



The GreenWorks Effect: Unlocking Job Opportunities Through Green Transformation in the Middle East

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Foreword



Leontine Specker

SPARK

“ Experience to date confirms that for most companies there is a direct link between environmental, social, and corporate governance practices (ESG) and their financial performance. In other words, those that do good by the environment, their labour force, and communities, also do well financially.

It is known that small- and medium-sized enterprises (SMEs) form the backbone of most economies, providing high levels of employment and contributing extensively to GDP growth. Green entrepreneurs are the engine to starting and sustaining a green economy by providing green products and services, introducing greener production techniques, boosting demand for green products and services, and creating green jobs. At the same time, entrepreneurs drive innovation as well as sustained economic and social development.

Green entrepreneurship is a form of entrepreneurship that focuses on developing environmentally-friendly products and services, or integrating sustainable practices into existing businesses. Similarly, green innovation could include the creation of key products, services, or processes to reduce the harm, impact, and deterioration of the environment and optimise the use of natural resources.

At SPARK, it is our mission to contribute to inclusive and sustainable growth by creating high-quality jobs in growth sectors and supporting innovative entrepreneurs and businesses in fragile and conflict-affected societies. We provide market-driven support that has an immediate impact on individual lives and create hope and opportunities for communities. Our focus on youth is rooted in our vision for a world in which young people in fragile states play an active role in the socio-economic development of their countries.

In line with this mission, SPARK has launched its 2030 Strategy that recognises the huge potential of green businesses and green jobs in various sectors. The green sector will create the jobs of the future, including in fragile and conflict-affected regions. This requires us to make sure that youth, including women and refugees, are in a position to catch up on these global trends and have equal access to the opportunities the green sector offers. At the same time, (M)SMEs require support in their green transformation and access to investors and networks to bring their operations to scale. We also need to seize the opportunities for women to become green entrepreneurs by starting their own green businesses and becoming green employers, rather than employees. We share expertise with our local partners to become leading stakeholders.

This survey and series of interviews has been conducted with SPARK's main partners and stakeholders in the Middle East and Türkiye. The findings give an impression of the needs and opportunities as they see it. Their expertise guides us in the design of our programmes and initiatives. ”

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Methodology

This report summarises data collected from SPARK's different programmes and compiles inputs from SPARK's network stakeholders across various sectors, including entrepreneurs, support institutions, investors, governmental representatives, and the private sector.

During January and February 2023, SPARK carried out a comprehensive survey, collecting data from more than 100 enterprises in Türkiye, Lebanon and Jordan to examine the preferences and necessities associated with green entrepreneurship and green economy transformation.

The report examines the current landscape, identifies challenges and opportunities, and highlights effective models and practices. The target demographic for this survey includes entrepreneurs, startups, and small-to-medium-sized enterprises (SMEs) actively participating in the green economy within their contexts.

This report has been developed by assimilating information from numerous in-depth interviews with economic and financial experts in the green entrepreneurship sphere. These dialogues sought to attain a better understanding of essential topics and detect emerging trends and developments in the field. The following lines represent only the beginning of further research to tap into the full potential of green economy, and builds on SPARK's 2030 strategy to promote and establish this strand of work.

Key Takeaways

- The Middle East has seen progress in the green entrepreneurship area, but the region has yet to realise its full potential towards establishing a sustainable green ecosystem.
- Investing in green entrepreneurship reduces costs, increases revenue, and enhances investment potential.
- Investors need to find benefit in committing to supporting entrepreneurs making the transition into a green model.
- Green businesses risk not getting the support from like-minded investors, particularly given the risks associated with putting full faith in this model.
- Governments and organisations in the Middle East are working to accelerate the growth of green entrepreneurship through funding, grants, tax incentives, and supportive regulatory frameworks.
- Businesses with existing experience can have a role to play in supporting up-and-coming enterprises in coaching and investing in their reliance on renewable energy, recycling and other practices.
- The top sectors within green entrepreneurship in the Middle East include sustainable agriculture, waste management, and renewable energy.
- Green entrepreneurs face challenges including funding constraints, insufficient support and resources, exporting challenges, cultural and societal barriers, and identifying suitable partners.
- To create a sustainable environment for green startups to thrive, an action plan based on recommendations from our network includes facilitating access to funding and investment, providing marketing and promotional support, offering training and mentorship, and fostering connections between green startups, businesses, government agencies, and non-profit organisations.
- By addressing these key areas, green entrepreneurship can continue to make a positive impact on the environment, society, and the economy.



Going green works

Introduction

Green entrepreneurship has emerged as a rapidly growing business sector, driven by increased consumer awareness of environmental issues and a demand for more ethical and responsible business practices. This heightened awareness has prompted businesses to rethink their mandates and services across various industries, resulting in a gradual shift toward environmentally responsible enterprises. While some progress has been made in the Middle East, the region has yet to realise its full potential for a fully sustainable green ecosystem.

A 2022 survey by the IBM Institute for Business Value of 350 Middle East CEOs, revealed that more than half of corporates were in the process of considering boosting sustainability a top priority for their firms. While encouraging on the surface, the good intention has not lived up to expectations. The same number view sustainability as a challenge in itself, thanks to clear lack of data and unclear return on investment, as well as unreliable technology as of the moment.

The economic benefits of investing in green entrepreneurship are significant. Over the years, a compelling business case by the International Financial Corporation has developed for transitioning to a sustainable model that reduces costs, boosts revenue, and attracts investment. Despite the upward trajectory of sustainable practices in the Middle East, corporate governance and policies have yet to translate into a transformation that can inspire others still undecided.

Governments and support organisations in the region have recognised the importance of green entrepreneurship and have been working to accelerate its growth through funding, grants, tax incentives, and regulatory frameworks that encourage sustainable practices. The EU, for example, through its recent European Green Deal (EGD) has put in place stricter sustainability and environmental standards that add even more requirements for businesses from developing countries, such as those in the Middle East, that export to the EU. This illustrates the urgency of making that shift into compliant practices.

While Gulf countries as well as Egypt have made notable strides in embracing green startups as genuine contributors, countries in the Levant have been relatively slower, mainly as they remain tangled up in a web of economic and cost of living crises that impede any progress on what is seen as 'less of a priority.' The government policies section elaborates on concrete initiatives in recent years. 7

An opportunity to create more jobs

Evidence suggests that companies with substantial environmental, social, and corporate governance practices tend to perform better financially. Studies conducted by The International Finance Corporation have shown that companies prioritising sustainability are more likely to outperform their peers when it comes return on equity and assets. This positive cycle enables successful green businesses to attract more investment, leading to further growth and job creation.

Green entrepreneurship can create jobs across industries, from renewable energy and sustainable agriculture, to green transportation and waste management. This incentive is not limited to a single sector and has the potential to contribute to solving the root causes of economic stagnation and unemployment.

In countries recovering from conflict or burdened by hosting millions of refugees, green businesses are critical for economic growth and local problem-solving. Green entrepreneurs in nations like Türkiye, Lebanon, and Jordan can contribute significantly to reducing poverty and environmental concerns by providing eco-friendly goods and services as well as clean technology-based solutions. These two issues have been blamed for a host of crises, even wars, over recent years. It can be claimed that green entrepreneurship is a tool for peace.

Reality check

The climate change impact is being felt across the region. Türkiye, for instance, has some of the highest levels of air pollution in Europe. The country is heavily reliant on imported fossil fuels, and has suffered from extreme weather events such as heat waves, floods, and wildfires.

Meanwhile, countries like Jordan and Lebanon continue to grapple with chronic water supply issues, despite their differing levels of water scarcity. Renewable and sustainable energy solutions can help both countries capitalise on their water resources and address the challenges faced by their populations.

Green entrepreneurship offers significant potential for fostering economic growth, job creation, social cohesion and sustainable development in the Middle East and beyond. By prioritising sustainability and leveraging the support of governments and organisations, eco-friendly businesses can put the environment, society, and the economy on the path of progress and prosperity.

Case Study: Case study: Layan Al Nimer; Too Good To Go

Too Good to Go started in 2021 as a food waste management business that works to reduce waste and provide sustainable alternatives. The founder, Layan Al Nimer, sees a huge potential in growing the green industry in the Middle East, although purposes differ.

“In my opinion, green entrepreneurship is an evolving trend in the Middle East, and there are indications that traditional companies are adopting more sustainable practices. However, some companies may be implementing green practices merely as a marketing strategy, rather than out of a genuine concern for the environment.

Layan believes that there are opportunities for her business to grow. “We could expand our upcycling efforts to create products for the animal feed, pet food, and cosmetics industries. This could not only provide us with new revenue streams but also contribute to the sustainability of these industries.

“Additionally, our upcycling efforts could provide an opportunity for us to offer alternative plastic packaging materials. This would not only reduce plastic waste but also appeal to eco-conscious consumers who are increasingly seeking sustainable alternatives.”

The ecosystem in Jordan is ready to embrace green businesses, she says. “However, while there is a willingness to embrace green businesses, the ecosystem still lacks some infrastructure in comparison to other countries.

“For example, there are few incentives or policies in place to support and encourage green entrepreneurship. Additionally, the availability of green technologies and materials is limited, and the cost of implementing green solutions can be high. I believe that with the right support and investment, these businesses can play an important role in promoting sustainability and environmental protection in the country.”

Layan’s goal is “not only addresses the issue of food waste but also promote sustainable practices and inspire others to adopt a more eco-friendly lifestyle”.

“The feedback I have received about the transformation towards a green model of business has been positive and encouraging. Customers are pleased to see a business that is committed to sustainability and making a positive impact on the environment. They appreciate the educational messages and are inspired to contribute towards reducing food waste.”

A woman wearing a white hijab and a dark blue long-sleeved shirt is working on a large industrial textile machine. She is smiling and looking towards the camera. The machine has many bobbins and threads. The background is a factory setting with other machinery and a bright light source.

Entrepreneurship through a Green Lens

What is Green Entrepreneurship?

A concept that first emerged in the 1990s, green entrepreneurship is a branch dedicated to generating eco-friendly products or services or incorporating sustainable practices within existing businesses. It entails identifying and leveraging opportunities to tackle environmental challenges such as climate change, deforestation, water scarcity, and air pollution.

Green entrepreneurship is understood differently depending on the context and business environment. For the sake of this report, which reflects SPARK's current work in this field, green entrepreneurship frequently involves developing and deploying innovative technologies and business models to minimise the detrimental impact of human activity on the environment. This form of social entrepreneurship strives to foster sustainable economic growth and generate new, decent jobs while conserving natural resources for future generations.

Green enterprises are classified as either established as part of explicitly green businesses or those transitioning into an environmentally-friendly green business model, offering products and services that safeguard the environment.



Yannick du Pont

CEO, SPARK

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We have to create better partnerships between the private sector, government and local NGOs to be able to provide better financial and technical support. But that requires more divergent thinking and more creative approaches.”

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Findings: A growing trend

Green businesses have expanded in the Middle East over the past few years, with many registering as environmentally compliant firms or operating in fields that focus on sustainable and green business models. SPARK's survey shows that 72% of respondents are either engaged in green entrepreneurship or have expressed interest in transitioning into an environmentally sustainable business model. While industry focus varies, it is evident that more climate or environmental solution-oriented small businesses are emerging to solve a problem or contribute to the growth of such industries.

According to the survey data, the top three sustainable business sectors are:

1. **Sustainable Agriculture (23%):** Environmentally-focused businesses primarily support sustainable agriculture projects, aligning ecosystems with traditional practices. The Middle East faces food security challenges due to factors like food inflation, water scarcity, and global conflicts. To address these issues, more people are turning to sustainable farming methods. Small enterprises contribute to this shift by promoting agrifood solutions, local production, innovative horticultural technologies, and training, fostering a movement towards sustainable, climate-resilient agriculture.
2. **Waste Sorting and Management (20%):** Given the substantial environmental challenges that have long affected Middle East countries, significant attention is directed toward waste sorting and management solutions. Arab countries generate millions of tons of waste annually. While many nations have been able to see the opportunity in this dilemma, Middle Eastern societies have traditionally considered waste a problem to be discarded rather than converted into an energy source.
3. **Renewable Energy (19%):** Countries such as Lebanon exemplify this predicament as they continue to confront a waste crisis that results in pollution and diseases. In response, renewable energy projects have gradually garnered momentum as the region explores alternatives to the oil and gas resources it has long depended on. Jordan is a leading country that has set a rare example in the region in incentivising small companies to grow their clean energy portfolio, offering financing opportunities to entities that promote or generate renewable energy or contribute to energy conservation.

Businesses in the region aim to address complex climate-related issues such as drought, water and power shortages, and eco-friendly waste disposal. These enterprises provide solutions to long-standing problems while transitioning away from profit-driven models.



72% are engaged in green entrepreneurship or interested in transitioning to environmentally sustainable business models

Challenges Facing Founders

Founders operating within the green entrepreneurship sector in the Middle East grapple with a set of obstacles that can seriously hamper the feasibility and success of their ventures. According to the survey data, the primary challenges encountered by green entrepreneurs in the region include:

Funding and Investment Constraints

Green entrepreneurs often have to think of ways to secure adequate funding and investment for their businesses, particularly as they start off. This chronic struggle stems from a lack of sufficient understanding or awareness among investors of the potential returns on green ventures, or due to perceived risks associated with untested technologies or business models, often seen as a bargain that investors are not willing to jump on. This Catch-22 scenario is then perpetrated, as businesses are unable to scale or prove their innovation actually works.

Insufficient Support and Resources

Navigating green entrepreneurship can be a tough undertaking without proper guidance and access to crucial resources. Green entrepreneurs encounter challenges in linking up with mentorship, networking opportunities, and business development services that cater specifically to their unique needs and the sustainability-focused nature of their enterprises.

Exporting Challenges

As green entrepreneurs seek to expand their businesses beyond their first country of operations, they must navigate different regulatory frameworks, like the EU green deal mentioned earlier, identify suitable distributors or partners, and adapt to the distinct cultural and market environments in the new countries where they look to scale. These challenges can pose significant barriers to growth and international market penetration.

Cultural and Societal Barriers

Green entrepreneurs may face resistance from customers when it comes to the adoption and acceptance of their products and services, particularly those that will take time to prove value. This resistance can arise from limited environmental awareness among consumers, their reluctance to embrace change, or conflicting values that prioritise short-term convenience over long-term sustainability. Addressing these cultural and societal barriers is critical for the widespread adoption of green products and services. There has to be a public narrative that showcases the value of such businesses and refutes the argument that they are simply 'nice to haves.'

Identifying Suitable Partners

Collaborating with the right partners is essential for green entrepreneurs to succeed in the competitive business landscape. However, finding compatible partners, whether they are other businesses, government agencies, or non-profit organisations, can be a daunting task. Identifying partners who share the same vision for environmental sustainability and have the necessary resources, expertise, and commitment is vital for the success of green ventures.

Investing in Green Businesses

Despite access to funding being a major challenge, investor interest in green businesses has grown in the recent years, resulting in more support for renewable energy, cleantech, and agritech initiatives. Investors start seeing green entrepreneurship as an attractive investment opportunity, driven by factors such as rising consumer demand for sustainable products, additional funding from limited partners, and long-term profitability potential.

Investors are looking at the potential for long-term profitability in green businesses, as they tend to have lower operating costs and can benefit from government incentives and subsidies for sustainable practices. Green companies also have the potential to generate positive social and environmental impacts, which can improve their reputation and enhance their brand value.

There is no one-size-fits-all approach to green investing, with various approaches including screening, thematic, sector-based, best-of-class, bottom-up selection, and engagement. However, implementing green investing is less sophisticated across investors, with many only making specific reference to climate change in their investment policies. Regional differences also play a role in investment strategies.



Omar Itani

Cofounder of FabricAID, a green social impact business in Lebanon

“

I strongly believe that green and social enterprises have a huge untapped potential in the Middle East and North Africa

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When evaluating green entrepreneurship investments, investors consider various factors, including:

1. **Environmental impact:** Investors are interested in the ecological impact of a green entrepreneurship investment. This includes carbon emissions reduction, waste reduction, and water conservation.
2. **Social impact:** Investors evaluate the social ramifications of green investments, encompassing job creation, community development, and social inclusion.
3. **Financial return:** While the impact is essential, investors also need to consider the financial return of their investments. They will evaluate the business model, revenue streams, and financial projections of a green entrepreneurship venture to assess its potential for profitability.
4. **Market potential:** Investors consider the market potential of green entrepreneurship investments. They will look at the size of the market, growth potential, and competitive landscape to determine if the investment has the potential to be successful.
5. **Management team:** The quality and experience of the management team are critical factors in any investment decision. Investors will evaluate the team's track record, experience, and ability to execute the business plan.



Aurore Belfrage

Green Tech Investor and Partner Sustechable.com

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I believe the MENA region holds immense potential for leveraging green innovation to tackle pressing environmental challenges. Green startups in the region have the power to catalyse change by introducing sustainable solutions, generating employment, and fostering economic growth. My advice to investors is to actively support and nurture these startups by providing not only financial resources, but also mentorship, market access, and a supportive ecosystem that enables them to thrive. By investing in green innovation, we are not only ensuring a more sustainable future for the MENA region, but we are also fostering a resilient, inclusive, and prosperous global economy.

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Green Government Policies

The following section provides a summary of relevant government policies in the three countries covered in this report: Türkiye, Jordan and Lebanon. Policies continue to evolve with more governments realising the importance of giving green enterprises support and incentives to lead the way in transitioning into green-based economies and towards meeting different climate and net zero commitments.

Türkiye

In 2021, Türkiye introduced the Green Deal Action, a plan promoting green transformation, focusing on reducing CO2 emissions, fostering an eco-friendly economy, and supporting sustainable energy and agriculture. Meanwhile, the Tenth Development Plan 2014-2018 highlighted the importance of environmentally sensitive sectors and eco-friendly cities for environmental protection and competitiveness. Renewable energy sources, such as solar, wind, and water, have since become major green business opportunities.

Jordan

Jordan's National Green Growth Plan (NGGP) aligns with the 2030 Sustainable Development Agenda and the country's Nationally Determined Contributions under the Paris Climate Change Agreement. The NGGP aims for socially inclusive and environmentally sustainable economic growth, focusing on transitioning to a green economy. Six key sectors have been identified for green transition and growth, including agriculture, water, waste, energy, transportation, and tourism.

Lebanon

In 2016, Lebanon introduced the National Energy Efficiency Action Plan (NEEAP) to reduce energy consumption by 20% and increase renewable energy in the electricity mix to 12% by 2020. Despite lacking a clear strategy for a green economy and no national plan for business transformation, the Ministry of Economy encouraged small businesses to adopt energy-saving practices before 2019. However, the country's economic decline has halted progress towards environmental protection through business practices.



Aline Bussmann

Co-Director of CEWAS

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Green enterprises can be relevant partners as they are more agile than the government and more contextualised than foreign businesses and INGOs.

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Recommendations

Clarion call: Turning ambition into action

The following action plan, based on our network's recommendations, addresses vital aspects for green entrepreneurs such as funding, marketing, training, and mentorship. These strategies, if adopted in their contexts, will go a long way toward creating a sustainable environment for green startups to thrive and contribute to a greener future.

Facilitate Access to Funding

Develop initiatives to connect green startups with potential investors, and create funding opportunities tailored to the needs of the green entrepreneurship industry.

Match Values with Work

Match green jobs with 'green employees' who hold environmental values and beliefs and have an ambition to join the sector. This can happen through green job designs.

Provide Training and Mentorship

Establish programmes that offer training and mentorship to green startups, fostering the development of skills, knowledge, and expertise within the industry.

Support Green Marketing

Provide targeted marketing and promotional assistance to green startups, helping them gain visibility and effectively reach their target markets.

Support Green Transition

Policies that introduce tax incentives and special loan programmes should support enterprises building eco-friendly operations or those providing green products and services

Foster Connections

Develop platforms and hold events that encourage collaboration and networking between green startups, other businesses, government agencies, and non-profit organisations.

spark

SPARK's mission is to create impactful jobs for youth in growth sectors, support ambitious and innovative entrepreneurs and grow businesses in fragile and conflict-affected states.

SPARK provides a variety of full-service business and entrepreneurship programmes in Europe, the Middle East and Africa. We believe that sustainable, economic growth is essential for the alleviation of poverty. By offering private-sector development services to young people in conflict-affected regions, we believe that the potential for further conflict is significantly reduced.

www.spark.ngo

Green Entrepreneurship and Its
Prospects in the Middle East

2023