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To identify the role of Government in supporting entrepreneurship, council members of the Global Entrepreneurship Network Sri Lanka chapter engaged in a roundtable discussion, marking Global Entrepreneurship Week 2019. In today's article, Daily FT recap their thoughts on where Government must get in to support the way and where Government must get out of the way, to take Sri Lanka's entrepreneurship ecosystem to greater heights:

Q: Entrepreneurs often complain about unhelpful policy environments holding them back, while Governments struggle to figure out how best to boost this sector. The state role in promoting entrepreneurship is often a contentious topic. Do you think Government has a role to play at all in supporting entrepreneurship? Or is it entirely best left to entrepreneurs themselves?

Randhula de Silva: Entrepreneurship is the engine of economic growth of a country and letting fuel flow into it is the responsibility of the Government. There are examples across the world of how ecosystems thrive with the right support by Government. It's not about the Government doing it all, but about making interventions that only a Government can, to facilitate entrepreneurs to thrive. It's a lost opportunity to have a country with people who are courageous hard hustlers if the systems in the country continue to be risk averse and aren't attuned to respond to the real needs of the ecosystem.

Suresh de Mel: I believe that Government has a huge role to play in understanding the barriers and developing solutions in collaboration with startups and SMEs.

Fayaz Hudah: In my view, the presence and/or absence of policy are deliberate actions at the Government's disposal to be used to achieve its desired outcomes. It's true what they say, you get what you wish for.

Nirmal de Silva: The Government definitely has to play a pivotal role in creating and encouraging entrepreneurship. In

fact, it should be a national priority. Currently we have only around 1.5% of entrepreneurs in the country. In comparison, countries like Vietnam and Thailand are into double digits with much larger populations as well. There has to be a multi-stakeholder engagement at the policy level and the government needs to create the right platform for this.

Chandula Abeywickrama: Policy makers need to understand entrepreneurship as a journey to value creation through products and services that would meet the rightful needs and demands of the society. In that journey, the entrepreneur pursues initiatives and take risks. A Government needs to create the policy framework that support this entrepreneurship journey.

Q: Many countries are adopting progressive measures to support entrepreneurship development in their societies, ranging from big budget allocations to simple policy changes. What is the most interesting initiative you have come across and from where?

Talal Rafi: The government of UAE is a good example at uplifting entrepreneurship for SMEs. In UAE, 5% of government capital projects are to be given to SMEs to encourage them to bid for government contracts. The UAE has also reduced the payment time of government projects from 90 days to 30 days to help startups with liquidity. Operational costs are reduced by having no personal or corporate taxes during the early stage.

Anushka Wijesinha: I also agree with this. Inclusive public procurement, that enables startups and SMEs to access Government contracts, has proven globally to be a great way to boost entrepreneurship. Recently, as part of the World Economic Forum's Global Future Council on Innovation Ecosystems of which I am a member, we produced a whitepaper and toolkit for policymakers on inclusive public procurement to spur innovation and entrepreneurship. It contains examples from Dubai, Kenya, Australia, China, USA, and Singapore. In Budget 2019, Sri Lanka announced an earmark of 10% of all government procurement to be reserved for small entrepreneurs. This is a good start. We have to simultaneously cut red tape for entrepreneurs to truly access these contracts. This also has to be done without creating corrupt incentives and 'tenderpreneurs'.

Fayaz: I think we have our very own good example, and that is 'Spiralation' – the first technology accelerator in Sri Lanka. Through this, Government IT projects under Rs. 5 million in budget were carved out and given for 'Spiralation' companies to



Suresh de Mel



Randhula de Silva



Fayaz Hudah



Chandula Abeywickrama



Nirmal de Silva



Anushka Wijesinha



Talal Rafi

bid on. We actively discouraged them at the same time because it defocused from their original project, but it gave many companies an opportunity to stay afloat. I think this has been a reason for the high success rate of 'Spiralation' alumni as they survived the initial cash burn.

Nirmal: Sweden will be a classic case study to exemplify an entrepreneurship supportive ecosystem. The easy access to capital, quality infrastructure, educated population, favourable tax environment, low bureaucracy and transparent government policies are all reasons why Sweden is a great place for prospective entrepreneurs.

Suresh: In India, the 'Startup India' portal is a good example of something that brings the ecosystem together. It is India's largest online entrepreneurship platform that allows startups to network, access free tools and resources and participate in programs and challenges.

Q: What is the most useful support that the Government can give to boost the prospects for entrepreneurs to emerge and thrive in Sri Lanka? Is it grants, concessionary loans, subsidised office space, lower taxes, fewer rules, or is it something else?

Fayaz: I believe it is all of the above. The Government needs to recognise that entrepreneurship is really tough. Government's current laser focus on taxing early success is discouraging. Let entrepreneurs operate with total freedom for the first three years. Let them start and end companies as they wish, with little to no constraints and ideally with no statutory cash outflows. Let the next three years be about cost recovery for the Government starting from the inputs they have made in their startups up to that point. Teach the company founders on the 'how-to' of compliance at this point. Each year, every government allocates billions for SMEs, women entrepreneurs, livelihood development, etc. But efforts to widen the tax net is focused on taxing those who are already in it. This is discouraging success and promoting tax avoidance.

Talal: Fewer regulations will be most helpful as most startups find it dif-

icult to know the regulations. Payments of NBT, VAT, EPF and ETF being to different departments means a startup needs to have employees just to deal with this which increases operations costs for cash strapped startups. A tax break for the first two years would be a good start.

Nirmal: Firstly the Government should have a national level focus across all the districts of the country. Reducing start-up costs, tax benefits, special support desks/counters at key government institutions, skills development programs and low-cost infrastructure such as co-working spaces, cheaper data, etc., will definitely help encourage entrepreneurship.

Randhula: In an emerging entrepreneurial ecosystem like ours, it is somewhat unfamiliar to the government and in such a context it's crucial that they understand that old yardsticks can't be used to determine what's permitted and what's not, for this new breed of businesses. The good news is that the government has begun to comprehend this and is now entering into dialogues with private sector and other drivers to work together to meet the requirements of the ecosystem. Entrepreneurial ecosystem's framework is a unique mix of private organisations, non-profits and publicly funded initiatives. The role of the Government in creating an enabling environment starts with one basic element which is understanding the growth mindset and catering to it.

Suresh: I believe the Government should focus on entrepreneurship education, through public-private-partnerships. For example, the Government, together with regional chambers of commerce,

could have regular forums for startups, where there is regular dialogue on understanding needs and finding solutions.

Anushka: I think from the above list, the two priorities would be a well-administered grants scheme (to encourage young people to start businesses, to de-risk startups at the very early stage and not encourage taking on debt) and a total overhaul of the rules and regulations that startups face (to give a signal to would-be entrepreneurs that the country wants to promote you not burden you, so go ahead freely and start up). On this second point, I recall what the head of UNIDO Li Yong once told me about China's approach to this – it was "let the small fish go".

Q: There is now a National Innovation and Entrepreneurship Strategy (2018-2022) adopted by the Cabinet and already being implemented. In your view, which aspect above all else is the most crucial to spur entrepreneurship in Sri Lanka and must be fast tracked?

Suresh: The strategy identifies that in the current context a critical weakness exists and that is the 'Fragmented institutional support system and assistance schemes do not meet firm needs'. This must be tackled as a priority. District level public and private institutional capacity building is seriously lacking and needs to be fast tracked.

Randhula: The elements from the strategy that should take on as priority policy initiatives would be creating an environment for start-ups to grow by improving the ease of doing business in the country, supporting early stage financing, and fostering the start-up ecosystem while also channelling support to the SMEs sector to innovate and become more competi-

tive in domestic and export markets

Fayaz: Encourage risk taking, genuinely. Start with the Companies Act. The recent version, which was created after diabolically lapses in regulation of financial institutions and the knee jerk reaction to keep bad behaviour in check, is burdensome to startups and smaller companies. It requires Directors to be liable with their personal assets or retain expensive services of experts. Countries with progressive and supporting policies don't have this. Globally, startups mushroom during economic downturns, but with the right enabling environment it can be a boom at all times. Government can also take unconventional steps like,

next time the government decides to give an amnesty to bring onshore external funds, without encouraging it to be deposited in banks which will cost the system interest, ask for it to be invested in startup funds which can go directly into suitable ventures. Allowing external investment funds to invest in startups and take back profits with the greatest ease and for external funds to be set up in Sri Lanka to invest in other countries will go a long way in realising the Government's vision for a financial hub.

Nirmal: An important step to encourage entrepreneurship is ensuring that the knowledge, education and skills development programs are designed in a manner that equips Sri Lankans to be truly world class through creativity and innovation.

Talal: Changing the attitude towards entrepreneurship is the most crucial above all else as Sri Lanka has developed a culture where most young people are encouraged by their parents to work for corporations instead of becoming

entrepreneurs.
Q: If you had the power to change (or introduce) one policy or regulation that could dramatically boost entrepreneurship in Sri Lanka, what would that be?

Randhula: A policy framework that enables Sri Lanka be the sandbox for Asia. A framework can be introduced to attract global founders to work with local entrepreneurs in building and testing their products in Sri Lanka before scaling out into the region. This will bring in new knowledge, technology and opportunities to the country while creating healthy competition for industries that needs a breakthrough. In terms of ground level policy initiatives, promoting and enabling public private partnerships is also key.

Fayaz: The lack of a market and the lack of scale to compete with cheap imports is a huge constraint for new businesses. If something like a '5x tax credit' for any company buying from local manufacturer, perhaps based on some priority sectors aligned to future plans, will help ease the burden and help spread the current government income concentration from customs duties to other areas.

Nirmal: Make entrepreneurship education mandatory subject at secondary and tertiary education levels irrespective of their field or stream

Chandula: Setting up several private sector-led, public sector-supported entrepreneur incubation and acceleration initiatives covering all industry sectors with tax concessions and grants.

Suresh: District level public and private institutional capacity building to promote entrepreneurship, and strong and empowered public-private-partnerships at district level. For example, a regular joint forum for dialog between the District Secretariat and the District Chamber of Commerce.

Talal: Anyone below the age of 25 should not have to pay personal taxes. This will make young people think that if they are not entrepreneurs during this time, they are missing out on this crucial benefit and encourage entrepreneurship.

Anushka: I would go more radical. I would put a freeze on public sector hiring of graduates, outside of the required and approved cadre. The random and politicised hiring of talented graduates into menial government jobs is killing the potential for entrepreneurship in Sri Lanka. Why try and start a business and become an entrepreneur when you know that every couple of years the Government will simply announce a new round of recruitment if you've waited idle?