaling up Greenpreneurs
2. Access to green/sustainable finance
3. Addressing regulatory barriers
4. Impact monitoring and evaluation
5. Platforms to educate and build awareness on green entrepreneurship
6. Provision of training in green business development and support programs
7. Integration in possible partnerships

Macro Issues and Concerns

Understanding the Green Concept

Majority of the public and businesses have a very narrow understanding of 'Going Green' and their efforts are limited only to a few options such as planting trees, minimizing plastic usage, etc.

The legacy firms and business models are not updated on emerging environmental concerns, green concepts and modern technology. Lack of awareness-raising and capacity building programs also induces the space for misconceptions.

Even the young generations, especially those living in rural areas, are deprived of access to Global Knowledge Hubs, owing to the lack of resources, language competencies and ICT skills.

Changing Mindset

The Green Entrepreneurship involves identification of business opportunities and sustainable development aligned with the environment. However, lack of entrepreneurial mindset amongst youth in Sri Lanka has always been an underlying problem.

In addition, the concept of sustainability is still naïve in the society and the mindset is yet to be developed in majority of the community. This has also been backed by lack of validated business models and long approval processes that discourage new ventures.

Career Paths in Green Space

Green and sustainable space is not considered as a potential career path by youth, because of the gaps in information related to the trends in the world of work. Discussants pointed out the same as a key reason for youth not to emerge as greenpreneurs and grasp new opportunities in the green economy.

Entrepreneurial and career opportunities in the green space are mostly technology-driven that require specific competencies; innovation-driven that carries risks; and not very visible unlike traditional career paths. Therefore, youth are not encouraged by the influencers (like parents, teacher, etc.) to move into careers in green space.

Scaling-up Youth Greenpreneurs

Youth, those who do not possess prior business experience or social networks, face critical obstacles in converting their green ideas into action, in absence of national or regional platforms to support them to bring out green concepts, to invest in experiment and continuous improvement, to discuss issues they encounter, and receive advisory assistance to commercialize the products.

Both public and private ventures in Sri Lanka vest least investment for 'Research and Development', which hampers space for innovation and transition towards greener production.

Inclusivity in Green Business

Even though youth, especially the young females would have innovative green business ideas, they often find difficulties in starting, pursuing and scaling-up businesses, due to socio-cultural barriers.

Young women and rural youth need more support when starting a business. Discussants revealed that training programs that focus on self-employment often have more women participating due to the flexibility that such enterprises offer to combine household responsibilities with additional income. However, accelerator programs that are aimed at improving existing businesses often lack representation of women. This is due to several factors such as low levels of financial literacy and business skills, lack of financial independence, household and care responsibilities, women's income being supplementary and not central to the household, as well as a lack of assets and/or collateral.

Access to Technology

Green technologies are often more costly and require higher start-up capital than traditional businesses. As per studies, MSMEs and even established firms are hesitant in green transition, due to heavy costs in adapting green technologies, securing green certifications and fulfilling other requirements in reaching markets.

Some start-ups are emerging with the focus of recycling and upcycling the plastics and paper as well as down cycling the e-waste. However, even these ventures often find difficulties in acquiring advance technologies, obtaining necessary approvals and also in commercializing their products.

Access to Finance

The discussants highlighted that most of the financial institutions neither recognize the economic value of environment-friendly products/services, nor consider the importance of recycling and upcycling industries as potential, legitimate and financially viable business. A high degree of reluctance is evident among financial institutes to appraise green business proposals and to investing/lending for such businesses.

Higher interest rates make it further difficult for greenpreneurs to secure sufficient return on investment, and thereby discourage start-ups further.

The 'social impact investing' has not reached to a developed stage to generate positive and measurable social and environmental impacts alongside the financial return. Even the alternative sources, such as venture capitalism and crowd-funding are not matured to invest in starting and improving green businesses.

Regulatory Barriers

The green businesses face additional obstacles, owing to the lack of understanding among regulatory authorities about green economy and related concepts. Various misconceptions among policymakers and public officials cause critical impediments in enforcing environmental laws and regulations, as well as facilitating green business.

The discussants highlighted the absence of a unified 'Carbon Tax System', that could have encouraged just transition to green energy, by adopting new technologies favourable for the environment and reducing waste.

Even though a 'Carbon Crediting Scheme' is introduced to enhance credibility, transparency and quality of emission reduction, the discussants observed significant deficiencies in visibility, consistency and integration into the macroeconomic policies of the country.

Lapses in institutional capacity, in terms of technology, know-how and resources for measuring, monitoring and facilitating the green transition, creates structural barriers in promoting youth entering into green economy.

Absence of legal and regulatory mechanisms to mandate the 'extended producer responsibility' and credible systems to assess 'ecological costs' has given ample space for existing producers to neglect such accountability.

Lack of Support Systems

The System of National Accounts lacks methods to measure environmental capital and ecological costs, thus they are not reflected in the national statistics. Furthermore, green businesses are not adequately prioritized in national policies and support schemes of enterprise development and trade facilitation.

Although the government and regional authorities have launched numerous waste management initiatives, sustainability of such projects is not assured, in absence of viable financial models. The necessity of an integrated national approach for waste management and disposal of environmentally hazardous substances is yet to be addressed.

Global Partnerships

The United Nations Framework Convention on Climate Change (UNFCC) and consequent Conference of Parties (COP) have advocated for rapid and ambitious action to combat climate crisis. Although UN agencies, development partners and multilaterals such as "Global Green Growth Institute (GGGI) have pledged their support for green economy, the Sri Lankan young greenpreneurs are restricted in playing a progressive role in this domain, owing to the tedious processes to be followed in obtaining government approvals for attracting such development assistance.

Recommendations

Better Education on Green Economy

Transition to green economy requires a paradigm shift in mindsets, that should start from the education, recognizing the importance of sustainability and entrepreneurship. Policies, standards, curricula and teaching methodologies in primary, secondary, tertiary and higher education sectors need to be revamped to promote green concepts, whilst ensuring continuous capacity building for all educational professionals (including policymakers and practitioners) in relation to global environmental concerns, sustainable development initiatives and green entrepreneurship.

The national sustainable development agencies are to be capacitated to explore, adopt and create new knowledge in green concepts and greenpreneurship, and to create platforms for disseminating such knowledge into education systems, in local languages with simple definitions.

Flexible Learning Methods

Introducing Sri Lankan youth to global online educational platforms (such as UNCC: Learn, Coursera and EdX), will open doors to a wide range of high-quality study programs offered by renowned institutions, that entails opportunities for self-learning and competency development in flexible, convenient, and cost-effective ways. This will also support potential greenpreneurs to network and collaborate with like-minded entrepreneurs and experts. During the COVID-19 pandemic, most of the students in schools, universities and vocational training were exposed to online education systems, which will help in introducing the online courses to aspiring young entrepreneurs.

Promoting virtual self-learning platforms for youth will require provision of adequate resources, improving competencies in link languages (such as English) and mentoring, which can be delivered to all aspirants through the vocational training center network scattered islandwide.

Teaching Green Entrepreneurship concepts through tailored training packages (such as ILO's "Know About Business" and "Start and Improve Your Business" programmes) in vocational, secondary and tertiary schools will enhance competencies and confidence of the youth to apply skills and ingenuity to solve current environmental challenges and venture into owning a business.

Virtual knowledge hubs will also help entrepreneurship trainers, mentors and facilitators to acquire specialized expertise on green economy and greenpreneurship, which they can adopt into their entrepreneurial skills development programs.

Experiential Learning

Entrepreneurship education and green business development training programs should not be just for transferring knowledge and certification-oriented; but should allow practical experience and experiment. Exposing the students to the existing green businesses and new product development research would help them understand the required skills.

The young students as well as their teachers and trainers should be made aware of 'Green economy' and 'greenpreneurship' concepts, by way of linking them with experts in the respective fields, which will induce more collaboration and better understanding between those counterparts.

Changing Public Perception

Shifting the public perception on 'green business', from the 'social responsibility' approach to a profitable and sustainable economic model is a high priority in promoting youth greenpreneurship. Platforms should be in place for public to understand how the 'circular economy' and greenpreneurship concepts be applicable in global and local economies.

Affordable, accessible and user-friendly educational and informational programs should be introduced, targeting the older generations to change their perception on green concepts, that will help in encouraging the young entrepreneurs.

Promoting Green Business Start-ups

In order to enhance the green entrepreneurial intention amongst youth, it is essential to improve the intensity of influencing factors that can help scaling up identification of entrepreneurial opportunities aligned with environmental sustainability. Aspiring greenpreneurs should be equipped with sufficient awareness about current environmental and economic issues and also skills to diagnose emerging issues, with adequate competencies and confidence to explore and experiment solutions for such issues.

Introducing support systems for capacity building in business ideation, innovation and commercialization is necessary, along with advisory, regulatory assistance and access to finance.

Innovative approaches to promote two-way informational exchange between green businesses and youth, including mentoring and internships, whilst improving 'push up platforms' for creative and innovative idea generators will help youth in taking own initiatives.

Green Transition of Existing Businesses

The discussants revealed that more than one third of world's largest publicly traded companies are already transformed into green businesses. The Environmental, Social and Governance (ESG) Responsibility targets have encouraged many of global businesses to introduce innovative processes and products that support the transition to a green economy. It is of paramount importance to introduce such environmentally sustainable business models to Sri Lankan ventures, to induce them to explore possible adaptation.

Challenges that impede the seamless transition of existing business into green economy (such as regulatory barriers, supply chain disruption and access to finance) should be clearly identified and provided with necessary remedies, that includes building linkages with environmental and industry experts, technology and resource support, and introducing entry points for green economy.

Transforming MSMEs

The MSMEs account for more than 75% of enterprises, 20% of exports, 45% of employment and 52% of GDP in Sri Lanka, whilst playing the vital role of breeding ground for large enterprises. It is necessary to have an enabling environment for MSMEs to formalize, scale up as well as to transform into green economy, which would require improving awareness on greening the business, entrepreneurial and technological skills, access to finance, technical assistance for improving quality and compliance with environmental standards, access to global markets as well as resilience to external shocks.

Extended Producer Responsibility

Existing businesses and startups should be stimulated to consider the ecological costs of their operations and create a responsibility to absorb the social costs. Relevant authorities should lobby the government to construct progressive policies and enabling environment for 'extended producer responsibility', whilst making it mandatory with strong rules and regulations.

Supporting leading corporates to convert their eco-friendly CSR initiatives into corporate business profile, to engage in 'impact investing markets', and leveraging on new opportunities, such as carbon credit, would also encourage youth for exploring green business avenues.

The discussants recommended that the private sector institutions, such as the Ceylon Chamber of Commerce, could take the leadership in educating and promoting greenpreneurship, while providing capacity building and recognition for successful entrepreneurs. This will ensure that they are backed up by credible sources.

Initiating Public-Private Partnerships, with viable business models, could establish 'need-driven' support systems to facilitate greening the existing businesses as well as capacitate aspiring greenpreneurs to start new ventures.

Gender Mainstreaming

National and regional support systems operated by the public institutions (such as NEDA, IDB, SEDD, etc.) as well as private-sector and community-based organizations can take important stake in initiating public awareness to remove social barriers for female entrepreneurship, improving recognition for innovative green business ideas of young females and facilitating them in starting and improving green ventures.

Furthermore, special attention could be given in the regional and rural development agenda for promoting women-led green businesses as an integral part and essential contributor.

The business accelerator programs need to be restructured to encourage more of female representation, by way of introducing tailor-made and flexible schedules that would not disrupt their routine, enhancing their awareness on green initiatives, improving financial literacy and entrepreneurial skills as well as building confidence through linking with successful female role models.

National Policy Coordination

The discussants observed a high potential in improving green entrepreneurship by devising formal support, through a national coordination mechanism that could bringing together the innovation, investment and resource mobilization into one common platform. This will also help in building an efficient monitoring and evaluation of entrepreneurship development programs in the country.

It was held that the System of National Accounts (SNA) to be improved, along with the national statistical measures, accounting principles and financial practices, to assess and account for the environmental capital and ecological costs, which will induce the careful consideration of environmental factors in country's development agenda.

The 'Carbon Credit Schemes' (SLCCS), 'Clean Development Mechanisms' (CDM) and 'Net Carbon Zero' initiatives should be mainstreamed into the national economic development policies along with a consistent taxation system.

Stakeholders should find the multiple entrepreneurial opportunities in circular economy, beyond the conservative approaches of waste management.

Identifying and addressing the barriers in implementing national, regional and sectoral policies, including inter/intra-agency coordination and institutional capacity building is also important. Active participation of the private sector in formulating and implementing policies, in terms of advocacy, partnership and whistle-blowing would support the transformation into a greener economy.

Coordinated Regulatory Mechanisms

Introducing an integrated national regulatory mechanism on environmental protection, along with adequate institutional capacity and linkage to enterprise and industry development platforms, will mitigate the existing bottlenecks in promoting green entrepreneurship, whilst ensuring effective implementation and monitoring of environmental regulation, including carbon emission, waste management and disposal of hazardous substances.

The government needs to create supportive bureaucratic processes for protecting intellectual property rights, promoting innovation and supporting new developments in green economy. Public policy, laws and regulation, in conjunction with administration, can facilitate private investments in green business ideas. Cutting the bureaucratic red tapes in business registration, environmental certification and monitoring can significantly stimulate greenpreneurship.

Coordinated Funding Mechanisms

Access to finance to be streamlined through capacitating the banks and financial institutions to appraise business proposals, taking into account the ecological costs and benefits of such businesses. Financial schemes can be introduced to support innovation, business incubation, start-ups and growth of young greenpreneurs without requiring collaterals and with concessionary interest rates.

The 'Green Finance Taxonomy' (2022), launched by the Central Bank of Sri Lanka, in compliance with the 'Roadmap for Sustainable Finance of Sri Lanka' (2019), has already introduced a classification system that defines and categorizes the environmentally sustainable economic activities. Using the taxonomy, financial market participants could potentially aim to raise low-cost funding for green activities from both domestic and international market.

Integrating Development Partnerships

Building partnerships between the successful green enterprises and the entrepreneurs' clubs at schools, vocational training centres and universities will ensure exposure and build networks for the aspiring young greenpreneurs. In addition, internship opportunities for youth at green enterprises will provide mentorship from the founders and hands on experience in the green business space. These partnerships will also ensure extended opportunities for existing greenpreneurs in return, to explore new knowledge, bring in modern technical know-how and develop futuristic partnerships with emerging green businesses.

Introducing programs and supportive platforms, such as “Hatch” and “Good Life X”, where young aspirant entrepreneurs are provided with the training, mentorship, workspace and other requirements to enable them to work on their innovative products and commercialize, which provides them with sufficient business incubation space to experiment before launching such product to the market.

The discussants highlighted the importance of creating a ‘Green Business Hub’ that can enhance connectivity between the youth and aforesaid support mechanisms, and to facilitate partnerships and business linkages. Such Hub can also act as a formal channel for prospective greenpreneurs to reach and receive technical and financial assistance from international development partners and multilateral funding organizations.

The government needs to develop mechanisms to leverage development assistance extended by the UN system, (such as UN-COP, IFC, World Bank, FAO, UNDP) and other multilaterals (such as GGGI), which will pave ways for greenpreneurs to easily access funding and technical assistance on merit basis. Some of those development agencies have already launched initiatives, such as the ‘Green Innovation Challenge’ of the UNDP’s flagship initiative ‘HackaDev’ and ‘Greenpreneurs programme’ of GGGI.

Impact Monitoring and Evaluation

It is only with measurable results that one could understand the effectiveness of any policy measures, in terms of the impact it makes to the economic and ecological environments. Availability of accurate and timely data is mandatory in progress monitoring and designing of future policy interventions.

Monitoring and evaluation will also ease materializing collaborations with large players in the market, which is essential for young budding entrepreneurs. In another perspective, investors and development partners are keen to support successful and impactful green ventures, particularly those that have a stated mission to improve the quality of life of local communities and address environmental pollution, with verifiable progress indicators.

Whilst all means of support programs being rendered to uplift the green entrepreneurship, it is equally important to define and monitor the positive impacts those programs would create and also to communicate such impacts to the society, in order to build trust among the stakeholders of those programs. Such proactive interventions will create more awareness and induce more youth to engage into the green economy as well as will enlarge the markets that value green products and services.