

CASE STUDY

Green Youth Entrepreneurship



Supporting Seven Green Enterprises in Pakistan to Grow: Bridging the Financing Gap to Stimulate the Green Economy

In Pakistan, as in most developing economies, small and medium enterprises (SMEs) are the engines of economic growth. SMEs represent 90 percent of all enterprises, contribute 40 percent to the GDP, and employ 78 percent of the non-agricultural sector labor force. SMEs need capital to grow and scale, but unfortunately, approximately 90 percent of SME financing needs are unmet by the financial sector. Young entrepreneurs seeking to grow their climate-focused enterprises face additional barriers to access finance due to little or no credit history, lack of familiarity with the formal financial sector, and a higher perceived risk profile.

To help socially conscious young entrepreneurs with high-potential businesses to access capital, the USAID-funded [Small and Medium Enterprise Activity \(SMEA\)](#) builds SME capacity and gives SMEs grants to help them grow and scale. Through SMEA's Challenge Fund, a tiered grant award fund that gives grants to SMEs who then become eligible to apply for an additional grant to "scale up," SMEA has provided seed and early-stage finance to 141 growth-oriented businesses. Out of the 141 grants, SMEA supported seven green enterprises launching innovative solutions to climate-related problems in Pakistan and created 75 new green jobs, the majority filled by young people.

In 2019, SMEA supported [PALS Outdoors](#), an eco-friendly tourism services company that offers adventure packages along the Sindh and Balochistan coasts of Pakistan, areas not traditionally known as tourist destinations. Since its launch in 2015, PALS Outdoors has employed and trained over 500 people – the majority of which are youth – in low-income areas of Sindh and Balochistan. The company's tourism activities support the community by providing alternative sources of livelihood, promoting the destination as a whole for other tourism SMEs, contributing to biodiversity conservation, and focusing on local participation. PALS Outdoors is committed to a "leave no footprint" model, using solar energy to generate electricity, aerator taps to conserve water, and reusable cutlery and cookware to

reduce waste. To foster behavioral change and environmental awareness, PALS Outdoors educates all their patrons on environmental protection as part of the PALS Outdoors experience.



PALS Outdoors attributes the initial success of their adventure tourism services to the lack of opportunities for young people to engage with the outdoors. With youth as their primary staff and customer base, the company now tries to keep up with a constant demand to increase their services.

With a Challenge Fund grant in 2019, PALS Outdoors expanded its operations, adding eco-friendly lodgings tailored to youth who want to stay on the beaches of Balochistan and non-motorized boat tours into nearby mangrove forests, further promoting youth engagement with the environment. The grant also enabled PALS Outdoors to successfully overcome its initial challenges of developing a non-prime location

for domestic tourism, by supporting the company to acquire the infrastructure needed to set up movable facilities via tent lodging. As a result of the SMEA grant to PALS Outdoors, 19 new jobs were created (12 for youth), over \$60,000 in private sector investment was generated, and a new business segment was introduced to benefit the local hospitality community.

Financing can be provided to SMEs to catalyze growth into jobs that support youth employment and the green economy in a number of alternative ways (see graphic below for other examples of SMEA Challenge grants). While each of these green SMEs survived their startup phase, support from SMEA has proven critical to help pave the way for their continued expansion and transition to mature businesses with the revenues to create new job opportunities.



Photo credit: PALS Outdoors

| Challenge Fund Support to Green Businesses | Results |
|---|---|
| SMEA provided a grant to Mountain Story , a woman-led eco-friendly green tourism company that operates in the remote Himalayan areas of Hunza and Nagar. The grant enabled Mountain Story to expand by leasing and converting properties in new scenic locations into small-scale bed and breakfast resorts to increase sustainability of their seasonally-driven business. | Over \$58,000 in revenues generated, 20 jobs created |
| Waste Busters, a women-owned recycling and waste management enterprise, received an SMEA grant to increase their digitization. The grant funded the development of an app named Trash Masti for logistics and business system improvements and supported greater outreach on recycling awareness. | Over \$53,000 in revenues generated from 1,000 households |
| A Challenge Fund grant supported Hadron Solar , a renewable energy company, to develop a web portal and mobile application to promote the effective use of their grid-alternative conversion kit, given the country's lack of a reliable electricity grid. In addition to introducing an Internet of Things platform with the kit, the grant also benefited the enterprise's SolDrive project, which supports reducing air-conditioning costs. | Over \$185,000 in revenues generated, 7 jobs created |
| Sun Importers and Exporters supports the circular economy by recycling polyethylene terephthalate bottles, primarily to be used as yarn fiber in the textile industry. SMEA supported the enterprise to obtain an automated color sorter machine to overcome manual sorting challenges and improve the quality and efficiency of its production line. With the machine, the enterprise is able to expand its reach to supply at national and international levels. | Over \$810,000 in revenue generated, 4 jobs created |
| SMEA supported Blue Star Composting and Recycling to acquire composters, shredders, grinders, a sifting machine, and automatic packaging equipment to increase its production capacity. | Over \$24,000 in revenues generated, 6 jobs created |
| GreenWend Energy (Private) Limited received SMEA support to procure a hydraulic metal cutting and bending machine for the manufacture of steel structures and cabinets for the solar systems installed by the company. | Over \$81,000 in revenues generated, 9 jobs created |

Development funding activities such as SMEA's Challenge Fund grants can be replicated elsewhere to bridge the financing gap and help stimulate the green economy. By helping green SMEs grow and scale through grants, programs like SMEA can help green SMEs attract additional investments and adopt green technologies and best practices across industries. Capital flowing to SMEs should aim to strengthen SMEs' commitments to environmental

best practices, ability to adopt cleaner and socially responsible production at all stages of supply chains, and adopt green innovations and technologies to reduce emissions and minimize waste. Young, socially conscious entrepreneurs who are trailblazers and champions of the green economy should be engaged in program design to help create the businesses of the future for a better tomorrow.