



# SUPPORTING YOUTH ENTREPRENEURSHIP IN SPAIN

A REVIEW OF POLICIES AND PROGRAMMES



## **FOREWORD**

Entrepreneurship development is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. The impact of the global financial and economic crisis calls for giving entrepreneurship and self-employment a stronger role in economic and social development policies. This is particularly relevant for youth who face higher unemployment rates than the adult population and face increased difficulties entering the labour market to start their careers.

However, the effectiveness of national, regional and local measures and actions to promote inclusive entrepreneurship development in Europe can be hindered by a fragmentation of responsibilities, resources and strategies, and a failure to understand the goals of inclusive entrepreneurship.

This project is part of a series of youth entrepreneurship reviews that are conducted by the Local Economic and Employment Development Programmes of the OECD in collaboration with the European Commission, Directorate-General for Employment, Social Affairs and Inclusion. This work builds on a collaborative project between the OECD and the European Commission on inclusive entrepreneurship. For more information on this project, please refer to: <http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm>.

## **ACKNOWLEDGEMENTS**

This study has been a collaborative project between the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) and the Directorate General for Employment, Social Affairs and Inclusion of the European Commission, with the co-operation of the Spanish Ministry of Employment and Social Security. It is part of a multi-year programme of work on inclusive entrepreneurship, undertaken by the LEED Programme of the OECD and DG Employment of the European Commission.

The report was prepared by David Halabisky under the supervision of Dr. Jonathan Potter, both of the LEED Programme of the OECD. Sections of this report were prepared by Klaas Molenaar of the Hague University of Applied Sciences and Dr. Mirela Xheneti of Sussex University. This report also draws on a report by Dr. Francisco Liñán of the University of Seville, which was prepared as part of this project.

A key source of information for this report was a study visit to Madrid and Barcelona, Spain, which was also organised by Dr. Francisco Liñán. This report benefited greatly from knowledge shared by those who participated in the meetings during the study visit.

The report authors would also like to acknowledge the assistance received from Guzmán García González-Posada from the Ministry of Employment and Social Security, who provided support in the planning of the study visit and provided valuable insights in the drafting of this report.

Eleanor Davies and François Iglesias of the LEED Programme had an invaluable role in providing technical assistance. The project would not have been possible without their support.

## ABBREVIATIONS

|       |   |
|-------|---|
| EC    | European Commission   |
| EPF   | Entrepreneurship Promotion Fund                                 |
| ENISA | <i>Empresa Nacional de Innovación SA</i>                        |
| ERDF  | European Regional Development Fund                              |
| ESF   | European Social Fund  |
| GEM   | Global Entrepreneurship Monitor                                 |
| HEI   | Higher education institution                                    |
| ICO   | <i>Instituto de Crédito Oficial</i>                             |
| LEED  | Local Economic and Employment Development Programme of the OECD |
| LFS   | Labour Force Survey   |
| MFI   | Microfinance Institute  |
| NEET  | Not in employment, education or training                        |
| OECD  | Organisation for Economic Co-operation and Development          |
| SME   | Small- and medium-sized enterprise                              |
| VET   | Vocational education and training                               |

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## EXECUTIVE SUMMARY

Youth unemployment is one of the principal economic and social challenges of this decade for many European Union Member States, including Spain. Long spells of unemployment can have serious long-term effects for individuals, such as reduced earnings, increased chances of unemployment in the future and social exclusion. Youth entrepreneurship will not be a panacea for solving the youth unemployment problem but it can be a part of the policy response.

This report is part of a series of youth entrepreneurship policy reviews that the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) is undertaking in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission. These policy reviews provide a baseline analysis of the needs for entrepreneurship support for youth, assess the strengths and weaknesses of existing and planned policies and programmes, make recommendations for the development of integrated policies and programmes in this field, and support the development of policy action plans.

This project in Spain was conducted in partnership with Ministry of Employment and Social Security. The OECD Secretariat led an international expert team who assessed current and planned approaches to promoting and supporting youth entrepreneurship in Spain against OECD good practice criteria for youth entrepreneurship policy. Information was collected through desk research and one week study visit, which occurred from 8 to 12 June 2015 in Madrid and Barcelona. Interviews during this study visit were held with representatives from the Ministry of Employment and Social Security; Ministry of Education; Spanish Microfinance Association; *Instituto de Crédito Oficial*; *La Caixa MicroBank*; *Fundación La Caixa*; Youth Business Spain; Spanish Youth Council (CJE); Start-up Spain (ESADE); *Cámaras de Comercio*: INCYDE; Impact Hub Madrid; *Associació CAF - Comunitats Autofinançades*; Barcelona Activa; *CP'AC Fundació Privada per a la Promoció de l'Autoocupació de Catalunya*; *La Fundacion Tomillo-Madrid*; CEAJE (*Confederación Española de Asociaciones de Jóvenes Empresarios*); *Empresa Nacional de Innovación SA* (ENISA); *Instituto de la Juventud* (INJUVE); *Programa Jóvenes Investigadores*; and Entrepreneurship & Innovation Center [Area 31] at the IE Business School in Madrid. In addition, several stakeholders contributed by participating in telephone interviews, including *Cámaras de Comercio VUE*.

These youth entrepreneurship case studies build on an existing collaborative project on inclusive entrepreneurship undertaken by the European Commission and the OECD. This project produces policy briefs and annual reports (*The Missing Entrepreneurs*) that examine public policies that support job creation by encouraging business start-ups and self-employment by people from disadvantaged or under-represented social groups, as well as capacity building seminars for policy makers. For more information on this project, please refer to: <http://www.oecd.org/cfe/leed/inclusive-entrepreneurship.htm>.



## **Key strengths of youth entrepreneurship support in Spain**

The youth entrepreneurship support system in Spain has many strengths. Youth entrepreneurship is recognised widely as a potential (partial) solution to the unemployment challenge faced by Spanish youth, which is reflected in several strategies. As a result, several strategies have been developed to provide policy support for the promotion and support of youth entrepreneurship, including the Strategy for Entrepreneurship and Youth Employment 2013-16 and the 2020 Youth Strategy. In addition, many strategies have also been developed at the regional level. These strategies, along with the new Education Law, promote the development of entrepreneurial mindsets among youth and outline measures to strengthen business start-up support for youth entrepreneurs.

Entrepreneurship education is expected to be bolstered by the new Law since it defines expected outcomes related to entrepreneurship at all levels of education. There is more experience with entrepreneurship in higher education, including several internship programmes (e.g. Argo, Faro and Erasmus+) that provide university students with opportunities to experience entrepreneurship by working with entrepreneurs.

Youth who pursue business creation can benefit from a number of high quality business supports, including coaching and mentoring and business advisory services. These supports are widely available in major cities. The supports are often well-designed and the delivering organisations typically undertake regular monitoring of their activities.

In addition, there are many youth entrepreneurship networks and associations that have an important role providing information to youth about available supports and in building entrepreneurial networks that can be used to identify potential business partners, customers and new ideas. These organisations also plan an important function of promoting youth entrepreneurship broadly to inspire potential youth entrepreneurs and to lobby at the political level on behalf of youth entrepreneurs.

## **Key areas for improvement of youth entrepreneurship support in Spain**

Despite these strengths, there are a number of areas where the youth entrepreneurship support system could be improved. The system is hindered by overlapping strategies and as a result, actions are often unco-ordinated and overlap. It is therefore important that the strategic visions be translated into actionable items that can be implemented and monitored.

Moreover, despite the development of several strategies, less attention appears to have been paid to the necessary infrastructures to effectively implement them. For example, the new Education Law defines new learning objectives related to entrepreneurship and introduces new learning methods. However, very little support has been provided to teachers so that these goals can be achieved. There is insufficient training on entrepreneurship for teachers as part of their ongoing professional development and little new teaching material has been developed to facilitate the delivery of entrepreneurship education.

Accessing finance remains one of the greatest challenges for youth. Following the consolidation in banking sector after the economic crisis, this challenge has grown since there are now fewer lenders in the traditional financial markets. While a number of promising lending mechanisms such as self-funded communities and peer-to-peer lending are slowly emerging, microfinance is extremely limited due to banking regulations. This leaves youth with few options for external financing when starting a business.

### **Key policy recommendations**

The following actions are recommended as the key priority actions for strengthening the youth entrepreneurship support system in Spain:

1. Develop a national action plan for youth entrepreneurship promotion and support to identify priorities for youth entrepreneurship support and to help co-ordinate actions and actors.
2. Support the implementation of the new Law on Education by building a supportive infrastructure, including providing necessary training opportunities for teachers.
3. Improve access to flexible alternative financing for business start-up and development.

## INTRODUCTION

*This chapter discusses the motivation behind this series of OECD-European Commission youth entrepreneurship policy reviews. It also describes the project and provides information on the methodology employed. The chapter also provides an overview of the OECD principles for youth entrepreneurship support.*

### **OECD-European Commission youth entrepreneurship review series**

This project is part of an international series of policy case study reviews on Support for Youth Entrepreneurship. These review studies are undertaken as part of a collaborative programme of work between the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) and the Directorate General for Employment, Social Affairs and Inclusion of the European Commission.

These in-depth case study reviews provide a baseline analysis of the needs for youth entrepreneurship support, assess the strengths and weaknesses of existing policies and programmes that support business creation by youth and assess proposals for future policy and programme development. The analysis will identify gaps in current and planned support for youth entrepreneurship, as well as areas where current and planned support can be improved. The recommendations aim to provide assistance to European Union Member States in the design and implementation of policies and programmes for business creation by young people, through:

- Tailored advice and assessments for individual national or regional administrations in the design and implementation of policies and programmes for business start-up and self-employment, including through ESF support; and
- Facilitation of mutual learning among national and regional authorities, stakeholders and practitioners concerned with ESF support from different Member States, through monitoring and comparison of policy and programme approaches, collection and dissemination of good practice examples and provision of tools to support learning networks, events and platforms.

### **OECD principles for youth entrepreneurship support**

The OECD-European Commission collaboration on inclusive entrepreneurship has produced a series of reports and policy briefs that examine the barriers faced by different under-represented and disadvantaged groups in business start-up and self-employment, as well as appropriate policy responses to address these barriers. This work has covered several social target groups, including women, youth, seniors, migrants, the unemployed and people with disabilities. Youth has been a key target group of this work programme given the political urgency for addressing labour market challenges for youth. Reports directly covering youth entrepreneurship include the “Policy Brief on Youth Entrepreneurship” (EC/OECD, 2012) and the series of Missing Entrepreneurs reports (OECD/EC, 2013; 2014; 2015).

Based on this work and consultation with international experts, the OECD has developed a list of principles for youth entrepreneurship policy (see Box 0.1). This list of principles is intended to give guidance to policy makers in designing and implementing a comprehensive support system for youth

entrepreneurship. These principles underpin the analytical framework used in this series of youth entrepreneurship policy reviews.

#### **Box 0.1. OECD principles for youth entrepreneurship policy**

##### Generic principles:

1. **Select beneficiaries of youth entrepreneurship programmes carefully and tailor the support provision to the needs of youth.**
  - *Extensive support should be low cost and offered widely*
  - *Intensive support should be competitive or filtered to select recipients that are motivated and most likely to succeed*
2. **Use youth entrepreneurship policies and programmes to promote creativity and innovation.**
  - *Seek (even low level) innovation in supported business projects (including organisational, marketing, green, social)*
3. **Recognise that different policy interventions complement and reinforce each other.**
  - *Offer combined access to finance, training, mentoring, and networking*
  - *Ensure education, economic and labour policies are co-ordinated and complementary*
  - *Identify gaps and synergies across stakeholders*
4. **Consider adapting mainstream programmes as an alternative to youth-specific actions.**
5. **Engage youth and youth organisations in the design and implementation of youth entrepreneurship policies and programmes.**
  - *Communicate with youth through appropriate channels*
  - *Consult youth organisations in policy design*
  - *Leverage stakeholder knowledge and experience*
6. **Appraise and evaluate youth entrepreneurship policies and programmes, making adjustments when design or implementation can be improved.**
  - *Identify intervention needs, targets and expected impacts*
  - *Evaluate results and adjust the approach*
  - *Seek employability as well as venture creation outcomes*
  - *Measure long-term as well as short-term impacts*

##### Strategy for supporting youth entrepreneurship:

1. **Develop a vision for youth entrepreneurship support.**
  - *Embed entrepreneurship promotion and support within youth employment strategies*
2. **Communicate the objectives of youth entrepreneurship policies and programmes to youth, youth organisations and the community.**
3. **Government actors and other stakeholders have defined, complementary roles in supporting youth entrepreneurship.**

##### Building a supportive institutional environment:

1. **Ensure that the regulatory environment does not discriminate or provide disincentives for youth entrepreneurship.**
  - *Be supportive of youth entrepreneurship in welfare, tax and regulatory systems.*
  - *Ensure that bankruptcy laws do not prevent young entrepreneurs from having a second chance.*

2. **Promote positive image of entrepreneurship to build a culture of entrepreneurship amongst youth.**
  - *Inform youth and society about the potential of youth entrepreneurship.*
  - *Celebrate young entrepreneurs as role models.*
3. **Ensure that youth can access information and resources about entrepreneurship.**
  - *Provide ready information on how to start up.*
  - *Make business start-up support easily accessible to youth.*

Improving entrepreneurship skills:

4. **Provide entrepreneurship education in schools, vocational training and higher education.**
  - *Develop entrepreneurial mindsets as well as new ventures*
  - *Provide opportunities to learn through experience (e.g. business simulations and competitions)*
  - *Include low educational achievers*
5. **Provide coaching and mentoring for young people with interest and potential for sustainable projects.**
  - *Use an appropriate matching mechanism to ensure a good fit between coachee/mentee and coach/mentor*
6. **Encourage networking.**
  - *Create links with other young entrepreneurs, senior entrepreneurs, investors and partners*

Facilitating access to finance:

7. **Provide financial literacy education to all youth.**
8. **Ensure youth can access loans and microfinance.**
  - *Use grants when loans are not feasible*
9. **Encourage alternative financing methods such as guarantees, crowdfunding, peer-to-peer lending, business angel investment.**
10. **Complement financial support with business training and mentoring.**

## **Project methodology**

The OECD-European Commission youth entrepreneurship reviews have five phases: selection of study area; background report; a one-week study visit; analysis and report drafting; and dissemination of findings. These five phases are briefly described below.

### ***Selection of study area***

The OECD and the European Commission made a joint presentation to the Employment Committee, the advisory committee for Employment and Social Affairs Ministers in the Employment and Social Affairs Council, on 20 January 2014. The presentation highlighted the outputs from the ongoing OECD-European Commission work programme on inclusive entrepreneurship and sought expressions of interest in participating in future work on youth entrepreneurship. Several expressions of interest were received and Italy, Lithuania and Spain were selected because they have high youth unemployment rates and are all eligible for extra funding under the Youth Guarantee.

## ***Background report***

Dr. Francisco Liñán of the University of Seville, prepared a background report to help the OECD expert team plan and prepare for a study visit. This work focussed on uncovering basic information on the quality of the environment for business start-up and self-employment policy, the levels and nature of start-up and self-employment activities, and the nature and scope of existing policy and programme activities. This report was prepared primarily through desk research that covered local published and grey literature, as well as some initial interviews with experts and policy makers. This report provided a basic understanding of youth entrepreneurship support in Spain and identified areas requiring further in-depth examination. Sections of the background report have been incorporated into this report.

## ***Study visit***

An international review team, led by the OECD Secretariat, undertook a one-week study visit to Madrid and Barcelona from 8 to 12 June 2015. During the study visit, a series of individual and group interviews were held with national and local youth stakeholders. The meetings enabled the OECD review team to systematically collect information on current and planned approaches to supporting youth entrepreneurship in Lithuania, including the strength of current support offerings, challenges and opportunities for improvements.

The OECD expert team which participated in the study visit was led by David Halabisky of the OECD Secretariat. International experts participating in this study were Klaas Molenaar of the Hague University of Applied Sciences and Dr. Mirela Xheneti of Sussex University.

Policy makers and stakeholders who participated in meetings and interviews during the study visit represented the following organisations:

- Ministry of Employment and Social Security
- Ministry of Education
- Spanish Microfinance Association
- *Instituto de Crédito Oficial*
- *La Caixa MicroBank*
- *Fundación La Caixa*
- Youth Business Spain
- Spanish Youth Council (CJE)
- Start-up Spain (ESADE)
- *Cámaras de Comercio: INCYDE*
- Impact Hub Madrid
- *Associació CAF - Comunitats Autofinançades*
- *Barcelona Activa*
- *Fundació Privada per a la Promoció de l'Autoocupació de Catalunya (CP' AC)*
- *La Fundacion Tomillo-Madrid*
- *Confederación Española de Asociaciones de Jóvenes Empresarios (CEAJE)*
- *Empresa Nacional de Innovación SA (ENISA)*
- *Instituto de la Juventud (INJUVE): Programa Jóvenes Investigadores*
- Entrepreneurship & Innovation Center [Area 31] at the IE Business School in Madrid

## ***Analysis and report drafting***

This report was prepared in two stages. First, an intermediate draft report was prepared by the OECD Secretariat using inputs from the OECD international review team, as well as the project's

background report. Drafting of this report also include the identification and analysis of international learning model policy and programme approaches that have particular relevance to the Lithuanian context. These international approaches will help illustrate how to go about extending and improving policy in the reviewed area. This intermediate report was shared with the Ministry of Employment and Social Security for comments and feedback.

### ***Presentation of preliminary findings***

Key results from this project were presented at a conference in Madrid on 28 October 2015. The conference was attended by youth entrepreneurship stakeholders, many of whom participated in this project.

### ***Final report***

Preparation of a revised final report taking into account relevant points made in the workshop and including the local policy action plan. The final report and action plan will be disseminated in order to provide momentum behind programme development in Spain together with inspiration from the experiences of other Member States and regions.

### **References**

European Commission – OECD (2012), “Policy Brief on Youth Entrepreneurship”, EU: Luxembourg, available at: <http://www.oecd.org/employment/leed/inclusive-entrepreneurs-in-europe.htm>.

OECD/European Commission (2015), *The Missing Entrepreneurs 2015: Policies for Self-employment and Entrepreneurship*, OECD Publishing.

OECD/European Commission (2014), *The Missing Entrepreneurs 2014: Policies for Inclusive Entrepreneurship in Europe*, OECD Publishing, <http://dx.doi.org/10.1787/9789264213593-en>.

OECD/European Commission (2013), *The Missing Entrepreneurs: Policies for Inclusive Entrepreneurship in Europe*, OECD Publishing, <http://dx.doi.org/10.1787/9789264188167-en>.



## CHAPTER 1: THE SPANISH CONTEXT

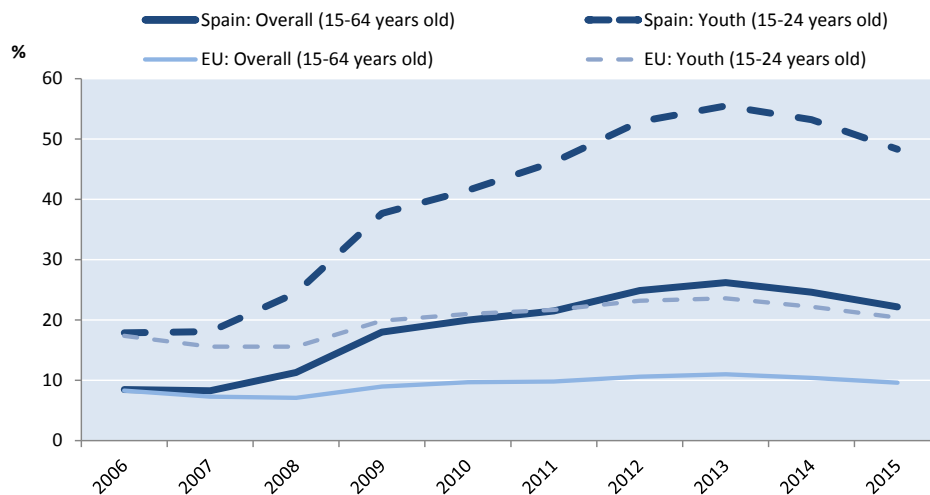
*This chapter provides some key data related to youth entrepreneurship in Spain. This includes data on the youth unemployment and on those not in employment, education or training. Data are also presented on the levels of self-employment and business creation. It also discusses barriers to youth entrepreneurship.*

### Youth unemployment

Youth unemployment is one of the greatest social and economic challenges faced in the last decade by European Union governments. This issue not only presents a short-term challenge, but also the future because unemployment can have scarring effects for youth. Evidence suggests that one year of unemployment during youth can reduce annual earnings at age 42 by up to 21% (Gregg and Tominey, 2005) and that an extra three months of unemployment before the age of 23 results in an extra two months of unemployment, on average, between the ages of 28 and 33 (Gregg, 2001). For governments, unemployed youth also represent a significant stock of unused economic resources that lowers output and the potential for economic growth.

In 2015, the youth unemployment rate in Spain (15-24 years old) was 48.3% (Figure 1.1). Although this is down from a peak of 55.5% in 2013, the youth unemployment rate in Spain was more than double the overall rate in the European Union (20.4%). In 2006, the youth unemployment rate in Spain (17.9%) was essentially equal to the overall youth unemployment rate in the European Union (17.4%). The youth unemployment rate in Spain in 2015 was slightly more than double the overall unemployment rate (22.2%), and this relationship remained constant over the 2006-15 period.

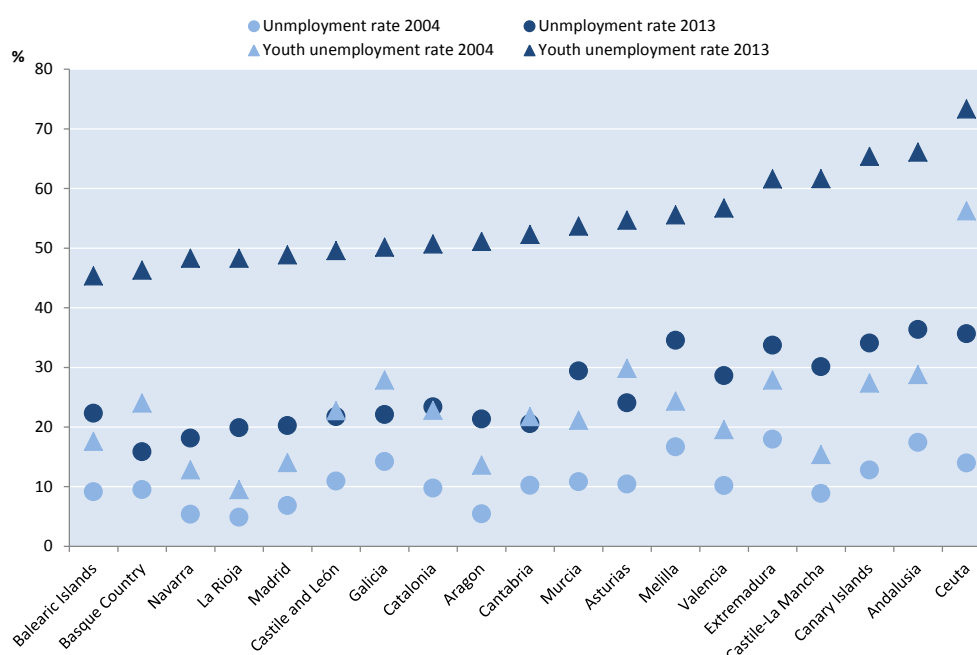
**Figure 1.1. Youth unemployment rates, 2006-15**



Source: Eurostat (2016), Labour Force Survey 2006-2015.

At the regional level, youth unemployment varied substantially in Spain in 2013 (Figure 1.2). The majority of region (TL2 level) had youth unemployment rates that ranged from 45% to 55%; however 5 regions have rates that were greater than 60%. The region with the greatest youth unemployment rate was Ceuta, which is an autonomous city on mainland Africa that sits between the Mediterranean Sea and the Atlantic Ocean, bordering Morocco (73.3%). Youth unemployment rates in 2013 were at least double the rates in 2004 in all regions, except for Ceuta which increased 30%. The youth unemployment rates increased the most over this decade in Castile-La Mancha (301% increase), which is in Central Spain, and La Rioja (409% increase), which is in Northern Spain.

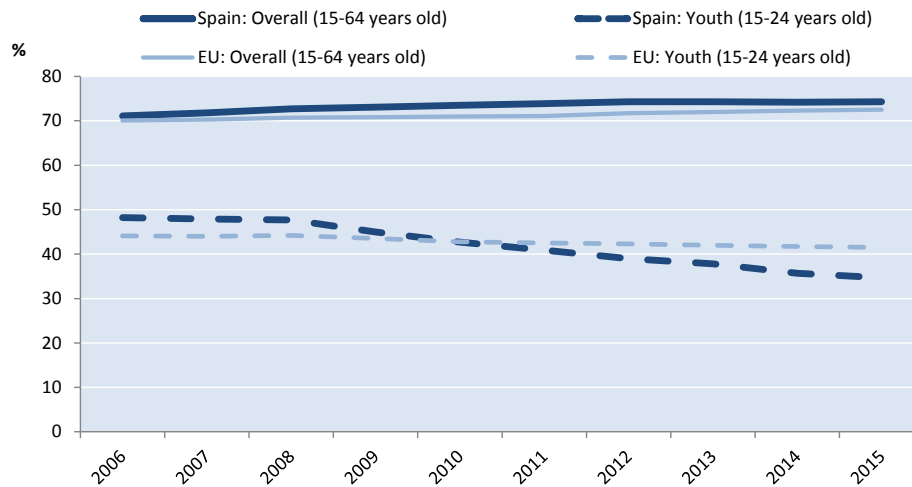
**Figure 1.2. Youth unemployment rates by region, 2004 vs 2013**



Source: OECD (2014), *Large Regions, TL2: Regional labour market*, OECD Regional Statistics (database).

While youth unemployment in Spain is clearly a concern, it is also important to consider labour market participation rates because those in prolonged periods of unemployment may become discouraged and withdraw from the labour market. While not all youth would be expected to participate in the labour market since many are still in education, this measure can provide some insights into the health of the labour market for youth that would be missed by only looking at the unemployment rate. Labour market participation rates for youth in Spain are substantially lower than the European Union average (Figure 1.3). In 2015, the labour market participation rate for youth in Spain was 34.7%, which is lower than the European Union average rate of 41.5%. The youth participation rate has fallen from 2006 when it was 48.2%. This is in contrast to the overall participation rate, which has increased to 74.3% in 2015 from 71.1% in 2006, suggesting that youth are having a much more difficult time entering and remaining in the labour force.

**Figure 1.3. Youth labour market participation rates, 2006-15**

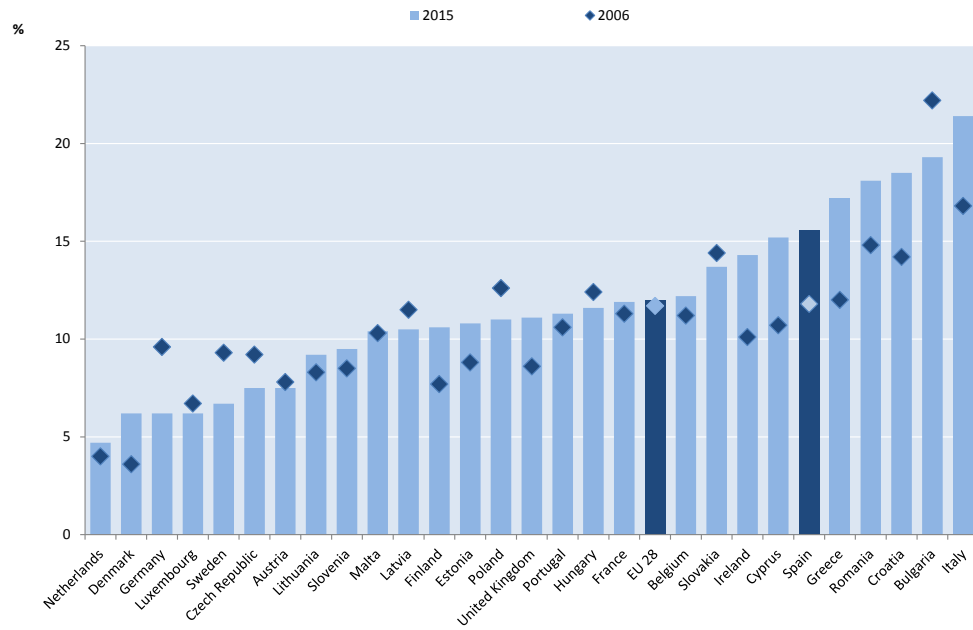


Source: Eurostat (2016), Labour Force Survey 2006-15.

Furthermore, policy makers and politicians are also concerned about the proportion of youth who are neither in employment nor education and training (i.e. NEETs – those Not in Employment, Education and Training). The NEET rate in Spain was 15.6% in 2015, which ranks it among the highest in the European Union (Figure 1.4). The average NEET rate in the European Union in 2015 was 12.0%. The proportion of youth in Spain who are NEET has increased over the last decade (Figure 1.5). In 2006, the NEET rate was 11.8%, which was equivalent to the European Union NEET rate. However, in 2015, there was a gap of nearly 4 percentage points between the NEET rate in Spain and the NEET rate in the EU.

**Figure 1.4. NEETs rates in the EU, 2006 vs 2015**

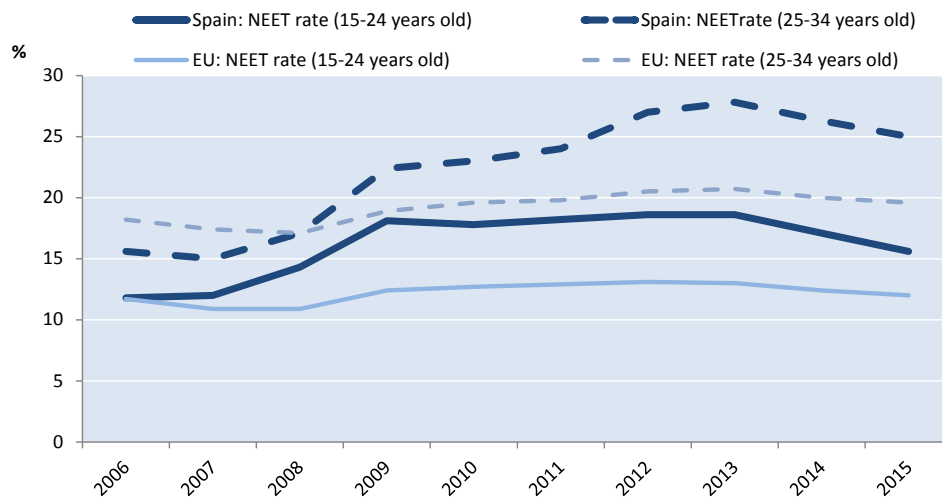
*Proportion of youth population (15-24 years old)*



Source: Eurostat (2016), Data on population and social conditions.

**Figure 1.5. NEETs rates, 2005-14**

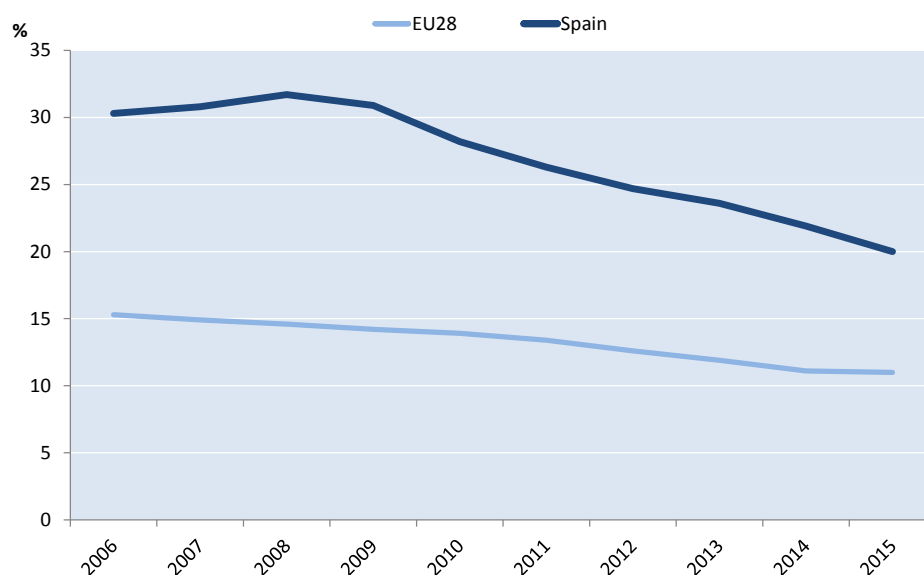
*Proportion of youth population (15-34 years old)*



Source: Eurostat (2016), Data on population and social conditions.

There is a high proportion of youth who are early school leavers in Spain (Figure 1.6). Although the proportion has declined quite dramatically over the last decade, more than 20% of youth (18-24 years old) at attained at most lower secondary education and were not in further education or training. This proportion is the highest among the European Union Member States and is more than double the European Union average.

**Figure 1.6. Proportion of early school leavers, 2006-15**



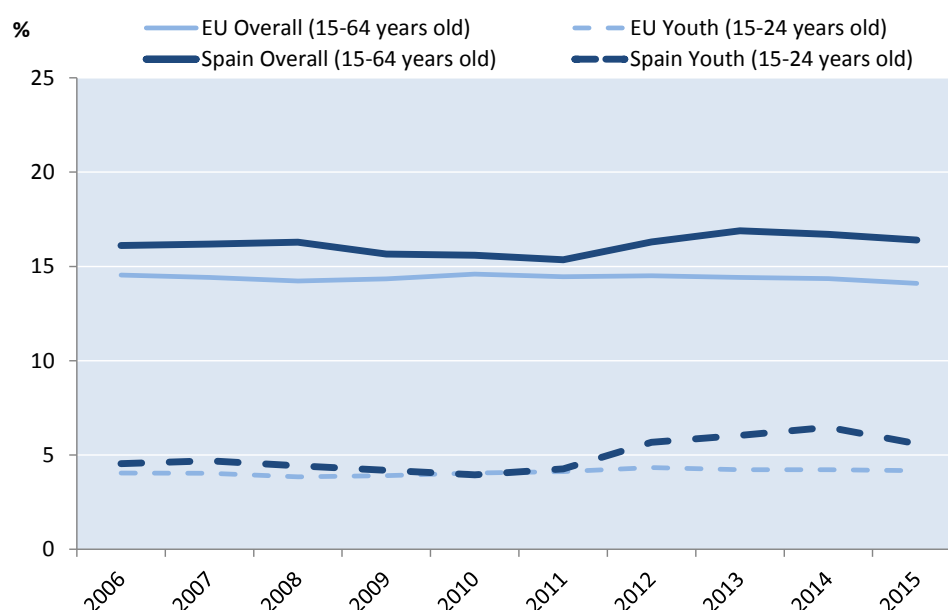
Source: Eurostat (2016), computed based on Labour Force Survey, indicator tsdsc410.

## **Youth entrepreneurship rates**

### ***Self-employment rates among youth***

The youth self-employment rate in Spain was slightly higher than the youth self-employment rate for the European Union overall between 2006 and 2015 (Figure 1.7). In 2015, the youth self-employment rate in Spain was 5.6%, while the overall rate in the European Union was 4.2%. The youth self-employment rate was constant at the European Union level over the 2006-2015 period. In Spain, however, the rate declined slightly with the onset of the economic crisis in 2006, reaching a low of 3.9% in 2010 before steadily increasing to the current rate.

**Figure 1.7. Youth self-employment rates, 2006-15**



Source: Eurostat (2016), Labour Force Survey 2006-15.

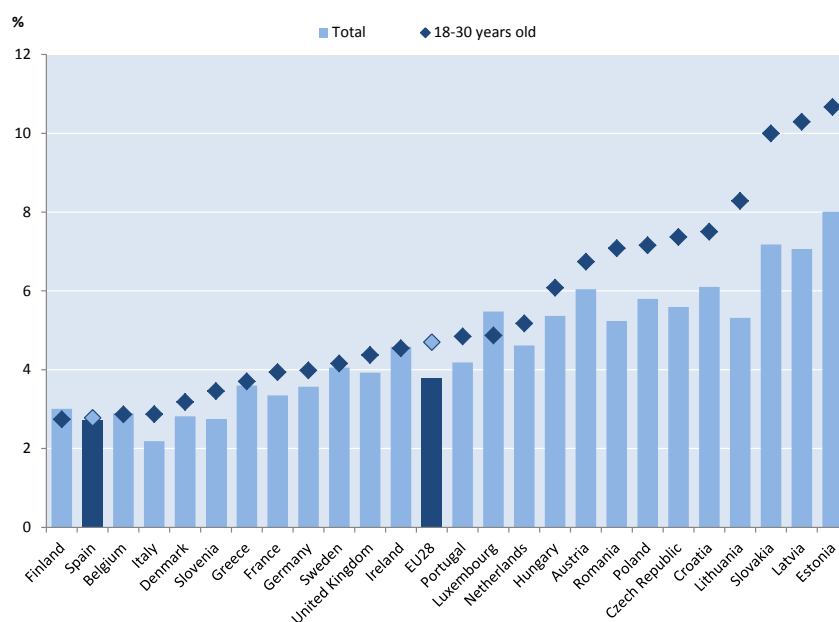
### ***Business creation rates among youth***

Another set of commonly used entrepreneurship rates have been developed by the Global Entrepreneurship Monitor: the nascent entrepreneurship rate and the new business ownership rate. Both of these rates are computed using a common household survey across nearly 100 countries. The nascent entrepreneurship rate is defined as the proportion of the adult population (age 18 to 64) that are actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months. The new business ownership rate is the proportion of the adult population that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months.

According to these two rates, youth in Spain are among the least active in entrepreneurship in the EU. As presented in Figure 1.8, 2.8% of youth in Spain over the 2010-14 period were actively involved in the process of setting up a business. This is below the European Union average rate for youth (4.7%).

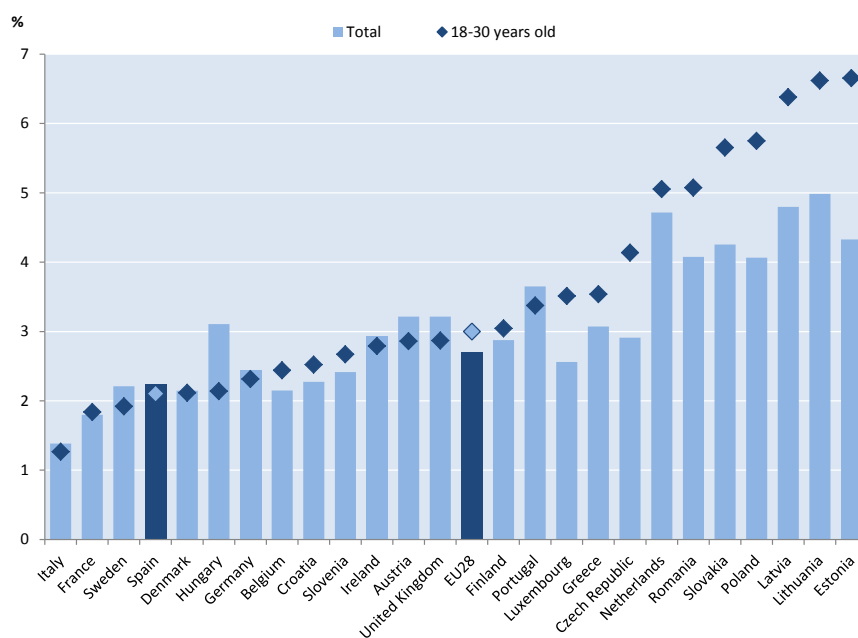
The new business ownership rate also suggests a low level of entrepreneurship activity among youth in Spain (Figure 1.9). In the 2010-14 period, 2.1% of youth were new business owners, which is among the lowest of the European Union countries. Similar to the nascent entrepreneurship rate, the new business ownership rate for youth in Spain is below the European Union average rate for youth (3.0%) during this period.

**Figure 1.8. Youth nascent entrepreneurship rates, 2010-14 (combined)**



Source: Special tabulations of the 2010-14 adult population surveys from the Global Entrepreneurship Monitor

**Figure 1.9. New business ownership rates for youth, 2010-14 (combined)**



Source: Special tabulations of the 2010-14 adult population surveys from the Global Entrepreneurship Monitor



These two measures of entrepreneurship activity are consistent with the self-employment rates presented in Figure 1.7, suggesting that youth are more active in entrepreneurship than most European Union countries.

### **Barriers to entrepreneurship for youth**

In general, youth face barriers to entrepreneurship in the areas of social attitudes, lack of skills, inadequate entrepreneurship education, lack of work experience, under-capitalisation, lack of networks, and market barriers:

- Role models: Young people are influenced by important role models such as their parents and teachers, but often they are not very aware of the requirements and opportunities of entrepreneurship. This lack of awareness among role models results in a lack of encouragement and support for entrepreneurship. A negative attitude exhibited by an important role model, or even negative social attitudes, can act as an obstacle to youth entrepreneurship.
- Lack of skills: Education and training programmes often do not do enough to nurture entrepreneurial attitudes and skills; instead they aim to prepare students for a career in employment.
- Lack of experience: A major determinant of business start-up and entrepreneurship performance for youth is prior work experience. However, youth typically lack the necessary human, financial and social capital to successfully start and run a new business. Moreover, relative to older people, youth are much less likely to have managerial or specialised industrial knowledge that would help them in self-employment.
- Under-capitalisation: Youth tend to have low levels of personal savings and have more difficulty than adults in obtaining external finance. Banks and other financiers typically consider credit history, past business performance and collateral when evaluating potential loans. Youth-owned firms are less likely to score well according to such measures.
- Lack of developed networks: Due to a lack of experience in the workplace and in entrepreneurship, youth people are likely to have limited business networks and business-related social capital. As a result, they may not be able to access a wide pool of resources and ideas. It will also be more difficult for them to build “legitimacy” amongst key stakeholders (e.g. financiers, customers, suppliers).
- Market barriers: Youth entrepreneurs may face “discrimination” from customers who are sceptical about the reliability or quality of their products or services. Similarly, youth entrepreneurs are more likely to enter industries where barriers to entry are low but competition is very strong.

It is important to recognise that each of these areas is inter-related. This implies that a comprehensive policy approach to supporting youth entrepreneurship should provide packages of policy tools, rather than one-shot solutions.

Data on the barriers to entrepreneurship for youth in Spain do not exist. Overall, adults in Spain identified the key barriers as: a poor economic climate (26%), not enough capital (24%), lack of a business idea (8%), lack of entrepreneurship skills (5%), the risk of failure is too great (5%),

administrative difficulties (5%), and too difficult to reconcile family responsibilities (2%) (EC, 2012). These rates are all higher than the European Union average.

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## CHAPTER 2: STRATEGIES TO SUPPORT YOUTH ENTREPRENEURSHIP

*This chapter examines the national strategies for promoting and supporting youth entrepreneurship in Spain. It focuses on the key policy developments in relation to youth in the years following the financial crisis. The chapter also assesses the influence of the governance structure on the implementation of these policies. The chapter concludes by identifying policy some gaps and areas for improvement and forwards recommendations to address them. Practices from other European Union Member States are offered as inspiration for implementing the recommendations.*

### **Current framework for youth entrepreneurship support**

The European Union has identified an urgent need to better develop and utilise the potential of youth through the encouragement and development of inclusive societies and improved integration into the labour market. To achieve this, the European Union's Youth Strategy 2010-18, the Youth Guarantee and Europe 2020 growth strategy clearly indicate a need to increase the skill levels of youth through quality education and training, effective labour market integration, which will support the achievement of Europe 2020's objectives for smart, sustainable and inclusive growth (CEC, 2014).

Accordingly, Spain has also made its own pledge to support youth through several strategies: the Strategy for Entrepreneurship and Youth Employment 2013-16, the 2020 Youth Strategy and Youth Guarantee Implementation Plan. These strategies outline the priorities for youth policy in Spain and attempt to provide guidance for policy actions at the national, regional and local levels. Furthermore, many regions also have youth entrepreneurship strategies.

### ***Strategy for Entrepreneurship and Youth Employment 2013-16***

The Strategy for Entrepreneurship and Youth Employment 2013-16 was designed by the Ministry of Labour and Social Affairs in February 2013 and aims to support young people under 30 years old (however, in some cases, women and disabled people under 35 years old are eligible to benefits from the supports). Its main objective is the promotion of measures that encourage the integration of youth into the job market or encourage self-employment and entrepreneurship (EEEJ, 2013). More specifically, the strategy aims to fulfil four main objectives:

- To improve the employability of young people;
- To increase the quality and stability of youth employment;
- To promote equal opportunities for access to the labour market; and
- To foster entrepreneurship.

In order for these four objectives to be achieved, 100 measures have been identified, of which 15 were labelled as emergency measures to be given priority in the short-term. Measures to support youth in business creation and self-employment are intended to be medium and long-term actions whereas employment measures are intended to be temporary – once the unemployment rate falls below 15% they will be scaled back.

As of June 2015, 365 000 young people have benefitted from the measures developed between 2013 and 2014 under the 2013-16 Youth Employment and Entrepreneurship Strategy, most of them from employment subsidies (EC, 2015).

### ***2020 Youth Strategy***

The 2020 Youth Strategy was approved in 2014 by the Council of Ministers, under the umbrella of the Ministry of Health, Social Services and Equality. The Strategy aims to increase awareness among youth about the policies and programmes that are available to assist them. It is based around six lines of action:

- Education and Development;
- Employment and Entrepreneurship;
- Housing;
- Prevention and Health;
- Participation, Volunteering, Cohabitation, Inclusion and Equality; and
- Institutional Cooperation.

To implement this Strategy, an Inter-ministerial Committee for Youth was created under the auspices of the Minister of Health, Social Services and Equality. It has a representative from each national Ministry and meets twice per year to discuss the design and implementation of measures related to the Strategy.

### ***Youth Guarantee and the Youth Employment Initiative***

The European Union's Youth Guarantee aims to guarantee that all youth under 25 years old receive a quality offer of employment, further education, apprenticeship or training within 4 months after they complete their formal education or find themselves unemployed, was formally adopted by Spain in April 2013 and also covered youth up to 30 years old with a recognised degree of disability. A legislative change in August 2015 extended the upper age limit to 30 years old for all Youth Guarantee participants. extended the measures to cover youth up to 29 years old. Following this adoption, Spain also developed a Youth Guarantee Implementation Plan (YGIP) at the end of 2013.

To support the implementation of the Youth Guarantee, the European Union provides additional financial resources under the Youth Employment Initiative (YEI). The YEI provides Spain with a total of EUR 1.887 billion direct measures for youth and these funds are channelled through the national European Social Fund Operational Programme:

- EUR 943.5 million comes from the specific budgetary line for youth employment;
- EUR 943.5 million from the specific European Social Fund investment.

Half of the allocated funds from the YEI have been provided to the autonomous regions in accordance to their share of youth (under 29 years old) who are NEETs. The other half will be distributed across the other regions according to the share of unemployed youth (under 25 years old).

To implement the Youth Guarantee, the Youth Employment Operational Programme was launched in December 2014 (*Programa Operativo Empleo Juvenil*). The Operational Programme is coordinated by the Ministry of Employment and Social Security and has a total budget of EUR 2.36 billion, of which EUR 943.5 million comes from the European Union's YEL. Its actions are organised along 4 specific objectives (EEJ, 2013b):

1. To activate youth as learners and job searchers;
2. To help youth acquire skills that can improve their employability;
3. To help youth build sustainable entrepreneurial activity; or
4. To move youth into stable employment.

Beneficiaries are offered a personalised integrated pathway through numerous supports, including: second chance programmes, dual vocational training programmes, training to obtain a professional certificate, national and transnational mobility programmes, entrepreneurship training, traineeships or hiring subsidies to increase indefinite contracts.

A key element of implementing the Youth Guarantee in Spain has been the launch of the National Youth Guarantee System, an online portal ([www.garantiajuvenil.gob.es](http://www.garantiajuvenil.gob.es)) that was launched in July 2014. It attempts to register all NEETs in the country and acts as an entry point into national support system. The Ministry of Employment and Social Security is responsible for the National Youth Guarantee System and it works with the Young Persons' Institution (INJUVE) to promote the initiative through INJUVE's network of Youth Information Centres across the country (see Box 2.1).

#### **Box 2.1. INJUVE**

*The Young Persons' Institute (INJUVE) is the main agency under the Ministry of Employment and Social Security that promotes the participation of Spanish youth in the political, social, economic and cultural development of Spain. INJUVE is also the main organisation responsible for ensuring collaboration with other public and regional authorities, nationwide youth organisations and the Youth Council of Spain. The work of INJUVE is based on three principles:*

- *Guaranteeing equal opportunities for young people throughout Spain regardless of their economic, social or cultural background;*
- *Implementing the necessary actions to develop Article 48 of the Spanish Constitution more effectively by encouraging young people to participate in cultural, economic, social and political life;*
- *Promoting collaboration with other ministerial departments and public authorities whose activities have an impact on this sector of the population.*

*Within the framework of the Strategy for Entrepreneurship and Youth Employment, the INJUVE has set the promotion of employability and entrepreneurial spirit among young people as its current priority, carried out through a number of programmes. One of its key activities is the Network of Youth Information Services (SIJ Network), a network of information services for young people, made up of more than 3 300 centres across the country that report to the regional governments, local councils, associations and other agencies. These centres provide young people with information and advice on resources for employment and entrepreneurship.*

## **Implementing youth entrepreneurship policy**

### ***The multi-level governance system for youth support***

Spain has a multi-level governance system, where policies can be designed at both the national and the regional levels. Policies can then be implemented at the national, regional and local levels.

The Ministry of Employment and Social Affairs has primary responsibility for youth employment policy. Its key activities related to youth policy are the implementation of the Youth Guarantee and the Strategy for Entrepreneurship and Youth Employment 2013-16, and also collaborates with other ministries on legislative reforms and programmes affecting youth employment. Although entrepreneurship measures are included in all employment initiatives, the Ministry does not directly implement entrepreneurship support. Instead it collaborates with regions.

Other key national Ministries involved in youth employment and entrepreneurship policy are:

- The Ministry of Health, Social Services and Equality, which is responsible for key stakeholders such as The Department for Youth Services and Promotion and INJUVE;
- The Ministry of Education, Culture and Sports, which promotes entrepreneurship through the new Law on Education (see Chapter 4);
- The Ministry of Industry, Tourism and Energy, which is responsible for SME policy. In the 2012-15 period it had some special youth entrepreneurship programmes related to innovation and tourism.

The regional governments, however, are often the first point of contact for youth seeking support.

### ***Business Support and Non-government organisations***

Part of a good institutional framework for entrepreneurship policy is also a well-developed business support infrastructure. A well-functioning business support infrastructure not only supports individual businesses, but it also transmits their problems on the ground to governmental structures that are responsible for the development of policy (Smallbone and Welter, 2001). There is a wide network of non-governmental actors who play an active and crucial role in implementing programmes in support of youth entrepreneurship funded by the national government and by European Union funds.

Youth entrepreneurs in Spain benefit from a support infrastructure that contains a diverse set of actors. Key national organisations that focus on supporting youth include INCYDE (Box 2.2), the Confederation of Young Employers (CEAJE). The activities of these organisations are complemented by a very large number of local initiatives and projects, including higher education institutions. These non-governmental organisations play a significant role in the youth entrepreneurship system because they are often the first point of contact for youth.

#### **Box 2.2. INCYDE Foundation: An Initiative of the Chambers of Commerce of Spain**

*INCYDE Foundation – the Chamber of Commerce Institute for Start-up and Enterprise Development - was created in 1999 at the initiative of the Chambers of Commerce. Its main focus has always been on entrepreneurship focusing on skills and training both for start-ups and more established businesses. It operates 98 incubators throughout Spain that host entrepreneurs for a period of 3 years. The most recent trend in the*

*Incubation centres they have is to specialise on various aspects. For example, the Seville Incubation Centre focuses on engineering type businesses or the one in the Mediterranean coast focuses on biotech businesses.*

*More recently, there has been a strong focus on young people through working with the Employment Centres and running the dual vocational system. Additionally INCYDE offers start up events targeted at youth throughout the country. These events have targeted thousands of youth with 848 youth in 2014 starting and consolidating a business. Whilst INCYDE prepares its own training material their mentors are selected on the basis of the regions, the profile of the beneficiaries and the sector where they would like to operate, ensuring as such a better match between the youth they are targeting and the expertise and skills of their mentors.*

*Source: <http://www.incyde.org/>; study visit.*

## **Analysis and assessment**

### ***An envisaged comprehensive approach to youth support***

The Spanish Government has taken several steps in recent years towards establishing strategies and a comprehensive policy framework to support youth entrepreneurship. It is one of the few European Union Member States to have attempted to develop such a comprehensive youth entrepreneurship strategies and measures. Moreover, the Strategy for Entrepreneurship and Youth Employment 2013-16 and the Youth 2020 Strategy are supported by the European Union's Youth Guarantee and Youth Employment Initiative which provide substantial financial resources to design and implement youth policies and programmes in Spain.

The strategies include a range of entrepreneurship support measures, including entrepreneurship training, financial literacy education, access to finance and coaching and mentoring. The measures set out to address the needs of youth entrepreneurs in the areas of interest and motivation, entrepreneurship skills, networking, access to finance and support navigating the institutional environment.

While the strategic documents are ambitious, the expected and actual outcomes are not always clear. The measures outlined in each of the strategies remain very general and it is not clear whether specific targets have been developed. Moreover, few of the measures in the strategies are new. Many of these policies and programmes have existed for years and the strategies appear to repackage existing supports with few new ideas. Therefore, a substantial effect on the structural challenges that youth face in Spain cannot be expected. Instead, the measures can potentially temporarily assist more youth given the increase in scale of resources available to implement the measures.

Furthermore, some measures in the Strategy for Entrepreneurship and Youth Employment 2013-16 have been designated as emergency measures, but it is not clear how these measures are distinguished from the others.

In addition, many regions have also developed ambitious youth entrepreneurship strategies (Box 2.3). In some cases these strategies are more relevant than national level strategies since the regional government is often the first point of contact for youth seeking entrepreneurship support.

#### **Box 2.3. Regional youth entrepreneurship strategies, Murcia**

*Murcia is a region in south-east Spain. Unemployment and youth unemployment rates are slightly above the*



*national averages.*

*As part of its policy response to the unemployment challenge, the region has developed an entrepreneurship plan. The plan aims to promote entrepreneurship and support new business creation with support from the European Regional Development Fund.*

*The Entrepreneurship Plan has 4 main activities, most of which are directed at youth:*

- 1. Promote an entrepreneurial spirit with events such as Entrepreneurship Day;*
- 2. Introduce entrepreneurship education in schools and vocational training centres;*
- 3. Support the creation and consolidation of businesses by attracting venture capital and investors to the region; and*
- 4. Improve co-ordination among entrepreneurship support organizations in the region.*

### ***Co-ordination across ministries and regions needs to be improved***

The challenge with having multiple, overlapping strategies is that several Ministries at the national and regional level have a role in implementing the measures. While having multiple strategies with overlapping objectives and measures may help ensure that the objectives are reached, it is also likely that overlapping strategies will create confusion over responsibility and implementation, resulting in inaction or duplication of efforts. To address this challenge, the Strategy for Entrepreneurship and Youth Employment 2013-16 called for the establishment of an inter-ministerial commission to (a) help the exchange of good practices with other countries' public administrations; (b) facilitate the smooth provision of services by various professional organisations dealing with young people; and (c) support the training of the Public Employment Services in providing targeted attention to various youth groups. However, there do not appear to be sufficient mechanisms to facilitate communication about programme design and implementation across the national Ministries.

Moreover, the national strategies do not appear to build any linkages with regional governments – which often have their own strategies and discretion on how programmes are resourced and implemented – or other youth entrepreneurship policy stakeholders (e.g. Youth Business Spain, Chamber of Commerce). The increase in the scale of resources available for youth entrepreneurship support has led to the proliferation of youth programmes that are specific to each region and there does not appear to be mechanisms to co-ordinate or exchange of information across the different levels. The youth strategies could have a role in unifying the support system. However, action plans have generally not been developed to provide more concrete assignments of responsibility and timing. This lack of cohesion presents several challenges. First, the support system can be difficult for youth to enter and navigate since there is no evident pathway of progressive support. Second, it is difficult to measure the impact of the youth strategies because the individual programmes are so dispersed. This also presents a challenge for scaling-up successful programmes because it is unlikely that the national and/or regional governments will be able to identify effective programmes. Third, it is difficult to build networks of youth entrepreneurship support organisations to exchange good practices and lessons learned.

The largest single initiative to date, the National Youth Guarantee System, is an attempt to register NEETs and act as a portal for the youth employment and entrepreneurship support. It attempts to provide some coordination for the entire support system and to increase awareness among youth about the range of available supports. However, its development and launch have been slower than

expected and take-up has also fallen short of expectations in terms of the number of youth who have registered. Actions have been taken to address the low take-up, including increasing the involvement of regional employment services and leveraging INJUVE's network of youth centres.

Most actors at the national level recognise these challenges and some actions have been taken to address them. For example, the recently approved "Common Employment Services Portfolio" tries to seek to establish basic requirements for all regional employment services in terms of employment support, including entrepreneurship.

More can be done and the development of a clear action plan could improve co-ordination of youth entrepreneurship support by assigning strategic actions to specific Ministries and identifying actions to be taken. This could remove some of the ambiguity of the multiple strategies that touch on youth entrepreneurship support. It would also improve the transparency of policy actions and facilitate better monitoring of expenditures and results. See Box 2.4 for an example of how Ireland recently developed an action plan for job creation.

#### **Box 2.4. Action Plan for Jobs 2014, Ireland**

*The 2014 Irish Action Plan for Jobs is a detailed commitment to job creation. It is a government-wide plan that aims to address the unemployment challenge through regulatory reforms, improving access to finance for SMEs, helping new firms start and grow, supporting regional competitiveness, developing the impact of foreign direct investment and promoting sectoral opportunities.*

*This easy-to-read action plan is organised in a clear way into chapters along the key themes. Under each theme, the aim of policy action is identified in an ambition statement, which highlights the plan's objective and how success will be measured. Each section also contains a rationale to explain why each action area was selected. Finally, each section contains specific actions that will be undertaken in 2014 and identifies the ministry or agency that is responsible for leading or co-ordinating the activity.*

*Entrepreneurship runs throughout the action plan. Plans for youth entrepreneurship support are to launch an entrepreneurship intern programme; establish a competitive national youth entrepreneurship microfinance fund; expand the national student enterprise awards; develop a PhD programme in entrepreneurship; and to improve access to entrepreneurship support for those further away from the labour market.*

*Several other sections of the plan will improve support for youth entrepreneurship. For example, youth stand to benefit from improved access to finance for micro, small and medium enterprises and they would also benefit from the entrepreneurship training that is identified under the Pathways to Work theme of the Youth Guarantee.*

*For more information, please see: <http://www.djei.ie/publications/2014APJ.pdf>.*

#### ***Little support is available for NEETs***

Most policy support for youth entrepreneurship heavily favours supporting those who are university-educated and have business ideas that are related to innovation, social innovation, scientific research or high tech. For example, some of the most significant national support providers such as ENISA and INCYDE target high potential youth. In addition, INJUVE has also shifted its support towards youth with this profile through its InnGames Digital Entertainment Project, for example, which aims to promote the design of projects and the start-up of innovative businesses in the digital entertainment industry.

Moreover, very few non-government business support providers work with individuals who are NEETs. While this is true in most European Union countries, a high level of scepticism was observed among support providers in Spain about the likelihood of NEETs being successful in self-employment. Thus, in the trade-off between economic and social objectives of entrepreneurship policies and programmes there is a tendency to emphasise economic objectives. There may therefore be scope to consider increasing access to existing supports to NEETs and other disadvantaged youth. Arguably moving them into the labour market and keeping them attached to the labour market will increase economic output per available worker and save public funds in the short- and long-term through reduced social supports (and increased tax revenue). Of course this should not come at the expense of promoting viable projects of young entrepreneurs in general.

### ***More attention is needed on business development and growth***

The business support infrastructure in Spain is heavily focussed on business start-up and much less attention has been given to supports to help youth entrepreneurs sustain and grow their businesses. It is clear from strategic and programme documents that substantial resources have been invested in business start-up support and related information systems. This is important for raising awareness about the potential of self-employment for youth and for helping youth enter the labour market through self-employment. However, this approach risks being short-sighted since youth-operated businesses tend to have low survival rates.

More actions are needed to help youth sustain and grow their businesses after start-up, particularly for NEETs who face the greatest barriers to developing a sustainable business. Business support providers have started to include more business development and growth support but this form of support is still in its infancy and is not widespread. Coaching and mentoring support is increasingly available but tends to be offered in major cities and does not appear to be as widely available as in other OECD countries. One good practice in Barcelona is the *Fundació Privada per la Promoció de l'Autoocupació de Catalunya* (CP'AC – Catalonia), which offers mentoring to youth entrepreneurs based on the volunteer work of 250 experienced business people in the Catalan region (Box 2.5). Considering the successful outcomes of initiatives like CP'AC, there is a need to publicise the availability of these offerings more widely to youth and to scale-up successful initiatives.

#### **Box 2.5. *Fundació Privada per la Promoció de l'Autoocupació de Catalunya* (CP'AC – Catalonia)**

*Fundació Privada per la Promoció de l'Autoocupació de Catalunya (CP'AC – Catalonia) is a non-governmental organisation that focuses mainly on supporting self-employment, offering training, post start-up support such as mentoring services and / or incubation, and that plays an important role in collaborating with all stakeholders, at national and international levels, public or private that have similar objectives or programmes of activity to the Foundation or directly or indirectly contribute to its performance. Formed 28 years ago, CP'AC - Catalonia is headquartered in Barcelona and operates in four regions employing a total of 40 people.*

*CP'AC - Catalonia has been successful in supporting the creation of the first microbank in Catalonia. More recently, the organisation is working with banks in trying to convince them to finance its clients. The organisation is also working towards the idea of having a fund to use as collateral for the projects its backs up for funding. In parallel, they are one of the members of Youth Business International in Spain together with Fundacion Tomillo. As part of this involvement, CP'AC – Catalonia is participating in a mentoring programme with young people whose aim is to support young entrepreneurs between the ages of 18 to 35 years in the refining and consolidation of their business projects utilizing mentors with a business experience that business experience, who want to volunteer in the fight against unemployment and in offering young people an experience where they can learn and share the excitement of a new business. Their target is 5 000 young people participating in the programme in the next 5 years. CP'AC- Catalonia believes in a partnership approach with other local and national stakeholders in order to ensure the outreach of its programmes but also to ensure a comprehensive regional support to entrepreneurship that doesn't suffer overlaps. To bring just one example, most of the young people they work with are addressed to them by Barcelona Activa that is the main regional governmental organisation that supports*

*entrepreneurship in Barcelona.*

For more information, please see: <http://www.cpac.es/asp/nivell.asp?cod=000000&idioma=CAT>.

### ***More effort is needed to measure impact***

Spain has the great advantage of having set up a youth entrepreneurship and employment strategy that guides policy work on issues related to youth. Youth policy and more specifically, youth entrepreneurship policy, is shared across several policy areas (e.g. economic policy, labour policy, education policy, social policy) so it is important to engage a wide range of stakeholders to foster co-operation and partnerships.

While the strategy has clearly set the objectives for youth entrepreneurship and employment and encouraged a great debate on these issues by a number of policy actors - national and regional, and private and public – it has also led to a proliferation of programmes that are not well-linked together by action plans and/or mapped in order to ensure their effectiveness and fit with other initiatives run elsewhere. This would require better co-ordinative efforts horizontally between the different ministerial departments and vertically in relation to the regions and other actors involved in entrepreneurship support.

Ministries with a mandate related to entrepreneurship run their own programmes, which are often unknown to other ministries as well as other actors in the private and public sectors. Similarly many of the non-government organisations who deliver entrepreneurship support operate with low levels of visibility. Thus high quality and successful initiatives have little opportunity of scaling-up. One way to overcome these issues is through developing action plans with clear priorities and targets, as well as with assigning responsibility for them to particular ministerial departments or other stakeholders that would co-ordinate actions and report on their outcomes following implementation. These data can feed thereafter in designing other measures or policy programmes and will ensure that they build upon past successes and avoid previous failures.

Generally, having a multi-level governance structure poses difficulties in gathering information, demonstrating the impact of various initiatives and ensuring the good use of public funding. Better co-ordination within and between the regions would overcome some of these difficulties by ensuring that there is a clear mapping of business support providers operating nationally and regionally and their activities in targeting youth in the various regions of Spain.

### **Conclusions and policy recommendations**

Spain has faced the challenge of youth unemployment and in the recent years has developed comprehensive strategies and measures in support of entrepreneurship and self-employment amongst young people. Being amongst the few countries to have a guiding strategy on Youth Employment and Entrepreneurship 2013-16, Spain has made progress in terms of creating a more conducive business and policy environment and in being able to launch several projects under the Youth Guarantee. However, there are areas where policy makers can make significant improvements to youth entrepreneurship support by broadening the vision of youth entrepreneurship support and strengthening the implementation of youth entrepreneurship strategies.

### ***Policy recommendations***

- Design an action plan to clearly outline how the various measures of the Youth Employment and Entrepreneurship Strategy will be implemented by assigning responsibilities to Ministries and agencies and indicating timelines for different actions and expected outcomes. The action plan should seek to improve the co-ordination of youth entrepreneurship policies and programmes across national ministries, with other levels of government and with key non-government stakeholders.
- A stronger co-ordination role should be given to the inter-ministerial committee that has been created within the remit of the Youth Employment and Entrepreneurship Strategy. It should more actively co-ordinate work between different levels of governments, the autonomous regions and other public and private actors to ensure effective implementation of measures identified under the strategy. An inter-regional subgroup could be created with the sole purpose of sharing knowledge and experience in relation to the entrepreneurship.
- The Ministry of Employment and Social Security could consider holding an annual conference on youth entrepreneurship to bring relevant youth entrepreneurship stakeholders together to exchange good practices and lessons learned. This would improve awareness among all public and non-public sector actors about the ongoing activities and provide opportunities to build partnerships. It could also be an opportunities for the national Ministries to collect input and information on the needs of those implementing measures and of youth entrepreneurs.
- Give more visibility to policy programmes that focus specifically on the disadvantaged youth. This could encourage more NEETs to come forward to register for support under the Youth Guarantee or be persuaded to engage themselves with the labour market. It should be kept in mind that additional accompanying support normally will be required.
- Increase the availability of business development and growth support that is available to youth entrepreneurs by scaling-up successful coaching and mentoring and business advisory programmes.
- Promote entrepreneurship role models and success stories to motivate potential young entrepreneurs. It is important to highlight the successes of youth entrepreneurs who started from unemployment, and to identify the key enabling factors. This can be drawn upon to attract NEETs to the support programmes and to demonstrate to youth entrepreneurship support organisations that this group should be supported.
- Ensure policies are adequately evaluated through clear and rigorous evaluation techniques that provide feedback on the efficiency of policy measures and their impact on youth entrepreneurship.

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## CHAPTER 3: YOUTH ENTREPRENEURSHIP INSTITUTIONS

*This chapter examines the effectiveness of the institutional environment in Spain and its impacts on youth entrepreneurship. It emphasises the strengths and weaknesses of the current framework. It also makes suggestions for improvements that the government might consider in making the delivery of youth entrepreneurship programmes more efficient and coherent.*

### **Business regulatory environment**

#### ***The business environment***

Spain has generally been ranked poorly in international assessments of the business environment relative to other European Union countries. According to the World Bank Doing Business Survey (2014), Spain ranks 33<sup>rd</sup> out of 190 countries surveyed in having a business. Spain ranked particularly poorly in the areas of “ease of starting a business” and “getting credit”, at 74<sup>th</sup> place and 52<sup>nd</sup> place, respectively.

Similarly, the European Union Small Business Act Factsheet (2014) lists Spain below average in most of its ten principles. The most significant barrier identified was “Administrative burdens to start-up” since new business start-ups are required to submit documents to each of the three levels of government.

This relatively difficult environment for entrepreneurs can present challenges for youth, especially NEETs, since they lack experience in self-employment and in the labour market more generally. However, the greater effect is likely that a complex business environment discourages youth – especially NEETs – from attempting business creation and self-employment if they perceive that it is “too complicated”.

#### ***Recent actions to improve the business environment***

The Spanish government has recently implemented many reforms to encourage and support new venture creation and development. Some recent actions include providing online registration for self-employed works (in 2010); the introduction of the “limited liability entrepreneur” status for those with less than EUR 3 000 of initial capital (in 2013); the simplification of the insolvency framework through new debt negotiation agreements without recourse to judicial proceedings (in 2013); and the reduction of the number of days needed to open a business – from 17.5 days in 2012 to 3 days in 2013. In addition, there was been a reduction in taxation and social security costs for individuals and employees and self-employed at the same time; for self-employed people over 30 years old who start their first business or a business after a period of unemployment; and for people with disabilities.

While youth stand to benefit from these overall actions, the government has also provided some regulatory simplifications that are targeted at youth entrepreneurs. Such measures include:

- The reduction of social security contributions for a total period of 30 months from the start of the activity, at declining rate of 80% to 30%. This measure applies to those who set up a



business and are self-employed (a condition that requires them to register with social security).

- The potential for unemployed youth (under 30 years old) to continue to receive unemployment benefits after starting a business for up to a maximum of 270 days. Youth benefiting from this measure must not have employees and are not obligated to accept an employment offer.
- A new measure (“Setting up a business with protection”) that provides self-employed people youth to claim unemployment benefits if they cease their self-employment activity with five years of starting.
- The “capitalisation” of unemployment benefits for youth under 30 years old (i.e. receiving the total amount of unemployment benefits at once) for the purposes of business creation.

### **Information dissemination to youth**

Signposting services to direct youth to entrepreneurship support are delivered through general supports, notably the Public Employment Services. One of the steps undertaken within the remit of the Strategy for Youth Employment and Entrepreneurship 2013-16 and Youth Guarantee is the provision of timely labour market information to youth and to direct them to appropriate supports. To achieve this, one of the major activities has been the modernisation of the Public Employment Services. The staff has been re-trained in order to improve their offerings and to meet the needs of different youth groups (e.g. NEETs, university graduates).

Youth can also benefit from youth-specific supports such as INJUVE. Its website ([www.injuve.es](http://www.injuve.es)) is a comprehensive online resource. In addition, other online tools and resources include:

- *Ventanilla Unica Empresarial* (VUE), which is an online portal of start-up information. It includes information on the formal procedures for starting and registering a business, as well as more general information and advice. It is a pilot project of the Chambers of Commerce and is funded by the European Social Fund and the National Government.
- *Centro de Información y Red de Creación de Empresas* (CIRCE), which is an online tool that can be used to set-up several legal forms of enterprise: Successive Limited Partnership; New Enterprise Limited Company; Limited Liability Company; and Autonomous entrepreneur. This system makes the necessary arrangements with all the public agencies and administrative bodies involved in business creation. The entrepreneur is only required to fill in the Single Electronic Document and then CIRCE creates the company with the relevant public agencies (e.g. Tax Administration Agency, Social Security, Trade Companies Registrars, Notary’s Office). This system can reduce the duration of the registration from 40 days to 48 hours.

### **Developing a supportive entrepreneurship culture**

The legitimacy of entrepreneurship in a society is an important element of the institutional framework. Data from Spain are not very positive when it comes to the culture of entrepreneurship. Eurobarometer surveys (European Commission, 2013), for example, consistently show that most Spaniards would prefer wage-earning jobs to self-employment. Further, the most recent SBA Factsheet showed entrepreneurship career desirability rates at 54.3%, slightly lower than the 56.9%

European Union average. Similarly, the social status of entrepreneurship rates at 52.3% compared to the 65.5% European Union average figure (SBA Factsheet, 2013).

The Strategy for Youth Employment and Entrepreneurship 2013-16 has placed special attention on several initiatives to promote a culture of entrepreneurship. Some measures endeavour to:

- facilitate entrepreneurship among university and vocational training students through incentives to help them combine their training with self-employment;
- encourage young entrepreneurs to undergo training courses on e-marketing and use social networks and other digital communication forums as a promotional platform and showcase for their ideas.
- the Strategy also encourages the media to communicate a positive outlook on young people's entrepreneurship and on the importance of employers and workers in society. Following the deep economic crisis in Spain, the frequency of reporting about entrepreneurship stories in the media has gotten closer to the EU-average indicating the embrace of a more comprehensive approach towards supporting the development of an entrepreneurship culture in the Spanish society.

Spain, like other European Union countries has recently been more active in its efforts to promote and encourage an entrepreneurial culture by, for example, promoting business creation and self-employment as a potential career. This is notably accomplished through changes to the education system that encourage entrepreneurial attitudes and competences among youth who are completing their compulsory education (see Chapter 4 for more details).

The higher education system also plays an important role in supporting the development of an entrepreneurial culture. There are examples of individual institutions developing programmes and initiatives, including ESADE Business School, for example. There are also national programmes such as New Venture Creation, which promotes entrepreneurship and provides students with an opportunity to develop creative and innovative ideas. The programme is funded by the General Secretariat of Industry and SMEs of the Ministry of Industry, Energy and Tourism and the General Secretariat of Universities, Ministry of Education, Culture and Sports.

INJUVE is also very active in this area. Some of its key initiatives are:

- The *Emprende XL* Social Media Network (see Box 4.5 in Chapter 4), which is a social network that aims to support idea sharing among youth and to direct youth to free entrepreneurship education and expert advice. It also connects youth with entrepreneurs in the business community.
- Contest for Young Entrepreneurs is an annual competition for youth (under 35 years old) who run new innovative start-ups (up to 3 years old). Up to 10 projects are selected annually for financial assistance of EUR 25 000.
- *AJEImpulsa* is a collaboration with ENISA that matches youth entrepreneurs with a technical advisor who helps them access various supports, as well as a team of business advisers who provide business management training and individual business counselling.

Non-government organisations also play an important role in complementing government efforts to developing an entrepreneurial culture among youth in Spain. Many initiatives such as *La Caixa's*

support for social enterprise expose youth to a wide array of available opportunities and different models of entrepreneurship. Such initiatives also support the building of an entrepreneurial culture where entrepreneurship is given status in society.

## **Analysis and assessment**

### ***Administrative barriers to youth entrepreneurship have been removed***

Recent efforts to simplify the processes to start and register a business in Spain have been overdue and would be expected to have a positive impact on youth entrepreneurship. In particular, the reduction of the length of the business registration process from 17.5 days to 3 days will have the greatest impact for youth since they are much more likely than older entrepreneurs to abandon their business idea before it gets to market. Reducing the effort and time required to legally operate as a business once the decision has been taken will reduce the number of youth who give up before the business is realised. Therefore, this measure would be expected to have some positive impact on youth entrepreneurship. While there is still room for further simplifications and reductions, the impact will likely be marginal and there are other areas where policy makers can have a greater impact since few youth identify administrative difficulties as a significant barrier to business start-up and self-employment.

Other recent regulatory improvements aim to increase the sustainability of youth-operated businesses by reducing social security contributions. The impact of such measures is difficult to quantify but this approach is used in other European Union countries, including Poland for example. One area where the Spanish approach is stronger than that of other countries is that these reduced contributions return to the standard rates gradually rather than ending abruptly. Experiences in other countries suggest that this should increase the chances that the youth entrepreneur will be able to sustain their business once they are required to pay the standard contributions.

Another key area of action is the introduction of a welfare bridge-like mechanism that allows youth who are collecting unemployment benefits to continue to receive unemployment benefits for a fixed period of time while they are working on a start-up. This general approach has demonstrated success when applied broadly to the whole population in several countries, such as Germany and Finland. It is therefore likely that some youth will benefit from it. To increase the chances of developing successful start-ups from unemployment, a stronger intake mechanism should be used to ensure that recipients have a quality business idea and that they are committed to working on it. The danger of supporting business ideas with a low chance of success is that the support initiative may do more damage by helping someone fail. With those starting from unemployment, the risk is that they are pushed further away from the labour market.

A second improvement in this measure would be to allow recipients to have employees. Not allowing them to hire employees is a disincentive for business development and growth and may reduce the chances of the business developing by not allowing recipients to have employees.

### ***Improved outreach activities are needed to reach less active youth***

Despite the range of support in offer to help young people with information and advice on setting up a new business, only a small proportion of youth interact with these various support schemes. This points to a need for more targeted outreach to potential youth entrepreneurs and more comprehensive sign-posting activities.

The Youth Guarantee portal and registration system is a significant attempt to do this but uptake has been slow. Fewer youth have registered than was expected, which suggests that the target population is either unaware of the portal or are not interested. Although some efforts have been made to reach a variety of youth, including NEETs and those in rural areas, through collaborations with the autonomous regions and the public employment services, this has not demonstrated to be effective. Many youth such as NEETs are less likely to have interactions with public employment services since they may not be eligible for unemployment benefits and may not be actively looking for a job. Therefore more efforts are needed to reach youth through alternative channels.

The recent co-operation, initiated in July 2015, between the Ministry of Employment and Social Affairs and INJUVE's network of youth centres to disseminate information on these services appears to be a step in the right direction.

***A more diverse group of youth entrepreneurship role models are needed to promote a culture of entrepreneurship***

One of the priorities for entrepreneurship in Spain is to grow an entrepreneurship culture amongst the youth. Many efforts are being undertaken to boost entrepreneurship within the education system which is the most effective way of building a culture of entrepreneurship (see Chapter 4 for more). However, another method is to promote entrepreneurship more widely through the media and role models, which is a common approach in the European Union.

Several good initiatives have been developed in Spain in terms of increasing the attractiveness of the entrepreneurial option. For example, the Spanish Federation of Youth Entrepreneur Associations (CEAJE) contributes to building an entrepreneurship culture through high profile initiatives such as the National Young Entrepreneur Award. Although this award does not include financial prizes, it does receive a great deal of media attention and promotes successful youth entrepreneurs to inspire others.

Efforts to promote youth entrepreneurship role models are not lacking but more diversity is needed in the role models that are showcased. There is a need to also promote role models that can appeal to youth with diverse life experiences and living in diverse economic and social contexts that would influence the nature of entrepreneurship they can be involved in. This could be individuals with difficult backgrounds that made it into entrepreneurship but also different local organisations such as business support organisations, local youth organisations, and local organisations working with disadvantaged groups.

**Conclusions and policy recommendations**

Spain has developed a comprehensive but fragmented framework for encouraging and supporting youth entrepreneurship and employment. Entrepreneurship emerges as an important national priority, although not strongly in the political agenda, with most regions taking also a particular interest in developing entrepreneurship programmes to boost their innovation and creativity, as well as to solve some of the economic and social problems of the recent years.

Spain has made several improvements to the regulatory framework. However, administrative processes vary by legal status of a business as well as by the various levels of governments that are involved in various steps of the registration or business closure process.

Despite Spain having a high rate of self-employed people, we need to be cautious when equating this with entrepreneurship. As recent data show most people engage in these activities for lack of other

alternatives. This is also evidence in the low status entrepreneurship has in the Spanish society as reflected not only in its low desirability as a career choice but also the poor media coverage of entrepreneurship.

### ***Policy recommendations to strengthen the institutional environment for youth entrepreneurship***

The following recommendations are offered to strengthen the institutional environment for youth entrepreneurship in Spain:

- The Public Employment Services should be supported in carrying out their new role of offering specialist services to those that are considering the self-employment option or would like to boost their business development opportunities. This would require not only training of this specialised unit within this mainstream support provider but also a financial commitment by the Spanish government to turn this service into a flagship one benefitting the youth interested in entrepreneurship rather than simply waged employment.
- Develop media (TV, radio, social media, press, etc.) campaigns that aim to encourage a more positive attitude towards entrepreneurship as a career option in Spain. The examples provided should be from different age groups, sectors, locations as well as backgrounds and personal experiences.
- Make organisations accessing public funding more accountable by requesting they set up various databases that can track the impact of their work over time. This will not only ensure a more efficient use of public funding but it would also allow governmental bodies to understand the impact various programmes have and the possibility of scaling up the successful initiatives.
- Encourage different service providers that offer online services to have a built-in feature on their websites that would request information on the satisfaction of youth with their programmes. This would allow service providers to understand what aspects of their offering are more beneficial and which ones are in need of further improvement.
- Promote and encourage local collaborative approaches that raise awareness and engage young people in solving local socio-economic problems through entrepreneurial solutions.
- Autonomous regions should ensure that all programmes targeting youth have targets in relation to their clients' diversity. This would ensure that service providers place a more important emphasis on the need to reach out to the more disadvantaged groups or those that would not normally interact with the current service provision.

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## CHAPTER 4: ENTREPRENEURSHIP SKILLS FOR YOUTH

*This chapter examines current and planned policies and programmes that support the development of entrepreneurship skills for youth. The chapter discusses the strengths and weaknesses of current provisions of entrepreneurship education, entrepreneurship training outside of formal education, coaching and mentoring and entrepreneurial networks. It also identifies gaps in current offerings and areas for improvement and offers recommendations to address these areas. Initiatives from other European Union Member States are offered as inspiration for implementing the recommendations.*

### **The importance of entrepreneurship skills**

Entrepreneurship has a crucial role to play in modern societies due to its contributions to the generation of new ideas, innovation, job creation and economic growth. The recent economic crisis and slow recovery have presented new challenges for policymakers across OECD countries as traditional fiscal and monetary policy levers have been less effective than they have in the past. Entrepreneurship can play an important role in achieving sustainable and inclusive growth for economies as the current complex and uncertain economic environment calls for creative individuals capable of solving new problems through independent action (Volkmann et al., 2009). It has potential for creating jobs and reducing unemployment, not just in the population in general, but also among people who are vulnerable to social exclusion.

To successfully start up and operate a business, entrepreneurs need to use a wide range of skills. This skill-set includes skills that are required from employees in any workplace, but also those skills needed to respond to the additional demands of running a business. While some of these skills may not be absolutely necessary for successfully operating a business, possessing them is likely to increase the quality of an entrepreneur's business and the chances that it will be sustainable and grow. It is therefore important to identify the skills needed by entrepreneurs and consider how they may be acquired and strengthened, and how this can be supported by public policy.

A good starting point is the workplace skills that are generally required of any worker. Workplace skills combine generic skills and job-specific skills. Generic workplace skills are those skills used in the work environment that are transferable to different jobs and industries, as well as to other aspects of life. These skills include, for example, communication, team-work, planning and organising skills. Generic workplace skills are becoming increasingly important in the workplace as employment shifts away from jobs that require routine and manual tasks towards jobs that require deeper thinking (i.e. problem solving) and complex communication (i.e. interacting with others to acquire or explain information, or persuade others of its implications for action) (OECD, 2012; Statistics Canada-OECD, 2005). In particular, technological change, including the increasing presence of information and communication technologies (ICT), and the shift of economic activities towards knowledge-based activities, have led to a growing demand for higher-level cognitive skills involving the understanding, interpretation, analysis and communication of complex information.

In addition to generic skills, entrepreneurs require certain job-specific skills related to the development, production and delivery of the specific products or services that their business offers. Job-specific skills are often used to distinguish one industry or workplace from another. For example,

an entrepreneur that operates a printing business will need specific skills related to printing and binding equipment, as well as knowledge related to paper and inks.

Furthermore, operating as entrepreneurs rather than employees puts a premium on a number of business management and personal entrepreneurial skills, such as business planning, self-motivation, assessing and managing risk, strategic thinking, exploiting personal networks, and motivating others (OECD, 2010). While there is no singular definition of entrepreneurship skills, it is widely accepted that this set of skills includes skills related to starting and operating a business, as well as skills and personal characteristics related to the generation of ideas, pursuit of opportunities, self-motivation, perseverance, teamwork, networking and the ability to manage risk. These skills are often related to flexibility, creativity and problem solving, which are critical as an entrepreneur but also useful as an employee or in other environments (e.g. volunteering, social entrepreneurship).

Several studies propose that entrepreneurship education allows individuals to develop certain skills such as developing a business plan, taking decisions in real or simulated firms, etc. and, in this way, it strengthens self-efficacy or their perceived behavioural control (Bandura, 1992; Fayolle, 2013; Duval-Couetil, 2013). It also enables contact with successful entrepreneurs and peers that may also affect self-efficacy and, therefore, increase entrepreneurial intentions (Falck et al., 2012). Teachers can improve the attitudes towards learning and can nurture the passion for entrepreneurship, when they show students a wide array of opportunities and encourage them to seek the one that interests them more (De Clerq et al., 2013). Also, these courses can help other students to realise that they do not have the skills needed to be an entrepreneur (von Graevenitz et al., 2010). Finally, entrepreneurship education shows the social approval of entrepreneurship and, therefore, increases awareness of it as a legitimate career.

Informal entrepreneurship education (e.g. coaching and mentoring) also has an important role. A recent study by St Jean and Audet (2012) observes that entrepreneurial learning through mentoring is mainly achieved through cognitive learning (62% of reported learning outcomes were cognitive, including an increase in management knowledge and skills, improved vision for their business venture and identifying new opportunities) and affective learning (36% of reported learning outcomes, including a greater sense of self-efficacy, validation of one's entrepreneurial self-image and a lowered sense of solitude, which could influence resilience).

For youth who go on to create a business following entrepreneurship training, a study by Berrone et al. (2004) suggests that the factors that best predict business success are education and factors related to an entrepreneurial mind-set and self-motivation, commitment and the application of innovations. These typically form the core of entrepreneurship training.

Another benefit is that entrepreneurial learning appears to be related with greater success in the labour market, since those who have received entrepreneurship education are more likely to get a job immediately after graduation (86% vs 56%), have higher accumulated financial assets (63% higher), enjoy higher salaries (27% higher), and are more involved with R&D activity and new product development (Charney and Libecap, 2000).

### **Current approaches to developing entrepreneurship skills for youth**

***The national government has committed to develop entrepreneurial mindsets and skills for youth in new education law***

Recent changes to the education law signal a commitment to embed entrepreneurship throughout the education system. The new Organic Law for the Improvement of Educational Quality (Organic



Law 8/2013) (see Box 4.1) is a comprehensive update of the Education Law 2/2006, introducing new learning objectives, teaching methods, curricula and assessment criteria. The main objective of Law is to develop creative, active people who have the ability to transform ideas into action and identify opportunities for personal, professional and business activities. It also aims to help people understand and operate in society and organisations.

#### **Box 4.1. 2014 Law on Education**

*The Organic Law for the Improvement of the Quality of Education was adopted in Law 8/2013 in December 2013, modifying Education Law 2/2006. This new update aims to transform the education system in Spain so that it will be more effective at developing people who are self-confident, innovative and enterprising.*

*The 2014 Law identifies 7 core competencies:*

1. *Linguistics and communication;*
2. *Mathematics, science and technology;*
3. *Digital skills;*
4. *Learning to learn;*
5. *Social and civic responsibility;*
6. *Sense of initiative and entrepreneurship; and*
7. *Cultural awareness and expression.*

*Accordingly, new learning objectives for each subject (at all levels) that emphasise problem solving skills are at the heart of the new law, and new learning standards, measureable objectives and assessment criteria have been defined. The teaching methodology, including teaching practices and the organisation of teaching has also been updated.*

*Entrepreneurship is clearly highlighted as a learning objective. It is treated transversely and is associated with specific contents in some subjects. This new approach to teaching entrepreneurship covers both skills (e.g. analytical skills, team work, leadership, critical thinking) and attitudes and values (e.g. creativity, initiative).*

*At the primary education level, there are 2 objectives with respect to entrepreneurship education (Royal Decree 126/2014):*

1. *Know and appreciate the values and norms of coexistence, learning to act under them prepare for active exercise of citizenship and respect for human rights and pluralism inherent in a democratic society;*
2. *To develop individual and team work, effort and responsibility in the study, as well as attitudes of self-confidence, critical sense, personal initiative, curiosity, creativity and interest in learning, and entrepreneurship.*

*The curricula for primary education curriculum incorporate elements aimed at developing and strengthening entrepreneurship. The education authorities shall promote measures so that students participate in activities that will allow strengthening entrepreneurship and entrepreneurship from skills such as creativity, autonomy, initiative, teamwork, confidence in oneself and the critical sense.*

*In compulsory secondary education, entrepreneurship education aims to develop an entrepreneurial spirit and self-confidence, participation, critical sense, personal initiative and the ability to learn to learn, plan, make decisions and take responsibility.*

*As in primary education, it is treated transversally. The curricula of Secondary Education and Baccalaureate*

*curriculum will incorporate elements aimed at developing and strengthening entrepreneurship, acquisition of skills for the creation and development of various business models and the promotion of equal opportunities and respect for the entrepreneurial and the entrepreneur, as well as business ethics. The education authorities shall promote measures so that students participate in activities that will allow strengthening entrepreneurship and entrepreneurship skills such as creativity, autonomy, initiative, teamwork, confidence in oneself and the critical sense.*

### ***Entrepreneurship support in higher education has a longer history***

Entrepreneurship support has a longer history in higher education than in primary and secondary education. Within universities, courses have been developed to help students to start businesses. These courses typically include a final project that is completed in collaboration with a real company. On occasion, these projects are international.

Entrepreneurship in higher education, however, goes beyond teaching. Many higher education institutions such as ESADE have world class incubation facilities and have been very successful at supporting their students in accessing funding and taking their ideas to market. There are also internship programmes that provide students with an opportunity to learn directly from entrepreneurs by working in small businesses. For example, long-standing programmes such as Argo and Faro have reached approximately 100 000 students. These are both 6-month international internship programmes and approximately 100 000 students have participated. 5% of students that have participated in Faro have gone on to start a business. Similarly, the Erasmus+ programme is hugely popular in Spain and it also provides students with opportunities for international internships.

In addition, the Ministry of Education launched a programme to develop international campuses of excellence in Spain in 2009. The programme aims to modernise higher education and strengthen linkages with the local community and 32 campuses have been recognised (out of 77 public universities). Although the initiative aims to promote innovation, many of the actions and outcomes are consistent with the concept of the “entrepreneurial university”, which seek to develop entrepreneurial students and staff and contribute to local and regional economic development. For example, the programme encourages universities to strengthen the relevance of its research and teaching for the community. Furthermore, there has been specific funding for entrepreneurship activities, including academic spin-offs, developing business plans and technology transfers.

In addition to providing entrepreneurship education and supporting new business start-ups, there are networking initiatives that aim to bring stakeholders together to promote entrepreneurship widely and strengthen the entrepreneurship culture in Spain. One such example is Start Up Spain (Box 4.2).

#### **Box 4.2. Start Up Spain**

*Start Up Spain is a network of entrepreneurs and entrepreneurship stakeholders that is organised through the ESADE Business School in Barcelona. It was launched in 2011 and has two objectives:*

- 3. Develop a supportive network for entrepreneurs and investors;*
- 4. Support the development of an entrepreneurial culture by promoting entrepreneurship within Spain and attracting entrepreneurs to come to Spain.*

*The Start Up Spain conferences are organised in co-operation with Fundación Rafael del Pino and Campus Party Spain. To date, the 6 conferences have hosted more than 3 500 people and another 2 000 people have participated via live-streaming. The majority of attendees have been entrepreneurs and investors, but it also*

*attracts people from the academic community and entrepreneurship support organisations.*

*Start Up Spain attempts to be a leader in the online community in Spain. Its website ([www.start-up-spain.com](http://www.start-up-spain.com)) aims to be both a forum and an information portal.*

### ***Active labour market measures complement the new education law***

There is a large group of young people who are not in training, education or employment but could benefit from starting a business. The NEET population accounted for **17.1% of youth in 2015**. Active labour market policies provide a route to support them with training, coaching and finance, but are not yet fully exploited (only 3% of ALMP expenditures in Spain are on new start-ups).

The Ministry of Labour and Social Affairs (2013) developed The Strategy for Entrepreneurship and Youth Employment 2013-2016, which includes 17 measures to promote entrepreneurship and self-employment, including improved access to entrepreneurship training, financing and microcredit, and increased capacity of business incubators and co-working spaces. To help implement these measures, an online portal was launched in July 2014 to register youth and act as an entry point into the integrated support system. However, take-up has been slow and more attention is needed to raising awareness among youth by improving the website and reaching out through a network of youth organisations.

These measures are implemented with the support of many non-governmental organisations, associations, chambers of commerce and private sector enterprises. In the area of supporting the acquisition of entrepreneurship skills, some of the key national initiatives include Junior Achievement Spain (Box 4.3) and INCYDE (Box 4.4), which provide entrepreneurship training and help youth develop entrepreneurial mindsets. In addition, a large number of non-governmental organisations also provide coaching and mentoring, business counselling and network development.

#### **Box 4.3. Junior Achievement Spain**

*Junior Achievement is an international organization that supports entrepreneurship education for youth. Its objective is to inspire youth and provide them with the skills needed to face the labour market and achieve their goals. It started in the United States in 1919.*

*Junior Achievement Spain was founded in 2001 and has a twofold mission:*

- *To inspire youth to succeed in a global economy; and*
- *To help transform Spain into an entrepreneurial country where citizens are active and contribute to improving society.*

*Junior Achievement Spain provides entrepreneurship education and training to students from 7 to 25 years old. These programmes use volunteer entrepreneurs and business professionals to deliver the Junior Achievement curriculum, which aims to develop entrepreneurial values, attitudes and spirit among youth. The programmes also aim to motivate students for self-employment.*

*In the academic year 2013-2014, 2 047 programmes were delivered to 21 422 students, using 2 402 volunteers.*

#### **Box 4.4. INCYDE**

*Fundación Instituto Cameral de Creación y Desarrollo de Empresas (INCYDE) was created in 1999 to promote entrepreneurship and business creation. Under the Chamber's Business Creation and Development Foundation, it has developed a methodology to help potential entrepreneurs through a range of training programmes and individual support services, including a location and support in one of the chambers' network of more than 80 incubators for up to 3 years.*

*The training programmes focus on personalised training rather than general education. Modules are provided on specific issues (e.g. finance, human resource management) for participants according to a personalised learning plan. INCYDE receives ESF funding for this training.*

*INCYDE has developed programmes for youth that include training and mentoring. Youth under 30 years old can access these programme through the local chambers of commerce; all applicants are accepted into the programme. Training is offered for up to 1.5 years on business creation and management and mentoring is available for up to 2 years following the training.*

*Approximately 5 000 people have participated in special workshops to date, and of this 2000 have participated in more intensive training. INCYDE runs approximately 200 programmes per year, each with 2 000 to 3 000 participants. In 2014, 848 new start-ups were created out of this programme.*

#### ***There are many youth entrepreneurship networks***

Entrepreneurial networks are groups of interconnected entrepreneurs, business service providers and various other relevant people who entrepreneurs can access for information and ideas for the operation of their businesses in reciprocal relationships. These networks can help entrepreneurs access financing, find business partners, suppliers, employees and customers, and get ideas for new products, processes, organisational methods and business models. They can also influence an individual's perception of the desirability and feasibility of entrepreneurship.

Youth entrepreneurs in Spain can benefit from many youth entrepreneurship networks and associations, including large national networks such as the Emprende XL Social Network (Box 4.5) and CEAJE (Box 4.6). These networks are important for connecting youth entrepreneurs with each other and with other business support organisations. But they can also serve other purposes. The Emprende network also has wider objectives such as promoting youth entrepreneurship more widely and working at the political level on behalf of youth entrepreneurs. Moreover, many of these networks offer additional supports including training and awards programmes.

#### **Box 4.5. Emprende XL Social Network (INJUVE)**

*INJUVE (Instituto de la Juventud), or the Youth Institute, is a public body under the auspices of the Ministry of Health, Social Services and Equality. Its objectives are:*

- To promote equal opportunities for young people.*
- To promote the free and effective participation of youth in the political, social, economic and cultural development of Spain.*
- To promote collaboration with other government departments and other public administrations whose*

activities affect this sector of the population.

Although entrepreneurship is not identified in INJUVE's mission, the organisation is active in supporting employment actions and strengthened its entrepreneurship activities in 2014. It currently has four activities related to entrepreneurship support for youth:

- *Emprende XL Network ([www.emprendexl.com](http://www.emprendexl.com)): this is a platform that allows young entrepreneurs to share ideas; to benefit from more than 2100 hours of free training; to enjoy counselling from experts and know about the experience of other entrepreneurs; and to get in touch with public and private sources of financing to make the projects of young entrepreneurs a reality. There are nearly 5 000 registered users and over 60 projects. An agreement has been reached with Microsoft. This company will provide entrepreneurs integrated in the Emprende XL platform with access to technological tools and resources to enable them to advance their ideas, with an estimated value of up to EUR 60 000 per entrepreneur. Registered youth will also enjoy other advantages (technical support, training or participation in Microsoft events at which to present their projects). Thus, new companies integrated in the Emprende XL platform will take part in Microsoft's Startup Accelerator programme, specifically focused on helping entrepreneurs during the first phase of life for start-ups.*
- *National Competition for Young Entrepreneurs: this encourages the development of entrepreneurial projects led by young entrepreneurs under 35 years old. The award consists of EUR 25 000 grants for each of the winning applicants. The first edition was launched in 2013, awarding 10 grants (5 to entrepreneurial projects, and 5 to existing new businesses) from a total of 439 applications. The 2014 edition was limited to new businesses already started (no more than 3 years of operation), with 10 grants awarded out of 80 applications. This competition has been launched as part of the Strategy for Entrepreneurship and Youth Employment 2013-16.*
- *Microcredit programmes for young entrepreneurs: this facilitates microloans for the implementation, promotion and financial support of business projects by young people under thirty-five. It is done through a collaboration agreement with MicroBank. The programme has been operative since 2009, but it is not available in the whole country. It requires an agreement with the different regions. At present, 9 out of 17 Spanish regions have signed the agreement so that the young entrepreneurs living in them may apply for these microcredits. Since its creation, 745 projects have received support from the regional youth agencies to apply to MicroBank, which approved 200 microcredits .*
- *App Emprendemos. This App for tablets and smartphones provides information on, and links to, resources for training and advice to young entrepreneurs. It was launched in early 2014, and has had around 2000 downloads.*

For further information, please refer to: [www.emprendexl.com](http://www.emprendexl.com).

#### **Box 4.6. CEAJE**

The Spanish Federation of Young Entrepreneur Associations (CEAJE) is a non-profit organisation created in 1991. It is the result of a group of one hundred businessmen who created the Madrid Association of Young Entrepreneurs in 1984, pioneering the youth entrepreneur associative movement. Today, CEAJE brings together more than 18 500 young entrepreneurs spread over 55 associations throughout Spain. As the highest representative body of young entrepreneurs, it has as its main priority improving the environment in which their businesses are created and developed, helping to promote stability, competitiveness, innovation and internationalisation, thus helping ensure its survival. Among its different objectives, the most relevant for youth entrepreneurship are:

- *Promoting entrepreneurial culture;*
- *Meeting the needs of information, training, consultancy, research and development of member*

associations and, through them, those of the individual business associates; and

- *Facilitating the improvement of its members' competitiveness.*

*To achieve them, CEAJE collaborates with ENISA (a public company, attached to the Ministry of Industry, Energy and Tourism) to help young innovative entrepreneurs fund their projects through participative loans. Similarly, it has also developed a platform – AJEImpulsa – designed to foster the entrepreneurial process, aimed at the development and realisation of entrepreneurship, in collaboration with INJUVE. AJEImpulsa provides online support customised for each initiative, available through a simple registration process. Through this, young applicants may access the different services with the assistance of a technical advisor. Additionally, users have permanent access to a team of expert tutors in various areas of business management, which will inform, guide and train them throughout the process to get their business consolidated.*

*Finally, CEAJE awards annually since 2001 the National Young Entrepreneur Award, to entrepreneurs under 40 years of age. There is no monetary prize but it involves a considerable media impact.*

*For further information, please refer to: [www.cejje.es](http://www.cejje.es)*

## **Analysis and assessment**

### ***New education law is very promising but more support is needed for successful implementation***

The concept of entrepreneurship utilised throughout the new law is broad, encompassing individual traits such as attitudes, self-confidence, initiative and creativity, in addition some of the more technical skills such as planning and decision making. This approach is expected to help students be entrepreneurial in all labour market and activities, not only in self-employment. One of the particularly strong elements of this new approach is the way in which entrepreneurship is embedded across all subjects. This demonstrates the value of entrepreneurship in numerous settings and teaches the students how they can be entrepreneurial in different ways with respect to different activities.

The new law is effective at outlining clear learning objectives at both the primary and secondary levels. Measureable assessment criteria are identified to measure the degree of acquisition of the objectives and competences at each level. One of the benefits of this new law is that it should even out the level of entrepreneurship education delivered across the different regions. Previously regions have the flexibility to implement their own programmes, which varied in terms of scope, scale and quality. This new law sets the expected standards for all students in Spain and should unify regional actions into one common structure.

While the 2014 Law on Education is in the early stages of implementation, very little has been developed to support teachers in implementing the new learning objectives and curricula. Representatives from the Ministry of Education noted that new training programmes for teachers on how to achieve the new expected learning outcomes has not been developed, nor has new teaching and learning material that can be used in the classroom. However it was also noted that these were under the responsibility of the regional governments.

There was no evidence that such support for teachers has been advanced at either the national or regional level. This presents a significant challenge to achieving the expected outcomes of the new education law. This is even more true for entrepreneurship, which is a new concept that has been embedded throughout all subject areas, at all levels. Most teachers would not have ever been exposed to entrepreneurship so it is very likely that they will have difficulty integrating entrepreneurship into the teaching and developing new teaching and learning materials.

Other European Union countries face the same challenge. A small number of countries have invested heavily in developing teacher training as part of broad actions to increase the quantity and quality of entrepreneurship teaching in schools. Finland, for example, has a large project that developed teacher training, built networks of schools and designed tools for measuring the impact of entrepreneurship teaching (Box 4.7).

#### **Box 4.7. YVI Project, Finland**

*YVI Project (2010-14) was a national project for promoting entrepreneurship education in vocational and academic teacher education in Finland. YVI Project had four focus areas in developing entrepreneurship education: pedagogics in vocational and academic teacher education; networks and co-operation; YVI learning environment for entrepreneurship education; and strategies and curricula in entrepreneurship education. In addition, a multidisciplinary research group was gathered within the project.*

*YVI brought together more than 30 partner organisations around Finland: universities, teacher training schools within universities, vocational teacher education units, research units, vocational colleges and universities of applied sciences, as well as several organisations in entrepreneurship, work-life and education. YVI Project was co-ordinated by the University of Turku, Teacher Training School, and funded by the European Social Fund (ESF) with the Finnish National Board of Education as the financing authority. Additionally, the project received funding from Development Centre Opinkirjo, Turku Region Development Centre, the Ministry of Employment and the Economy, and Foundation for Economic Education.*

*The following goals were set for YVI Project:*

- *Developing the pedagogics of entrepreneurship education in vocational and academic teacher education;*
- *Creating and strengthening networks in entrepreneurship education in both national and regional level;*
- *Developing the virtual learning environment for entrepreneurship education ([www.yvi.fi/intro-english](http://www.yvi.fi/intro-english)); and*
- *Developing strategies and curricula in entrepreneurship education.*

*In addition, a multi-disciplinary research group, open for everyone interested, was established in the frame of the project.*

*The co-ordinator of YVI project was Turku University, Teacher Training School. Partner organisations set their own activity plans for the project. Representatives of the partner organisations also participated in working groups, established for co-ordinating the common activities for reaching the above-mentioned goals. Communications during the project included several newsletters, releases, reports and a magazine with a circulation of 79 000 in Finland. In addition, the project partners have spread information on YVI and entrepreneurship education through their own channels of communication. Two national seminars were organised by the project, in 2011 and 2012.*

*Eventually, the YVI Project received funding for altogether four years (2010-14). As in the original plan, most of the partners were involved for the first three years of the project. During the fourth year, the co-ordinator of the project (University of Turku, Teacher Training School) continued with a few partners, mainly for drawing together the results and achievements of the large project, and for organising a second round of a contest for networks in entrepreneurship education.*

*Source: OECD/EC (2015), Entrepreneurship 360 Good Practice Initiatives, available at: <http://www.oecd.org/site/entrepreneurship360/>.*

However, there are some examples of non-governmental initiatives that attempt to fill this gap in Spain. One such example *eduCaixa*'s entrepreneurship kits for teachers (Box 4.8). *eduCaixa* is a foundation under the charitable foundation of *La Caixa* bank; it provides tools and resources for teachers to use inside and outside of the classroom. The entrepreneurship kits are provided to schools and teachers at no cost and have been distributed to more than 1 000 schools. This reach is impressive and take-up should be expected to increase with the emphasis on entrepreneurship in the new education law. The kits have material for a wide range of activities, largely aiming to promote a positive image of entrepreneurship. The kits currently appear to be insufficient to support all of the new learning outcomes but the kits are regularly updated so it can be expected that the content will be aligned with the new requirements.

**Box 4.8. *eduCaixa*: Teacher training kits**

*La Caixa is a savings bank and is Spain's third largest financial institution. It has more than 5 800 branches and more than 13 million customers. The current structure of La Caixa was created in 1990 out of a merger between Caja de Pensiones para la Vejez y de Ahorros de Cataluña y Baleares (founded in 1904) and Caja de Ahorros y Monte de Piedad de Barcelona (founded in 1844). Although a financial institution, its activities are often charitable or social in nature. This was strengthened with the creation of the Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona in December 2013.*

*La Caixa controls the largest charitable foundation in Spain, Obra Social la Caixa. One platform of this foundation is eduCaixa, which is designed to support teachers with educational tools and resources. A recent activity of eduCaixa has been to develop an entrepreneurship teaching tool to support teachers with students between 14 and 18 years old. It aims to inform students about what entrepreneurs are and how they contribute to society through modules about the economy and entrepreneurship. The third module is a hands-on tool that provides students with an opportunity to experience entrepreneurship through simulations. Students work with different business models and do not develop business plans. Instead, the focus of the tool is on opportunity recognition, risk management and team building.*

*eduCaixa provides this kit to schools and teachers for free to maximise its use. The school year 2014-15 was the second year that it has been in classrooms. There were 1 020 schools using it, reaching 1 200 teachers and 40 000 students.*

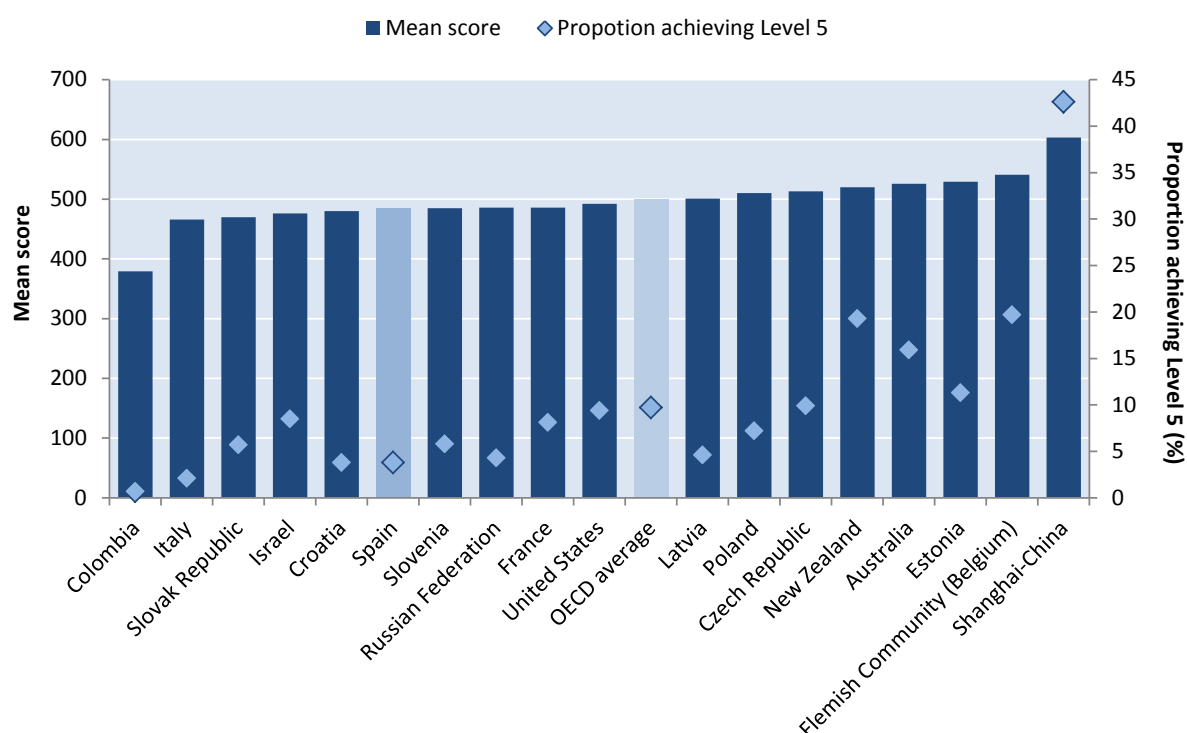
*For further information, please see: [www.educaixa.com](http://www.educaixa.com).*

***More attention is also needed to financial literacy***

Financial literacy is a key learning outcome for entrepreneurship. Spain developed its second National Strategy for Financial Education in 2013, which introduces financial education in primary and secondary schools. The new impetus for financial literacy education in secondary schools is encouraging, driven by the National Strategy for Financial Education, which was first developed in 2008 and then revised in 2013. This has led to the implementation in 2013 of a 10-hour pilot financial literacy programme in secondary schools for 15 and 16 year olds, which has demonstrated a positive impact (Hospido et al., 2015). However, these modules focus on personal and household financial management and there is a need to broaden the content to include business and start-up financing.



Figure 4.1. Financial literacy, 2012



Note: PISA defines financial literacy as “knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life”. Students performing at Level 5 on the PISA scale can apply their understanding of a wide range of financial terms and concepts to contexts that may only become relevant to their lives in the long term. They can analyse complex financial products and can take into account features of financial documents that are significant but unstated or not immediately evident, such as transaction costs. They can work with a high level of accuracy and solve non-routine financial problems, and they can describe the potential outcomes of financial decisions, showing an understanding of the wider financial landscape, such as income tax.

Source: OECD (2014), PISA 2012 Results: Students and Money: Financial Literacy Skills for the 21st Century (Volume VI), PISA, OECD Publishing. <http://dx.doi.org/10.1787/9789264208094-en>

### ***Entrepreneurship support in higher education is uneven and narrowly focussed on business creation***

The entrepreneurship education offerings in higher education tend to be practice-oriented and focussed on business start-up. Thus, there is room to increase the scale and scope of entrepreneurship teaching to cover a broader concept of entrepreneurship, covering attitudes and behaviours in addition to business start-up. Business creation is not suitable for all students but the entire student body stands to benefit from basic entrepreneurship education because entrepreneurship skills such as teamwork, opportunity recognition and risk management can be applied also by employees and in volunteer or social entrepreneurship work.

Key programmes such as Argo, Faro and Erasmus+ have been popular and have led to a small number of start-ups. Thus, they can be considered as successful. There is however a need to strengthen linkages between programmes that support students in business creation and the teaching that is

provided in universities. Integrating the two more closely should provide more students with an opportunity to test what they have learned in their studies in the “real world”.

The Campus of Excellence programme is broader than entrepreneurship but has two impacts on strengthen youth entrepreneurship. First, it helps develop linkages between higher education institutions with the external community, which is consistent with the concept of an “entrepreneurial university” and helps strengthen the role of higher education in contributing to the development of local economies. Second, the programme provides incentives for professors and institutions to engage in entrepreneurship activities and the entrepreneurial agenda. This type of approach has similarities to the EXIST programme in Germany. An important lesson to learn from the German experience is that medium- and long-term funding is needed to ensure a lasting impact since there is a risk that universities will stop their entrepreneurship activities once they stop receiving funding from the programme. To offset this risk, universities can have greater buy-in into the entrepreneurial agenda. A successful approach to complement the Campus of Excellence programme is leadership seminars, as those hosted by the Said Business School at University of Oxford in the United Kingdom, that aim to ingrain entrepreneurship throughout all university activities (Box 4.9).

**Box 4.9. The Entrepreneurial University Leadership Programme, United Kingdom**

*Universities throughout the world face distinctive, wide-ranging challenges that question many traditional university models. Universities are increasingly expected to respond to the social and economic needs of society. This programme was developed for university leaders to support them in managing the changing role of universities.*

*The programme is hosted by Said Business School (University of Oxford) and is organised in partnership with other UK universities and international experts. While some government financial support is provided, participants pay a fee and cover their own travel and accommodation costs.*

*The programme provides training for leaders of organisations and in particular leaders of academic institutions and universities, e.g. rectors, vice rectors of external affairs and other persons in leading positions at the universities. The goal is to provide participants with tools to help them drive and manage change in their organisations, academic institutions and universities to adapt to their increasingly complex environment.*

*The Entrepreneurial University Leadership Programme is delivered over a year and is composed of the following four three-day modules: i) the idea of the entrepreneurial university; ii) entrepreneurial leadership in the university; iii) exploring good concept and practice in depth; and iv) strategic planning for entrepreneurial development. As such the programme is highly devoted for practice and is entirely designed to satisfy the needs of the participants. The programme is carried out in terms of workshops where invited speakers present their experiences during hands-on group work sessions that are related to the participants’ experiences and needs.*

*In addition to Said Business School, the programme involves experienced vice chancellors, experts, visionaries, practitioners and policy makers in the field of university education.*

*This case demonstrates how the government can engage higher education institutions in an entrepreneurial agenda. The most effective approach is to build partnerships with them, which will require demonstrating the value of becoming more entrepreneurial as an institution. Securing the buy-in of university leadership will likely result in more active support throughout all levels of the institution.*

**Many training schemes outside of the education system are high quality**

Youth in Spain have access to some very high quality entrepreneurship training programmes. One example is *Barcelona Activa*, which offers an extensive menu of entrepreneurship training courses and

also provides coaching and mentoring and drop-in business counselling (Box 4.10). Barcelona Activa is an example of a well-known programme in Barcelona and is able to achieve an impact due to its quality and scale of training offers. This is clearly the result of substantial investment by the local government.

#### **Box 4.10. Barcelona Activa**

*Barcelona Activa is the organisation that implements economic development policies of the City of Barcelona. Its mission is to support business development, job creation and the internationalisation of Barcelona by improving linkages between public employment services and other training and business support organisations. It also fills gaps in the employment and entrepreneurship support system through training and support offered through its training facility and business incubation space. Barcelona Activa has a staff of 30 and works with approximately 230 external business advisors. Most of Barcelona Activa's activities are financed by the city, but there are some specific projects that are supported with European Union funding.*

*Entrepreneurship support is central to Barcelona Activa's mandate. Entrepreneurship support begins with an extensive entrepreneurship training offer. It has provided free introductory seminars to more than 10 000 people, followed by a modular training offer. The training modules are 2 to 4 hours long and are available in English, Spanish and Catalan. Approximately 4 000 people participate in entrepreneurship training per year, and complete on average 3 modules. Online training modules are also available. Between 50 and 60% of business projects accompanied by Barcelona Activa result in the creation of a business, generating an average of 2.4 new jobs per start-up.*

*Barcelona Activa offers a programme for youth under 30 years old, "Young Ideas". This EU-funded project provides more intensive training and support than the typical entrepreneurship support offer. Participants receive 3 to 4 hours of training per day for 1.5 months, followed by 60 to 80 hours of mentoring to help launch the business project. The programme is offered three times per year and 20 participants are accepted for each. Between 8 and 10 youth per cycle go on to start a business.*

*For further information, please refer to: <http://www.barcelonactiva.cat/barcelonactiva/en/index.jsp>*

However, entrepreneurship training for youth could be improved by having stronger linkages to schools and higher education institutions. Promoting off-campus training programmes in entrepreneurship courses and modules will greatly increase awareness about the training opportunities among youth.

#### ***Coaching programmes are also high quality but are often isolated from other supports***

There are some very good entrepreneurship coaching and mentoring programmes available for youth. Although most are very small, there are examples of coaching programmes that are designed and implemented according to international best practice. For example, the coaching support offered by *Fundación Tomillo* (Box 4.11) includes an in-take process for entrepreneurs to identify their needs, a training programme for coaches, a matching process that attempts to increase the chances of a good fit between the coach and the entrepreneur, and follow-up with both coaches and entrepreneurs to ensure that the relationship is going as planned and to identify any issues that need to be addressed.

#### **Box 4.11. Fundación Tomillo**

*The Tomillo Foundation is an independent nonprofit organization that was created in 1983. It's mission is to contribute to the development of individuals and to improve the integration of vulnerable individuals and groups through education, improve employability, strengthening social networks, analysis and innovation.*

*A key activity for the Foundation is to support individuals who are interested in pursuing entrepreneurship. It offers numerous supports:*

- *Training: monthly courses are offered to develop and improve entrepreneurial skills such as planning and managing a sustainable business project;*
- *Workshops: creativity is promoted in schools through workshops that aim to support the development of an entrepreneurial culture;*
- *Consulting: personal support is offered in preparing and implementing business plans;*
- *Access to Finance: facilitated through agreements with microcredit institutions; and*
- *Mentoring: one year of individual support from experts and entrepreneurs is available for the first year of business operation. This service is aimed at youth entrepreneurs under 35 years old.*

*In the first half of 2014, more than 240 entrepreneurs have been supported. A total of 300 hours of training has been delivered over 56 courses on different themes. In addition, more than 40 young people under 35 have a coach who helps them to continue the business project.*

*The Foundation also partners with CVC to offer Innovative Young Entrepreneurs Awards. In 2014, 28 entrepreneurs under 30 years old participated in the competition and the two winners received cash prizes of EUR 10 000. Those placing third to fifth each received a zero interest loan from the Foundation for EUR 7 000.*

*The Foundation is a founding partner of the Red Youth Business Spain, which is a national programme that supports youth entrepreneurs between 18 and 35 years old. The programme is part of the Youth Business International network ([www.youthbusiness.org](http://www.youthbusiness.org)), which has a comprehensive support offer for youth entrepreneurs. This network offers support and an opportunity to exchange knowledge with other support providers.*

*For further information, please see: [www.tomillo.org](http://www.tomillo.org).*

Despite the high quality of most of these programmes, most of these offerings are isolated and are not well-connected with other organisations. Thus they have low visibility and it is difficult for youth entrepreneurs to find them. It is also very difficult for these initiatives to scale-up their activities to have a greater impact.

One approach to address this challenge is to build networks of support providers. This can help increase the awareness of the supports offered by different stakeholders in a city or region, which could lead to increased referrals when organisations may not be best-placed to assist a client. Youth Business Spain was created to do this (Box 4.12) and it would be expected to strengthen linkages between support organisations so that good practice exchange can be facilitated.

#### **Box 4.12. Youth Business Spain**

*Youth Business Spain is a not-for-profit foundation that was established in 2014 to help address the growing challenge of youth unemployment through the promotion and support for entrepreneurship. It is organised as a network of local start-up support organisations.*

*It promotes co-operation between local delivery partners, private companies, public administrations and volunteers, in order to enhance youth entrepreneurship ecosystem, supporting an increasing number of young entrepreneurs to start their businesses. This co-operation includes knowledge sharing and best practices exchange, national partnerships, funding opportunities, technology, awareness and advocacy campaigns,*

*maximizing impact and insuring sustainability of local delivery partners' activities.*

*Key partners in the Youth Business Spain network include JP Morgan as Youth Business Spain's main supporter, as well as Fundación Tomillo (Madrid), Fundació Privada per la Promoció de l'Autoocupació de Catalunya (CP'AC – Catalonia), Accenture, Hogan Lovells, Price Waterhouse Coopers and Quiero salvar el mundo haciendo and the national government.*

*Over the next five years, Youth Business Spain aims to expand the network across all the Spanish regions to support the creation of 5 000 new businesses and 10 000 jobs. In its first year, Youth Business Spain has supported the creation of 314 new businesses and 502 new jobs.*

*For further information, please refer to: <http://www.youthbusiness.org/>*

## **Conclusions and policy recommendations**

Spain recently took a significant step in committing to entrepreneurship education by introducing the new Law for the Improvement of Educational Quality. This new law introduced new learning objectives, course content, teaching methods and assessment criteria for promoting entrepreneurial skills, competences and attitudes among primary and secondary students. However, while implementation is still in the early stages, much more can be done to convert the objectives into practice. In particular, there is insufficient attention to the initial training and ongoing professional development of teachers for entrepreneurship and new teaching resources for entrepreneurship are not well developed. There is also scope to introduce more practical entrepreneurship exercises in schools, such as business games.

Entrepreneurship education is strongest in higher education, but its scale and scope nevertheless varies substantially across institutions. A number of internship programmes (e.g. Argo, Faro, Erasmus+) now provide students with opportunities to gain experience in employment or self-employment, but few of the participants have gone on to create businesses (only 5% of the participants in Faro for example). It would be more effective to provide more hands-on opportunities to learn, either through business simulations or actual start-ups.

Outside of education, a large number of high quality training, coaching and mentoring schemes are available. However, these training programmes are often very small and unco-ordinated. This leads to substantial overlap in support offerings which makes it difficult for youth entrepreneurs to know where to go to get support.

### ***Policy recommendations to improve entrepreneurship skills for youth***

- Provide more intensive training for teachers of entrepreneurship, create a national observatory of entrepreneurship teaching practices, and build good practice exchange networks for schools in entrepreneurship education.
- Expand financial literacy training in formal education to include skills and concepts related to business start-up and self-employment.
- Spread good practices in entrepreneurship support in higher education and offer more experience-based learning opportunities to entrepreneurship students.

- Strengthen entrepreneurship training that occurs outside of the formal education system in rural areas in terms of availability and quality. Ensure that training content is tailored to the needs of the region.

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## CHAPTER 5: ACCESS TO FINANCE FOR YOUTH ENTREPRENEURS

*This chapter focuses on youth entrepreneurship and access to finance in Spain. It presents the existing financial supports for youth entrepreneurs and discusses the strengths, weaknesses and gaps in the current approaches. Policy recommendations are made to strengthen access to finance for youth entrepreneurs.*

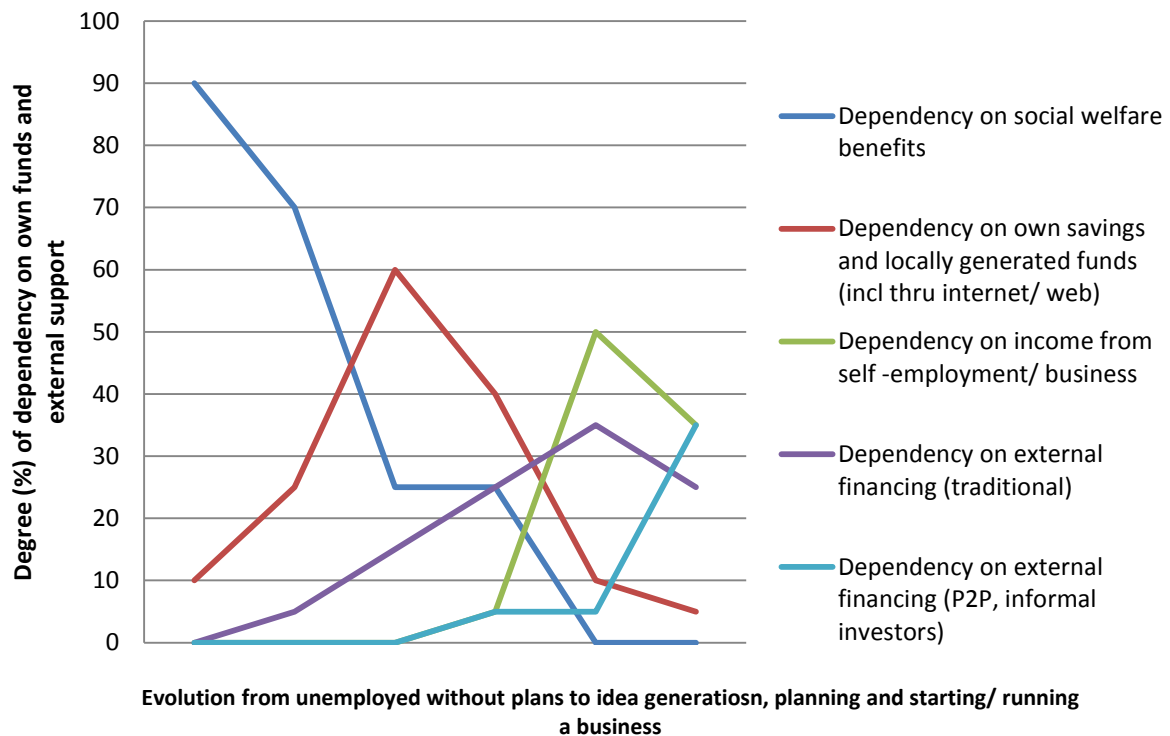
### **Youth and external finance**

#### ***The needs of youth entrepreneurs in Spain***

The business life cycle approach is often used as a tool to examine the need for (external) financing at different stages of a business' development. This approach assumes that entrepreneurs have different financing needs during the life cycle of their business (Berger, 1998). Typically an entrepreneur would use their own funds during start-up and early stages of development (i.e. savings and borrowing from people in their immediate environment). As the business grows, the need for external finance increases so that the business can expand its activities. Traditionally, SMEs would seek support from banks in the growth stages and from venture capitalists at later stages. This life cycle approach can be applied to youth entrepreneurs but it must be adapted slightly since youth typically face different barriers than older entrepreneurs. Consequently, their financing needs are different.

Youth typically have limited funds as they seek to start their business. They typically have little savings and therefore rely on loans and gifts from family and friends. This is, however, also more challenging for youth as they tend to have small entrepreneurial networks than adults. Unemployed youth and those not in employment, education or training (NEETs) may be able to build up funds to help them start a business by saving unemployment benefits or accessing a programme that allows them to use unemployment benefits to start a business. Another area where youth are often different from adults is that they are more open to using alternative sources of funding to finance the development and growth of the business. New financing mechanisms are used more heavily by young people, including peer-to-peer (P2P) lending platforms and crowdfunding. An adapted life cycle approach (for youth) is presented in Figure 5.1.

**Figure 5.1. An adapted life cycle model for youth entrepreneurs**



Source: Molenaar (2015)

Public support programmes for youth entrepreneurs should be designed around these needs the needs identified in Figure 5.1. Youth approach self-employment differently than adults, which presents challenges and opportunities for policy makers and investors. Self-employment as a full-time activity is pursued less frequently by youth as they appear to have a strong preference for combining self-employment, employment, education and leisure activities. Therefore, youth are more likely than adults to pursue self-employment on a part-time or intermittent basis (Molenaar, 2015). This approach creates difficulties for developing business and financial plans, and identifying needs. This requires policy makers and investors to re-think how youth entrepreneurs are supported. Single, one-off loans are no longer the most appropriate solution for many young entrepreneurs. There is a need to offer youth entrepreneurs a range of financial instruments and a package of complementary support (e.g. training, coaching and mentoring) to help them address their needs and challenges as their business is launched and develops.

### ***Different characteristics mean that youth need different supports***

Youth are not a homogenous group and accordingly, their financing needs vary greatly. University graduates are likely to have more advanced business ideas, with different levels of potential than low-skilled unemployed youth, or those who are even further removed from the labour market. Even within the group of unemployed youth, a diverse range of backgrounds, educational attainments, capabilities and assets are found.

The financing needs of youth entrepreneurs will be influenced by their aspirations. Some of the youth will merely seek self-employment activities to survive, while others may decide to engage in a



more structural way and pursue the path towards self-employment by exploiting opportunities or indeed with a very clear growth-oriented focus.

Therefore, youth entrepreneurs can be classified into the following categories:

- High educational attainment with business focus, i.e. *high growth oriented*;
- High educational attainment with specialised knowledge (and sometimes even overqualified) – Self-employment in specific sectors: consultancy, engineering, creative industries, i.e. *opportunity seeking*;
- Less educated with technical capabilities, i.e. (also) *opportunity seeking*;
- Less educated with limited business acumen, i.e. *enterprising out of necessity*;
- Less educated without clearly defined business projects, i.e. *survivalist*.

This categorisation can inform the development and design of tailored financial interventions and support programmes. Each group requires financial services tailored to their specific needs, possibilities and aspirations. Table 5.1 assesses the situation in Spain in 2015.

**Table 5.1. Classification of youth entrepreneurs in Spain and related financial services**

| Youth categories and forms of self-employment          | Growth potential                                |   |  | Financing needs  |  |
|--|---|---|--|--|--|
|  | Growth oriented                                 | Opportunity seeking entrepreneurs                           | Necessity entrepreneurs                                | Traditional financial mechanisms in Spain  | New financial mechanisms in Spain        |
| High educational attainment with business focus        | SMEs in IT-based sectors or creative industries |   | Self-employed in service sectors and in new industries | General banks, ENISA (a public agency that funds innovative start-ups), <i>Instituto de Crédito Oficial</i> (a state owned bank) | P2P, Business angels                     |
| High educational attainment with specialised knowledge |   | Self-employment in sectors such as consultancy, engineering | Self-employed in various sectors                       | Banks, local funds   | Crowdfunding/P2P                         |
| Less educated with technical capabilities              |   | Small and micro enterprises in traditional sectors          | Self-employed in trades sectors                        | MicroBank, general banks, Local programmes   | Crowdfunding through local organisations |
| Less educated with limited business acumen             |   |   | Self-employed in trades sectors                        | MicroBank, Local programmes  |  |

|                                  |  |  |  |  |  |
|----------------------------------|--|--|--|--|--|
| Less educated without real focus |  |  | Incidental activities that can be dropped when other opportunities arise | Associació de Comunitats Autofinançades (ACAF) and other local community based systems |  |
|----------------------------------|--|--|--|--|--|

*This table is on a classification as developed by Farbman and Lessik in Gosses (1989) and modified by Molenaar (2011).*

## Current approaches to facilitating access to start-up financing for youth

### *Public financing programmes*

Two publicly supported financial institutions offer special SME financing in Spain: *Instituto de Crédito Oficial* (ICO) and *Empresa Nacional de Innovación* (ENISA). However, their offer to youth entrepreneurs is limited.

#### *Instituto de Crédito Oficial*

The *Instituto de Crédito Oficial* (ICO) is a state-owned bank, attached to the Ministry of Economic Affairs and Competitiveness. It finances itself on the national and international capital markets and is backed by irrevocable, unconditional and direct guarantees from the Spanish State. In addition to the bank, the ICO Group includes a venture capital firm called Axis (<http://www.axispart.com/?lang=en>) and a non-profit foundation, *Fundación ICO* (<http://www.fundacionico.es/>).

In recent years, ICO has concentrated mainly on traditional SMES financing through credit lines to other financial institutions. In 2014, 298 799 loans were granted to national SMEs and self-employed individuals, representing an increase of 57.1% relative to 2013. The amount issued in 2014 was EUR 21 469 million.

The main beneficiaries of ICO financing in 2014 were micro-businesses and the self-employed, with 65.7% of loans drawn. It is also worth noting that the majority of transactions involved loans of less than EUR 25 000 (50.7%). However, there are no special programmes for youth entrepreneurs are operated or supported by ICO.

Furthermore, the Institute participates in corporate financing and structured financing for large public or private productive investment projects. These loans are issued on a case-by-case basis at the Institute, which assumes the credit risk on loans granted. During 2014, transactions were approved worth EUR 1.042 billion, of which EUR 365 million were attributable to loans and EUR 677 million to guarantees.

The *Fundación ICO* was created in 1993 in order to promote culture and art. Since 2003 it has existed as an ongoing, not-for-profit, public sector foundation with a national scope. Soon after its creation, it extended special credit lines in support of micro finance operations especially through savings banks (*Cajas*). However, these operations ceased to be supported when the *Cajas* were partially dismantled after the sector entered into serious problems in 2007-08. The decline of interest in microfinance and youth is furthermore illustrated by the fact that of total EUR 2 million of the 2014 budget of *Fundación ICO* only EUR 35 000 was assigned to self-employment and entrepreneurship without any reference to youth programmes.

### *Empresa Nacional de Innovación*

*Empresa Nacional de Innovación* (ENISA) is a public company, attached to the Ministry of Industry, Energy and Tourism through the Directorate General of Industry and Small and Medium-sized Enterprises. Since 1982 it has played an active role in the funding of innovative and viable business projects. It operates independently as a retail lender to the SME Sector. Its funding comes from the Ministry of Industry from which it receives up to EUR 20 million annually in the form of a sub-ordinated loan to finance start-ups and young companies. Any losses incurred on those loans can be written off directly from the sub-ordinated loans from the Ministry of Industry. ENISA only accepts loans application through its website and platform. Approximately 15 analysts process 2 000 applications annually, resulting in approximately 400 loans approved. Of these, approximately 30% are loans to youth entrepreneurs.

The main support that ENISA offers to youth entrepreneurs is the programme ENISA Young Entrepreneurs. This programme aimed at stimulating the creation of companies by youth by facilitating access to preferential financing. It is directed primarily to start up and companies founded not more than 24 months before the date of application. The maximum age to be eligible was recently raised to 40 years old at the date of application (from 35 years old). Those operating real estate and financial services industries are not eligible.

ENISA provides loans of EUR 25 000 and EUR 75 000 and project partners (i.e. the entrepreneurs) must contribute 15-25% of the amount requested. Promotion of this programme is done through partner organisations, including:

- Young entrepreneurs associations, Members of the Spanish Confederation of Young Entrepreneurs (CEAJE)
- *Centro Europeo de Empresas e Innovación* (CEEIs, European Business and Innovation Centres), members of the Spanish National Association of CEEIs (ANCES)
- Regional development agencies, members of the Spanish Association of Regional Development Agencies (Foro ADR)
- Technology parks, members of the Association for the Promotion of Social Technology (APTES)

In 2012, ENISA received 1 243 applications, totalling EUR 74.58 billion. Of these, 366 loans were granted with an average value of EUR 54 000. There is no collateral or security requirement but losses incurred by ENISA can be charged directly to the funding from the Ministry. In 2012 the default rates was over 27%, which is high relative to similar programmes in other European Union countries.

### ***Banks and microfinance***

#### *MicroBank*

The crisis in the savings banking sector interrupted the overall expansion of micro finance and only one major programme survived: the MicroBank initiative of *La Caixa*. MicroBank aims to provide access to credit for those who experience difficulties accessing financing in the mainstream financial system and to promote financial inclusion. It was launched first as a brand of *La Caixa* in 2008 and is now is fully licensed bank duly registered with the Bank of Spain. It specialises in

extending micro finance services, mainly micro loans (below EUR 25 000). Its clients are micro entrepreneurs, self-employed and individuals (mainly for consumer loans). By March 2015 it had extended over 339 000 loans with a total value of over EUR 1.9 billion, with an average loan amount of EUR 10 993 for micro businesses (with a non-performing loan rate of only 2.2%).

### *Microfinance*

Prior to the recent economic crisis, Spain was endowed with rather a diverse set of finance and microfinance projects and programmes. These could be found in all regions of the country and were often operated by community-based and non-governmental organisations that provided support for specific target groups, such as women, migrants, youth or the long-term unemployed. These projects provided microcredit along with training and coaching through locally operated savings banks (*Cajas*).

However, prevailing laws prohibit non-governmental organisations (NGOs) and community-based organisations (CBOs) to engage directly in offering micro loans. Consequently, the *Cajas* have had to enter into co-operation agreements with financial institutions so that funds can be provided through special social development funds set up by savings banks or through international donor funding (e.g. European Social Fund). In practice, this is not common but there are a small number of examples operating, e.g. *Programa Oportunidades* (Box 5.1).

#### **Box 5.1. Programa Oportunidades (Barcelona)**

*Programa Oportunidades aims to support self-employment and promote social inclusion at the same time. It mainly operates in Barcelona (Catalonia). This programme is managed by a private sector consultancy firm MACS (<http://www.macsocialis.com/en/index>) and it receives funding from the private foundation Fundación PINNAE (<http://www.pinnae.cat/en/>) and the European Investment Fund (EIF), which will support a total of 400 microfinance loans of up to EUR 25 000 per loan until 31 December 2020.*

*The programme delivers personalised support around key activities. It provides training in entrepreneurship and business management, which is delivered by business professionals. It also offers entrepreneurship coaching and mentoring by private sectors professionals who provide these services on a voluntary basis. It also facilitates access to microfinance, which is provided through an independent financial institution (Pinnae). The Pinnae Foundation lends directly to clients (i.e. the entrepreneur) and subsequently manages the portfolio of micro loans. The microfinance is provided independently of the other support services and participation in training and coaching or mentoring does not directly influence lending decisions.*

*After 8 months of operation (as of July 2015), the programme had supported 65 micro entrepreneurs in the following sectors: hotels and restaurants, organic food, clothing, transportation and professional services. The total loan volume was EUR 930 000, with an average loan of EUR 15 075. The loss rate was 3% -- there were 2 cases -- and losses were absorbed by the EIF Guarantee.*

The development of microfinance in Spain is promoted and supported by the *Asociación Española de Microfinanzas* (Box 5.2), but they do not offer loans directly due to current regulations.

#### **Box 5.2. Asociación Española de Microfinanzas**

*The Asociación Española de Microfinanzas (Spanish Microfinance Association) is composed of a variety of different actors in the microfinance sector including NGOs, Foundations, Saving Banks, Universities, Consultants, Migrant Associations, Women Associations, Disable Associations, and Ethnic minorities associations. None of these organisations directly provides any financial services (loans, savings, insurance); they are mostly engaged in rendering supporting services and actively promote the expansion of the delivery of micro loans through NGOs*

and community-based organisations.

*Its main objective is to introduce changes in the legislation to allow the development of the microfinance sector and to promote the provision of micro loans on a large scale by one or more of its members and by using its network for distribution and promotion. The Asociación de Microfinanzas has tabled some plans to intensify the provision of micro loans and proposed to do so in co-operation with Banco Popular. Those plans however have not received much support so far. One of the members, CajaSol (a former savings bank and still in the possession of banking license), could also become a channel for microloans but plans to that respect are still of a general nature.*

### **Community-based financing mechanisms**

There has recently been a revival of community-based financing systems across the European Union, but especially so in Spain. This is most visible through the growth of the *Associació de Comunitats Autofinançades* (ACAF, or Association of Self-Funded Communities). It is a non-profit organisation that fosters the creation and development of Self-Funded Communities (SFCs), which is a group methodology that was developed in Latin America (Box 5.3). ACAF's role is largely to consolidate funding to support the development of the SFC infrastructure. Funders include regional and local governments, private sector companies, Trafigura Foundation, La Caixa Foundation and Fiare, which is an ethical banking co-operative.

#### **Box 5.3. Self-Funded Communities**

*Self-Funded Communities (SFCs) are small savings groups, where the members are also stakeholders and benefit from a fair turnover for their savings/investments. In practice, each SFC has between 10 and 30 people who contribute small amounts of money to the groups fund, allowing them to become shareholders of the SFC.*

*The central fund is used to offer small loans to members, typically approximately EUR 400. SFCs also provide services to its members, such as small credits and small insurances, while generating revenue through interests on loans. The target clients are typically low income earners and SFCs are very popular within migrant communities.*

*SFCs are present in 11 cities in Spain including Barcelona, Lerida, Gerona, Santander, Valencia, Madrid, Zaragoza, Burgos, Granollers, L'Hospitalet and Las Palmas de Gran Canaria. Among other EU Member States, there are SFCs in Italy, France, Portugal, Hungary, Belgium and the Netherlands. There are SFCs outside of Europe in Indonesia, Senegal, Haiti, Angola and Dominican Republic.*

Although SFCs are used mostly for personal loans, they do hold potential for supporting youth entrepreneurs with small loans. The popularity of SFCs has grown considerably in Spain in recent years (Table 5.3).

**Table 5.3. The performance of self-funded communities in Spain**

|      | Active Borrowers | Proportion that are youth | Loan Portfolio | Average Loan Amount Disbursed | Cost per Borrower | Proportion of portfolio at risk |
|------|------------------|---------------------------|----------------|-------------------------------|-------------------|---------------------------------|
| 2011 | 1 260            | 15%                       | EUR 104 491.00 | EUR 400.00                    | EUR 115.89        | n/a                             |
| 2012 | 1 615            | 15%                       | EUR 153 682.00 | EUR 400.00                    | EUR 50.18         | 2%                              |
| 2013 | 2 092            | 15%                       | EUR 206 316.00 | EUR 322.56                    | EUR 41.77         | 2%                              |

## ***Crowdfunding and P2P***

Take-up of crowdfunding has been slower Spain than in other countries in Europe. One of the most recent European benchmarking studies reveals that the European alternative finance market as a whole grew 144% between 2013 and 2014, from EUR 1 211 million to EUR 2 957 million (Wardrop R., 2015). In Spain, the value of the crowdfunding market was EUR 62 million in 2014, up from EUR 29 million in 2013 and EUR 10 million in 2012 (Wardrop R., 2015). This increase can be attributed to the new enabling regulatory framework that came into force in April 2014.

Crowdfunding is not yet regulated within the European Union or in most Member States (ECN, 2014). Spain's regulatory framework (*Ley de Fomento a la Financiación Empresarial*) is one of the first in the European Union and it guides both equity and debt crowdfunding (and peer-to-peer lending) platforms. The framework makes distinction between two types of investors: "non-accredited" and "accredited":

- *Accredited investors* are (i) private individuals or legal entities whose income levels exceed of EUR 50 000 per annum or whose assets exceed EUR 100 000, (ii) medium-sized or large enterprises with assets of more than EUR 1 million and sales revenues greater than EUR 2 million or equity greater than EUR 300 000 and (iii) Institutional investors. Accredited investors are allowed to invest with no limits.
- *Non-accredited investors* will be able to invest a maximum of EUR 3 000 per company/individual investee and not more than EUR 10 000 per annum.

The law also set limits for the companies looking for finance. Projects can only exceed their funding target by 25%, which will limit the exposure and risks for new platforms. In addition, a project can raise a maximum of EUR 5 million if targeted at accredited investors only, or EUR 2 million for non-accredited investors.

## **Analysis and assessment**

### ***Public financing programmes offer limited to support for youth entrepreneurs***

The two principal national start-up funding agencies offer little tailored support for youth. ICO tends to support SMEs rather than new start-ups and these are rarely accessed by youth entrepreneurs.

ENISA's Young Entrepreneurs programme is clearly tailored and targeted at youth. Demand for these loans is far greater than supply, yet the default rate was 27% in 2012 (most recently available data). This suggests that there are flaws in the selection mechanism used to determine which projects receive funding. Loan applications are received through an online platform and at no stage in the process is there any direct personal contact between ENISA staff and the loan applicant (until the paperwork is signed). This means that the assessment is only a paper assessment and it does not attempt to assess the motivations or personal attributes that would be identified during an interview.

The default rate could also be addressed by providing support or counselling during, or following, the application process. This is especially true for clients who encounter difficulties with their business and are unable to repay their loan. Currently, actions by ENISA in these scenarios are limited to a reminder notice that payment is due. Other loan programmes around the European Union have demonstrated success at reducing the risk of defaults by providing timely business counselling. While

it is true that ENISA currently does not have the capacity to launch such services, no attempt has been made to partner with one or more of the many business development support organisations across Spain.

One of the underlying challenges for ENISA is that the financing model contains a direct moral hazard. ENISA is authorised by the Ministry of Industry to charge any losses on its loans to the outstanding balance. Thus ENISA does not perceive these losses are real losses, nor costs.

### ***Banks and microfinance hold potential for supporting youth entrepreneurs***

Bank lending and microfinance loans to youth entrepreneurs currently have very little potential for supporting youth entrepreneurs in Spain. There are very few institutions and organisations that are actively lending to youth.

One of the larger banks, *Caja Laboral* offers micro loans to clients who have received assistance (training and coaching) from local development organisations. Its operations are however of limited scale. The microfinance sector is virtually non-existent apart from MicroBank, which has succeeded in reaching out to a large number of micro entrepreneurs over the years and is the sole nation-wide operating micro finance provider. This is observed in only a small number of European Union countries such as Portugal (see Box 5.4). In 2015, MicroBank extended as many as 31 860 micro loans worth EUR 150 million. According to internal assessments micro enterprises financed by MicroBank have created over 145 000 jobs (1.81 jobs per enterprise). About one-third of its borrowers are under 35 years old.

#### **Box 5.4. Millennium bcp Microcredit, Portugal**

*Millennium bcp is Portugal's largest private bank with distinct leadership in several sectors of activity and several customer segments, providing an integrated offer to over 2.3 million clients. Given expectations of rising unemployment in Portugal as well as increased immigration, in 2005 Millennium bcp decided to create an Autonomous Network for Microcredit without drawing on any State aid for this activity.*

*The aim of this practice is to ensure a better response to the profile of micro-entrepreneurs and their needs, and also ensure their own self-sustainability and the success of their projects.*

*Millennium bcp's microcredit goes beyond the mere financing. It involves support and advice provided to its customers in creating their business plans and all that goes in to launching a new business. Key to this is the "Microcredit Project Manager," who serves as the link between the customer and the bank, involved in all aspects of the project and often providing advice and assistance on-site, with a deep understanding of the entrepreneur's needs and problems.*

*For more information, please see: [www.millenniumbcp.pt](http://www.millenniumbcp.pt).*

However, not all of MicroBank's offerings have been successful. MicroBank offered a special loan product to youth in disadvantaged areas in collaboration with INJUVE but only 196 micro loans with a total value of approximately EUR 3 million were issued. The special product was unsuccessful at attracting youth, highlighting that it is difficult to reach youth outside of cities and that the mainstream offer appears to be sufficient.

In order to increase microlending to youth, the first step would be to leverage the already effective offerings of MicroBank. To increase the scale of these offerings, the most effective approach would be to partner with smaller community-based organisations and non-governmental organisations

that currently offer technical assistance to youth. Such partnership could offer a combination of microcredit and business development support and would likely be effective at reaching youth outside of major cities if the local organisations are used to reach new clients. The government would likely need to offer financial incentives for both MicroBank and the other organisations to cover the additional costs of identifying partners, conducting due diligence and designing and implementing new products.

A larger step to support the growth of the microfinance sector would be to alter the legal framework for lending so that microfinance institutions could be created.

### ***Regional and local initiatives***

There are several local innovative lending instruments that demonstrate success and have potential to be scaled-up. Another lending instrument with potential for supporting youth entrepreneurs is community-based group lending. The ACAFs demonstrate that it is possible to reach out to excluded youth and that they can be supported in enterprising (and personal) activities. The approach empowers youth and stimulates them to mobilise personal savings and invest in small-scale business activities to generate (additional) income. The model has been well-tested and could be replicated on a larger scale across Spain. The key to expanding these lending groups is to provide technical assistance to support the creation of the groups and to teach the group how to manage their funds.

### ***Peer-to-peer lending is growing but potential is limited to university graduates***

Peer-to-peer lending in Spain has not yet had a take-up comparable to that in other European Union countries, but activity has been increasing in recent years. However, the limits set out in the law imply that crowdfunding is viewed more as a tool for medium-sized (or larger small) enterprises than for micro enterprises. The requirements for the minimum share capital of alternative finance platforms is set at EUR 60 000. Thus the potential for youth entrepreneurs is limited to those with innovative ideas with growth potential.

It might be warranted to support one or more pilot project to set up crowdfunding platforms especially designed to reach out to young enterprising people.

### ***Complementary business development support has increased but much more can be done***

The provision of business development services for youth entrepreneurs has increased in recent years, notably by non-governmental organisations. At the same time, the quality of these provisions has also increased. The services are now more comprehensive and are offered throughout the development of a business start-up. Illustrative is the work of two private development organizations, C’PAC (Barcelona) or *Fundación Tomillo* (Madrid) who have both invested considerable time and energy in developing a focused mentoring programme and have adjusted their training programmes to include more action-based learning and more advanced concepts. These adjustments are based partly on past experience but also on international good practices such as The Prince’s Scottish Youth Business (Box 5.5).

#### **Box 5.5. The Prince’s Scottish Youth Business Trust**

*The Prince’s Scottish Youth Business Trust (PSYBT) is a limited company with charitable status and is funded by both the public and private sector. PSYBT brings together a mixture of private and public sector supporters. In this way it has built a strong network thanks to which it can reach out to any young person in*



Scotland who would like to start his own business. PSYBT offers loans to young people for start-up businesses and for developing businesses. Loans range from GBP 1 000 (EUR 1 148) up to GBP 25 000 (EUR 28 718).

It also offers services in the pre-start phase including training, advice and test marketing. Furthermore it supplies an important one-to-one support, thanks to the aftercare mentors, a critical factor in the success of their clients.

PSYBT's task is to help those young people aged 18 to 25 with the imagination, energy and determination to start their own business.

For more information, please see: <https://www.princes-trust.org.uk/help-for-young-people/support-starting-business>.

Despite the increased quality of business development services available to youth entrepreneurs, there is a disconnect between lenders and organisations that provide these support services. Loan schemes from the ICO and ENISA do not include business development support. Neither organisation has an internal business support unit, nor are there partnerships in place that secure this support from specialised external organisations. This represents a significant gap in the financing support for youth entrepreneurs and inspiration can be sought from other European Union countries (see Boxes 5.6 and 5.7).

#### **Box 5.6. Qredits, Netherlands**

Qredits is the only microcredit institution in the Netherlands operating at a national level. It offers financing, coaching and e-learning facilities.

Qredits supports people that have a good business plan and want to start their own business. This may be someone who has been on a company's payroll for 30 years, a college student without any work experience, someone who is unemployed or a past entrepreneur. Qredits wants to help entrepreneurs that have a sound business plan yet cannot get a loan or coaching through regular channels.

Qredits offers the following financing products to assist entrepreneurs:

- Microcredit: a business loan up to EUR 50 000 for starting or existing entrepreneurs.
- SME loan: a business loan for a credit requirement ranging from EUR 50 000 to EUR 250 000 for starting or existing entrepreneurs with SMEs.

In addition coaching services are offered by Qredits. Those services are rendered by volunteers. Qredits works with over 500 volunteers throughout the Netherlands. These volunteers are committed to coach starting and existing entrepreneurs. These services are also available to entrepreneurs that have not applied for a Qredits loan. Each of these coaches is committed to seeing new entrepreneurship succeed in the Netherlands. Qredits-coaches are experienced entrepreneurs or business professionals. For a nominal fee the entrepreneur can receive coaching services for six months to help him start or run his own business.

Qredits has designed several e-learning modules that can benefit entrepreneurs. Each course is tailored to the particular needs of entrepreneurs and consists of a combination of theory segments, assignments, real-life examples, test reviews and video clips. The course content is comprised of in-house expertise, the advice of business partners and professionals in the field.

For more information, please see : <http://qredits.com/>.

### **Box 5.7. DreamStart, Belgium**

*DreamStart is an initiative of MicroStart, one of the leading microfinance institutions (MFIs) in Belgium. The target group for the DreamStart programme are young enterprising persons (18-30 years old) who want to start their business. DreamStart is based on the experiences of the Creajeunes programme of ADIE, France.*

*Special attention is paid to the personal development of the prospective entrepreneur, while gradually the focus is shifting to the question whether their intended business idea is indeed feasible and sustainable.*

*The structured business plan development programme covers a full two months during which participants meet 3 times a week for a full day to study and work (often in groups). Participants are selected at the beginning of the process. The programme has been built around the Business Canvass concept and a liquidity planning template (Clé de Réussite / Démarrage).*

*DreamStart ends after the evaluation of the business plans. The organisers wish to leave the actual decision to start or not with the trainees. Actually most of the later decide to start gradually combining formal employment or unemployment with part time self-employment (they thus start as hybrid entrepreneurs). Some of the trainees do not aspire to become full time entrepreneurs but rather prefer the combination with part formal employment (this is not necessarily the case artists only but reflects a change in the views on self-employment by the trainees.)*

*Many trainees decide to start their business gradually (e.g. start on a part time basis) within two to four after the training. They seem to spread investments and financing as well and seek thus small loan amounts but would indeed like to establish a lasting relation with financiers. The average investment size for the businesses the young entrepreneurs tend to set up ranges from EUR 15 000 to EUR 25 000. Since many of them have no or limited savings they are mostly in need of 100% external financing of the investment.*

*Participants are free to seek external financing from any financial institution or bank; in practice it appears that MicroStart is the preferred financier. The required loan amount is actually beyond the average of lending by MicroStart, obliging the latter to rethink the loan products its offers.*

*The special feature of the two months programme is the intensive involvement of volunteers (retired and active professionals from the private, financial and public sector) who act as trainers and business counsellors. A second feature is the fact that the trainees are free to decide which financing party they will approach for further assistance.*

*For more information, please see: <http://www.fondationbernheim.be/fr/action/22/dreamstart>.*

## **Conclusions and policy recommendations**

The financial sector has undergone a significant restructuring in recent years as a result of the economic crisis, resulting in a consolidation of financial institution and a much tighter market. This has made access to finance more difficult for youth entrepreneurs, especially for disadvantaged youth entrepreneurs.

The two principal public organisations that lend to youth entrepreneurs are ICO and ENSISA. Both favour business ideas with growth potential yet ENISA has high default rates. Strong linkages with business development support services would help reduce default rates and would increase the chances of developing sustainable business start-ups. However, disadvantaged youth are again largely excluded from these public supports.

The microcredit sector is hampered by legislation that restricts lending activities. Currently, MicroBank is one of the few institutions issuing microcredit to youth entrepreneurs. MicroBank lending has grown and is offered nationally. It serves disadvantaged groups, including disadvantaged

youth, and also offers complementary supports which help increase the quality of the business start-ups. There is potential to build on this success by delivery MicroBank microcredit in partnership with non-governmental organisations that are able to reach youth in remote and disadvantaged areas.

Newer financial instruments such as self-funded communities and peer-to-peer lending are operating on a small scale but hold potential for youth entrepreneurs, especially those who are unable to access mainstream financial products.

The new impetus for financial literacy education in secondary schools is encouraging. This is driven by the National Strategy for Financial Education, which was first developed in 2008 and revised in 2013. A result of this strategy has been the implementation of a 10-hour pilot financial literacy programme in secondary schools for 15 and 16 year olds in 2013. It has demonstrated a positive impact (Hospido et al., 2015) but the content of these modules is largely focussed on personal and household finances and could be widened to include business and start-up financing.

### ***Policy recommendations***

- Increase the availability of microcredit for youth entrepreneurs by:
  - increasing the scale of MicroBank's activities;
  - requesting the *Asociacion de Microfinanzas* to present a feasibility study to show how a viable and sustainable micro finance delivery system could be created.
- Expand the provisions of training, coaching, mentoring and business counselling that accompany loans and grants to youth entrepreneurs by scaling-up successful approaches such as those used by *Fundacion Tomillo*.
- Support the development of community based financial mechanisms and self-funded communities with training and support in setting-up their infrastructure. The ACAF model could be used as a template.
- Increase the provision of coaching and mentoring in ENISA products to reduce the default rate by, for example, building partnerships with non-governmental organisations that are already delivering this support. Aim to have a default rate of under 10%.
- Develop and support a broadened scope of innovative, non-formal financial services outside the formal system (e.g. P2P, Crowdfunding, IT based services, community based services such as CAFs) as a way of supporting NEETs and other disadvantaged youth.
- Set out a call for proposals for innovative financial service delivery systems for youth entrepreneurs as a small scale experiment. Aim to test non-traditional delivery systems that use the internet and or social media to ensure a large potential reach. Also consider partnering with private sector internet and payment companies that are already experimenting in this field to leverage their experience and expertise.

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## CHAPTER 6. KEY CONCLUSIONS AND ACTION PLAN

*This chapter presents a summary of the key findings on youth entrepreneurship support in Spain. It identifies the strengths and weaknesses of current support provisions and the opportunities and threats currently faced. The chapter also provides an action plan for priority areas.*

### Key conclusions

In Spain, youth entrepreneurs face a regionally diverse and inconsistent mix of support programmes, consisting of actions by national, regional and local government and a range of community-based and non-governmental organisations. The initial point of contact for youth seeking entrepreneurship support is often regional government centres or websites.

The youth entrepreneurship support system in Spain has many strengths. Youth entrepreneurship is recognised widely as a potential (partial) solution to the unemployment challenge faced by Spanish youth, which is reflected in several government strategies. Recent changes to the education law increase the exposure of youth to entrepreneurship and would be expected to help all youth develop entrepreneurial mindsets, which is valuable in many labour market and personal activities. Those youth who are interested in business start-up can access high-quality support programmes, especially if they live in a major city. This support infrastructure is provided by both the public sector (national, regional and local governments) as well as an enthusiastic non-government sector.

However, this support system is hindered by overlapping strategies. As a result, the support system is unco-ordinated and there are examples of duplication of supports. Moreover, the strategies often lack the required infrastructure to be effectively implemented. For example, the new Education Law defines new learning objectives related to entrepreneurship but there is insufficient support for teachers to deliver on these new objectives. Accessing finance is one of the greatest challenges for youth since there has been consolidation in banking sector following the crisis and the microfinance sector is extremely limited. There is also room to improve monitoring and evaluation across the entire youth entrepreneurship support system.

There are currently several opportunities for policy makers to improve support for youth entrepreneurship. There are several funding opportunities available from the European Union to fund youth entrepreneurship support, including the European Social Fund and the Youth Employment Initiative. These funding sources can be used to put the Strategy for Entrepreneurship and Youth Employment into action. There is also momentum building for entrepreneurship support in higher education. There are many international initiatives such as the OECD/European Commission HEInnovate project, which could be used to facilitate good practice exchanges and build networks of entrepreneurial universities. Moreover, there is scope to scale-up some of the many high quality, small scale coaching, mentoring and business advisory schemes. This would be preferable to continually launching calls for new programmes.

There are a number of threats to the further development of the youth entrepreneurship support system. First, the support system is complex and contains considerable duplication of actions. There is a risk that youth encounter difficulties identifying the support that they need, consequently stopping them pursuing their business idea. This risk is greatest for NEETs and youth with low skill levels.

Second, the support system focusses heavily on business creation and much less attention is given to business development and growth. There is therefore a risk that many of the youth-operated start-ups will have poor survival rates, which reduces the impact that entrepreneurship can have in addressing the unemployment crisis.

These key conclusions are summarised in Table 6.1.

**Table 6.1. Strengths, weakness, opportunities and threats of youth entrepreneurship support in Spain**

| <b>Strengths</b>   | <b>Weaknesses</b>  |
|--|--|
| Youth entrepreneurship is a strategic priority for the national government   | Strategies that cover youth entrepreneurship have not been fully implemented and often lack the necessary support infrastructure (e.g. new Education Law)  |
| Recent changes to the Education Law strongly support the development of entrepreneurial mindsets among students  | Little support is offered for disadvantaged youth and they have difficulty accessing mainstream supports   |
| Youth benefit from a supportive (and improving) regulatory environment for start-ups   | There are very few role models for youth entrepreneurs who can champion and promote entrepreneurship   |
| Youth can access a plethora of business support services provided by regional and local actors (i.e. community-based and non-governmental organisations)   | There are few options to access financing for youth, especially for those who do not fit the profile of an innovative, high-potential entrepreneur   |
| High quality entrepreneurship coaching is available for interested youth entrepreneurs   | Monitoring and evaluation of entrepreneurship support programmes is quite rare   |
| There are many youth entrepreneurship networks and associations that support youth entrepreneurs and lobby at the political level on their behalf  |  |
| <b>Opportunities</b>   | <b>Threats</b>   |
| The Strategy for Entrepreneurship and Youth Employment, 2020 Youth Strategy and new Education Law create momentum and an opportunity for policy action to support youth entrepreneurship   | Little central co-ordination of current activities creates i) confusion for potential youth entrepreneurs because there is a multitude of entry points to the support system; ii) inconsistencies across levels of government; and iii) leads to some duplication of support offerings |
| Current EU initiatives, notably the Youth Guarantee, can help to improve the co-ordination of national and local programmes, especially if action plans are developed  | Policy actions heavily favour start-up and do not pay enough attention to business development and growth, which would help start-ups become sustainable and create jobs for others  |
| There are many high quality – but small scale – coaching, mentoring and business advisory supports that have demonstrated an impact and could be scaled up and introduced in other regions   |  |
| Momentum for entrepreneurship support in higher education is building internationally and within Spain, which could increase the profile of youth entrepreneurship as well as the entire youth entrepreneurship support infrastructure |  |

## Summary of recommendations

This report made policy recommendations under four themes: strategies for youth entrepreneurship support; building a supportive institutional environment for youth entrepreneurship; developing entrepreneurship skills for youth; and facilitating access to finance for youth entrepreneurs. These recommendations are presented in Box 6.1.

### Box 6.1. Summary of policy recommendations

#### Strategies to support youth entrepreneurship

- *Design an action plan to clearly outline how the various measures of the Youth Employment and Entrepreneurship Strategy will be implemented by assigning responsibilities to Ministries and agencies and indicating timelines for different actions and expected outcomes. The action plan should seek to improve the co-ordination of youth entrepreneurship policies and programmes across national ministries, with other levels of government and with key non-government stakeholders.*
- *A stronger co-ordination role should be given to the inter-ministerial committee that has been created within the remit of the Youth Employment and Entrepreneurship Strategy. It should more actively co-ordinate work between different levels of governments, the autonomous regions and other public and private actors to ensure effective implementation of measures identified under the strategy. An inter-regional subgroup could be created with the sole purpose of sharing knowledge and experience in relation to the entrepreneurship.*
- *The Ministry of Employment and Social Security could consider holding an annual conference on youth entrepreneurship to bring relevant youth entrepreneurship stakeholders together to exchange good practices and lessons learned. This would improve awareness among all public and non-public sector actors about the ongoing activities and provide opportunities to build partnerships. It could also be an opportunity for the national Ministries to collect input and information on the needs of those implementing measures and of youth entrepreneurs.*
- *Give more visibility to policy programmes that focus specifically on the disadvantaged youth. This could encourage more NEETs to come forward to register for support under the Youth Guarantee or be persuaded to engage themselves with the labour market. It should be kept in mind that additional accompanying support normally will be required.*
- *Increase the availability of business development and growth support that is available to youth entrepreneurs by scaling-up successful coaching and mentoring and business advisory programmes.*
- *Promote entrepreneurship role models and success stories to motivate potential young entrepreneurs. It is important to highlight the successes of youth entrepreneurs who started from unemployment, and to identify the key enabling factors. This can be drawn upon to attract NEETs to the support programmes and to demonstrate to youth entrepreneurship support organisations that this group should be supported.*
- *Ensure policies are adequately evaluated through clear and rigorous evaluation techniques that provide feedback on the efficiency of policy measures and their impact on youth entrepreneurship.*

#### Building a supportive institutional environment for youth entrepreneurship

- *The Public Employment Services should be supported in carrying out their new role of offering specialist services to those that are considering the self-employment option or would like to boost their business development opportunities. This would require not only training of this specialised unit within this mainstream support provider but also a financial commitment by the Spanish government to turn this service into a flagship one benefitting the youth interested in entrepreneurship rather than simply waged employment.*

- *Develop media (TV, radio, social media, press, etc.) campaigns that aim to encourage a more positive attitude towards entrepreneurship as a career option in Spain. The examples provided should be from different age groups, sectors, locations as well as backgrounds and personal experiences.*
- *Make organisations accessing public funding more accountable by requesting they set up various databases that can track the impact of their work over time. This will not only ensure a more efficient use of public funding but it would also allow governmental bodies to understand the impact various programmes have and the possibility of scaling up the successful initiatives.*
- *Encourage different service providers that offer online services to have a built-in feature on their websites that would request information on the satisfaction of youth with their programmes. This would allow service providers to understand what aspects of their offering are more beneficial and which ones are in need of further improvement.*
- *Promote and encourage local collaborative approaches that raise awareness and engage young people in solving local socio-economic problems through entrepreneurial solutions.*
- *Autonomous regions should ensure that all programmes targeting youth have targets in relation to their clients' diversity. This would ensure that service providers place a more important emphasis on the need to reach out to the more disadvantaged groups or those that would not normally interact with the current service provision.*

#### Entrepreneurship skills for youth

- *Provide more intensive training for teachers of entrepreneurship, create a national observatory of entrepreneurship teaching practices, and build good practice exchange networks for schools in entrepreneurship education.*
- *Expand financial literacy training in formal education to include skills and concepts related to business start-up and self-employment.*
- *Spread good practices in entrepreneurship support in higher education and offer more experience-based learning opportunities to entrepreneurship students.*
- *Strengthen entrepreneurship training that occurs outside of the formal education system in rural areas in terms of availability and quality. Ensure that training content is tailored to the needs of the region.*

#### Access to finance for youth entrepreneurs

- *Increase the availability of microcredit for youth entrepreneurs by:*
  - *increasing the scale of MicroBank's activities;*
  - *requesting the Asociacion de Microfinanzas to present a feasibility study to show how a viable and sustainable micro finance delivery system could be created.*
- *Expand the provisions of training, coaching, mentoring and business counselling that accompany loans and grants to youth entrepreneurs by scaling-up successful approaches such as those used by Fundacion Tomillo.*
- *Support the development of community based financial mechanisms and self-funded communities with training and support in setting-up their infrastructure. The ACAF model could be used as a template.*
- *Increase the provision of coaching and mentoring in ENISA products to reduce the default rate by, for example, building partnerships with non-governmental organisations that are already delivering this support. Aim to have a default rate of under 10%.*



- *Develop and support a broadened scope of innovative, non-formal financial services outside the formal system (e.g. P2P, Crowdfunding, IT based services, community based services such as CAFs) as a way of supporting NEETs and other disadvantaged youth.*
- *Set out a call for proposals for innovative financial service delivery systems for youth entrepreneurs as a small scale experiment. Aim to test non-traditional delivery systems that use the internet and or social media to ensure a large potential reach. Also consider partnering with private sector internet and payment companies that are already experimenting in this field to leverage their experience and expertise.*

## **Implementing priority actions**

### ***Action 1. Develop an action plan for youth entrepreneurship promotion and support***

#### *What*

The national government has developed two key strategies related to youth entrepreneurship – Strategy for Entrepreneurship and Youth Employment and the 2020 Youth Strategy. These documents set out high level objectives but it is important to develop an action plan to turn this vision into measureable actions. A national youth entrepreneurship action plan would identify key actions under each strategic measure and indicate targets, a timeline and assign responsibility to a Ministry or Agency. The action plan could also include an indication of the resources to be put into each action, as well as indicating how results and impacts will be monitored and communicated.

#### *How*

The first step in developing a national youth entrepreneurship action plan is to convene an action planning group. This should be led by the Ministry of Employment and Social Security since this is the ministry that is responsible for youth employment. It will however, be important to work in partnership with the Ministry of Education, Culture and Sport and the Ministry of Economy and Competitiveness, who also have responsibilities related to youth entrepreneurship and promoting business creation. While it can be effective to keep the action planning group small, consideration must be given to engaging other government agencies (e.g. ENISA, ICO) and non-government organisations. Non-government organisations are frequently responsible for delivering entrepreneurship support and have experience that can be useful in developing an action plan. Finally, youth entrepreneurs should also be engaged to ensure that the action plan is relevant and addresses their needs. It is possible to engage youth entrepreneurs through several of the national youth entrepreneurship networks and associations.

The second step in develop an action plan is to develop a vision. This, however, has already been done. The Strategy for Entrepreneurship and Youth Employment 2013-16 can serve as the strategic frame for the action plan.

The third step in developing an action plan is to translate the strategic vision into discrete concrete actions. For example, the second emergency measure in the strategy is identified as “Promotion of entrepreneurship and self-employment”. Under this measure a number of policy levers are identified, including social security contributions, loans, insurance, training and the promotion of social and collective entrepreneurship. However, each of these is described in very general terms and there is no indication for what concrete actions will be launched by the government. The action plan should set out more precisely what will be done. For example, under training, the action plan should indicate that short-term entrepreneurship training courses and online modules will be developed to

help youth acquire skills related to business management, business planning, opportunity recognition and risk management. It should also indicate who will develop the training modules and who will implement them. It can also be helpful to put a target on the number of trainings that will be delivered and an approximate cost for designing and delivering the training.

The action plan should not be a long document. Emphasis should be placed on having a document that is informative and easy to read. Often action plans are effective when they are prepared as tables.

## ***Action 2. Create an infrastructure to support the implementation of the new Law on Education***

### *What*

The 2014 Law on Education initiated many advances in entrepreneurship education in schools by defining new learning objectives related to entrepreneurship and introducing new teaching methods and assessment criteria. However, the support infrastructure that is needed to implement these new measures and achieve these new outcomes is largely missing.

### *How*

Effectively implementing the new Law on Education will require a range of supporting actions to ensure that its new objectives can be achieved. The first area that requires strengthening is teacher training related to entrepreneurship. While initial teaching training appears to expose all new teachers to entrepreneurship and teaching methods to deliver entrepreneurship education, current teachers do not have this opportunity. There is a need to offer more ongoing professional development. This should aim to build knowledge and positive attitudes towards entrepreneurship, increase teachers' abilities to draw on sources of learning from outside of the classroom and help teachers change the outcomes student's learning, intrinsic motivation and interests. The role of peer learning and feedback is very important in entrepreneurship training for teachers because a supportive environment will enable the greatest development among teachers. See Box 6.2 for an example of a teacher training programme in Portugal.

#### **Box 6.2. ESVC Teacher Training in Alto Minho, Portugal**

*The Polytechnic Institute of Viana do Castelo is part of the network supporting entrepreneurship in the region of Alto Minho in the north of Portugal. It offers teacher training in dynamic, innovative and creative teaching methodologies within the project "Entrepreneurship for children from 3 to 12 years old", which started in 2011. The school environment is the most privileged space to reach this goal for all children, but it implies action and project-based learning environments, giving teachers a crucial role. Teacher training is a crucial success factor as are support of school management, parents and the local community. A distinctive feature of the project is the intersection of children and teacher education. To achieve the entrepreneurial education of children from 3 to 12 years old it's necessary to train teachers, both pre-service and in-service teachers.*

*The project emphasises the acquisition of entrepreneurial skills by the teachers themselves, as part of their personal and their professional training. Thus, teachers can be participating citizens in their community, with a strong social awareness and gearing up for ethical principles, either in their personal, social or professional activity. The project was developed in three stages. First workshops and practical sessions were held for teachers to raise awareness of entrepreneurship using the manual "Having ideas to change the world". In the second stage, training was offered for preschool and primary teachers (grade1 to grade 6), both in-service and pre-service teachers from the Alto Minho region. To in-service teachers this training was a required and certified course with several practical sessions in which participants were trained in entrepreneurial competences. Participants followed a similar pedagogical path to what they would later deliver to their students. Activities included brainstorming, producing narratives for communication projects, workshops for prototype development and reflection seminars. The third stage included teacher interventions in educational contexts. Participants, both*

*trainees and teachers, began to the practical teaching in classes following the course manual (see link below for a summary of the manual).*

In addition, more needs to be done to support teachers with new learning material. The national Ministry of Education, Culture and Sport has a role to play in working with regional governments to develop new course modules, learning material, exercises and evaluation methods for entrepreneurship education at all levels of the school system. The law places an emphasis on developing entrepreneurial mindsets so learning material should reflect this by teaching students how to think entrepreneurially. This means to identify opportunities and manage risk, which are skills that can be applied in many labour market and personal activities. Learning materials and activities should emphasise process-oriented approaches that allow students to develop practical “know how”. Students should be exposed to multidisciplinary real-life contexts that are appropriate for their age and taught to learn from their mistakes. Training that is more specific to business creation can be introduced in parallel for older student to provide them with the practical tools to take business ideas to the market.

Finally, teachers will need tools to measure the impact of entrepreneurship education so that it can be demonstrated whether the objectives of the new law have been met. This is a difficult task and a dominant approach to measuring the impact of entrepreneurship education has yet to emerge. A number of models have been designed in European Union countries and Canada that attempt to measure the impact of entrepreneurship education and the change that has occurred in students. Many use questionnaires and self-reflection tools administered before and after entrepreneurship courses or modules to measure the change in students’ attitudes towards entrepreneurship (see OECD/EC, 2015 for more information on these models).

### ***Action 3. Improve access to flexible, alternative financing***

#### *What*

Not only do youth have few options for seeking start-up financing in Spain, the majority of the options are not well-tailored to the needs of youth. It is estimated that approximately 15% of youth entrepreneurs combine their self-employment activity with full-time or part-time employment, or social entrepreneurship (Heuvel, 2015). There is a twin need to increase the availability of finance and to ensure that these sources of finance are flexible enough to meet the needs relating to new models of entrepreneurship that are pursued by youth.

#### *How*

A multi-pronged approach will be needed that draws on current strengths and invests in emerging financial instruments. First, it is important to invest in expanding successful programmes that already exist. This involves strengthening and growing service providers and other implementing organisations that can demonstrate a measurable impact. This could include, for example, assisting MicroBank in broadening its operations and products for self-employed youth; investing in building up operations of *Caja Laboral* and/ or *Banco Popular*; assisting public and private organisations such as *Barcelona Activa*, *Fundación Tomillo* and *C’Pac* in expanding their complementary business development services in training and mentoring; and assisting ENISA in streamlining its financing of small entrepreneurs.

Second, small-scale investments can be made in developing and broadening the scope of innovative, non-formal financial services outside the formal system. This includes, for example, peer-

to-peer lending platforms, crowdfunding, IT-based financial services, community-based financial products (e.g. CAFs). It will be important to develop these systems to allow youth entrepreneurs to access packages of financing (equity and debt) from multiple providers.

Third, even without changing the banking regulations, there are some steps that can be taken to increase the supply of microfinance. There are examples of non-government organisations partnering with financial institutions to provide integrated offers of microfinance and business development support services (e.g. *Fundación Pinnæ*). These models could be scaled-up and implemented in other regions. This will likely require some public investment to provide sufficient incentives for both financial institutions and non-government business development services providers.

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