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of the Regions**

**Commission for
Citizenship, Governance,
Institutional and External Affairs**

CIVEX

Youth entrepreneurship in Mediterranean partner countries



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1 Introduction

In 2017, the Committee of the Regions commissioned two studies on the subject of youth entrepreneurship, outlining the roles and competences of regions and cities in entrepreneurship policy and the measures adopted by local and regional authorities (LRAs) to promote and boost youth entrepreneurship. This note complements these studies, providing an overview and analysis of youth entrepreneurship and policies to promote it in seven Mediterranean partner countries: Egypt, Israel, Jordan, Lebanon, Montenegro, Morocco and Turkey. It analyses the measures adopted to promote youth entrepreneurship in these countries. It sets out what cities and regions in the seven countries stand to gain from fostering youth entrepreneurship, what measures they can apply and how their activities can be helped by the national level and international cooperation. The note also spells out how the national level can support LRAs in their efforts to promote youth entrepreneurship and assesses the contributions of international partners. Finally, it sets out recommendations on measures to be taken by LRAs, how they can be empowered by national and international cooperation and on possible ARLEM follow-up activities. The note is based on desk research into examples of successful projects supporting youth entrepreneurship in the seven countries. This has been complemented by targeted interviews with key informants among international organisations active in the region and national and local stakeholders.

Measures to promote youth entrepreneurship fall mainly into three categories: (i) enterprise education, (ii) information, advice and assistance, (iii) microfinance in the form of loans, grants or other types of funding and (iv) provision of infrastructure for entrepreneurship (Greene, 2013). The seven case study countries cover examples of all four types of assistance.

1.1 Key findings

The business environment in the region is not conducive to the establishment of new start-ups by young entrepreneurs. Young people, especially young women, lack knowledge about business start-ups, they lack support in the form of information and advisory services, they lack collateral assets making access to finance difficult and there is a lack of supported premises where they can launch and nurture their new business start-ups. Nevertheless, numerous measures and initiatives have been introduced to overcome these difficulties and gaps in support. Most of these measures have been put in place by central governments, civil society or the private sector with some international donor assistance, although relatively few measures have been adopted and implemented by LRAs.

The competences and capacities of LRA's to independently offer support for youth entrepreneurship is diverse. In Israel and Montenegro, LRAs have devolved competences for local economic development allowing them to provide innovative forms of support for youth entrepreneurship. In Lebanon, Jordan and Egypt, competences for local economic development and education are concentrated at the central government level. Morocco and Turkey are in an intermediate position with only limited powers to support youth initiatives. LRA support for youth entrepreneurship has also been stimulated through EU-funded projects. For example, in Turkey the EU-funded "Regional Competitiveness Operational Programme" supports provincial authorities to foster entrepreneurship in 43 less developed provinces.

Programmes for entrepreneurial learning have been adopted in formal education systems in Egypt, Israel, Jordan, Montenegro and Turkey. Initiatives for informal entrepreneurial learning have been developed in Egypt, Israel, Jordan, Lebanon and Turkey. At regional and local levels, LRAs have successfully engaged with entrepreneurial learning initiatives in Egypt, Israel and Turkey. In Egypt, the Luxor governorate has piloted entrepreneurship as a key competence in vocational schools. In Israel, two school networks engage with LRAs and local businesses to support entrepreneurial learning. In Turkey, the Habitat NGO provides entrepreneurial learning opportunities to young people in 81 cities.

Information, advice and assistance services are provided by central government measures in all seven countries, supplemented by the activities of NGOs in Jordan and Morocco and by international donors in Jordan and Turkey. A successful example of LRA engagement is the Union of Youth Entrepreneurship in Montenegro which collaborates with every municipality in the country.

Young entrepreneurs in all seven countries lack access to loan finance due to lack of collateral and unwillingness of the banking system to lend funds to young people without a track record of experience. Governments have therefore introduced measures to provide subsidised financial support to young entrepreneurs in Egypt, Lebanon, Montenegro, Morocco and Turkey. Private sector venture capital funds also actively invest in business start-ups by young entrepreneurs in the region with examples found in Egypt, Israel, Jordan, and Lebanon. In Montenegro, some LRAs offer grants or loans for start-up businesses.

Young entrepreneurs need supported premises in which to nurture their business start-ups and central governments have established business incubators in Egypt, Israel, Jordan and Montenegro. The private sector has also stepped in to provide incubator capacity in Egypt, Israel, Jordan and Lebanon. International donors have supported the development of business incubators in Lebanon. A rare example of a successful engagement by LRAs in the provision of infrastructure for youth entrepreneurship is the Business Start-Up Centre Bar in the municipality of Bar in Montenegro.

2 The benefits of youth entrepreneurship for LRAs

In the seven countries included in this study about one sixth of the population are young people aged between 15 and 24.¹ Many of these young people experience difficulty in finding formal employment. The proportion of young people in the population in employment varies from a high of 45% in Israel to just 14% in Jordan (see Figure 1). In Lebanon and Turkey, young men are twice as likely to be employed than young women, while in Egypt, Jordan and Morocco young men are at least three times more likely than young women to have a job. Such gender gaps are absent in Israel and relatively muted in Montenegro.

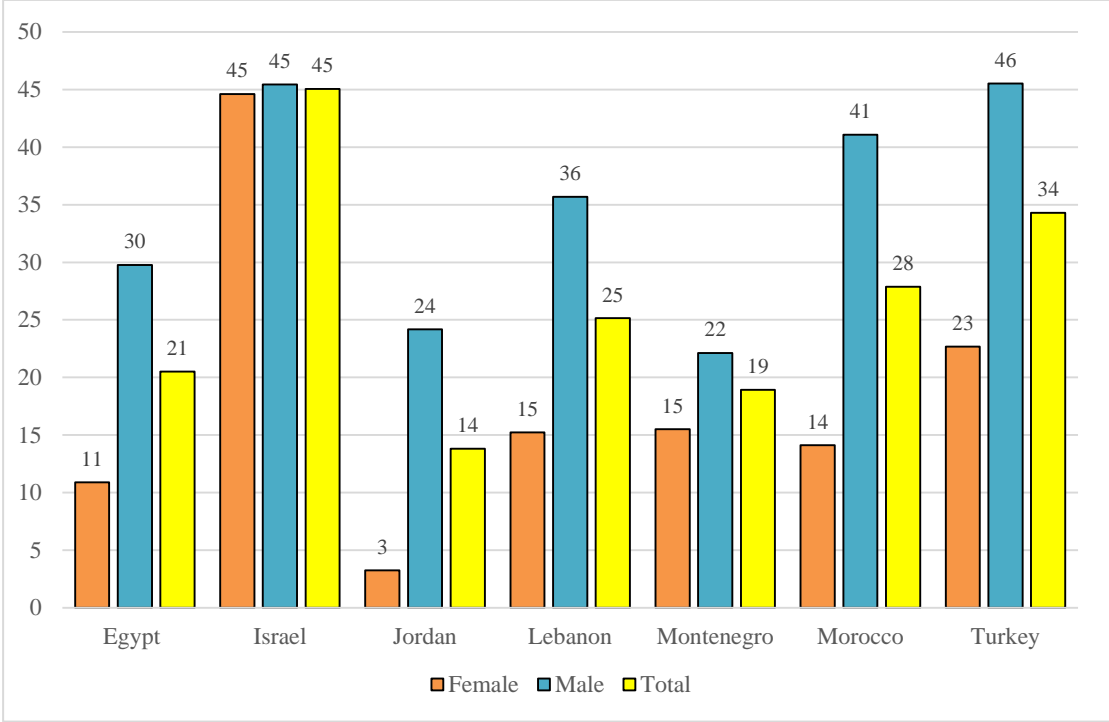
The difficulty that young people have in finding work is reflected in high rates of youth unemployment. In 2009, the rate of youth unemployment ranged from 35.6% in Montenegro to 14.6% in Lebanon (see Figure 2). Since then, youth unemployment has increased in Montenegro, Jordan, Morocco and Egypt and only Turkey and Israel have succeeded in reducing the rate of youth unemployment.² The gender differences in unemployment rates are less pronounced than in the case of employment, but nevertheless still large in most countries (see Figure 3). The largest gender unemployment gaps are found in Egypt, Lebanon and Turkey, while in Montenegro the male youth unemployment rate is higher than the female. Young women often experience greater difficulty accessing the labour market than young men due to gaps in educational attainment as well as cultural and social factors.

Youth entrepreneurship is one way to address these difficulties facing young people on the labour market by enabling young people to establish their own enterprises and providing additional jobs for their employees, who are often also young people. This entrepreneurial activity can also have a social purpose, creating hope for the future and counteracting the development of social unrest and radicalisation. Also, by creating income-earning opportunities it has the potential to reduce migratory pressures that result from uncertain economic prospects and relatively low incomes in the home countries. Youth entrepreneurship may be a particularly attractive option for young women who often face discrimination on the formal labour market (OECD, 2014a).

¹ In 2017, the countries with the largest proportions of young people aged 15-24 in their population were Egypt and Jordan (19.9%) followed by Morocco (17.3%), Turkey (16.3%), Israel (15.0%), and Montenegro (13.2%). No data are available for Lebanon. Source: Eurostat online database.

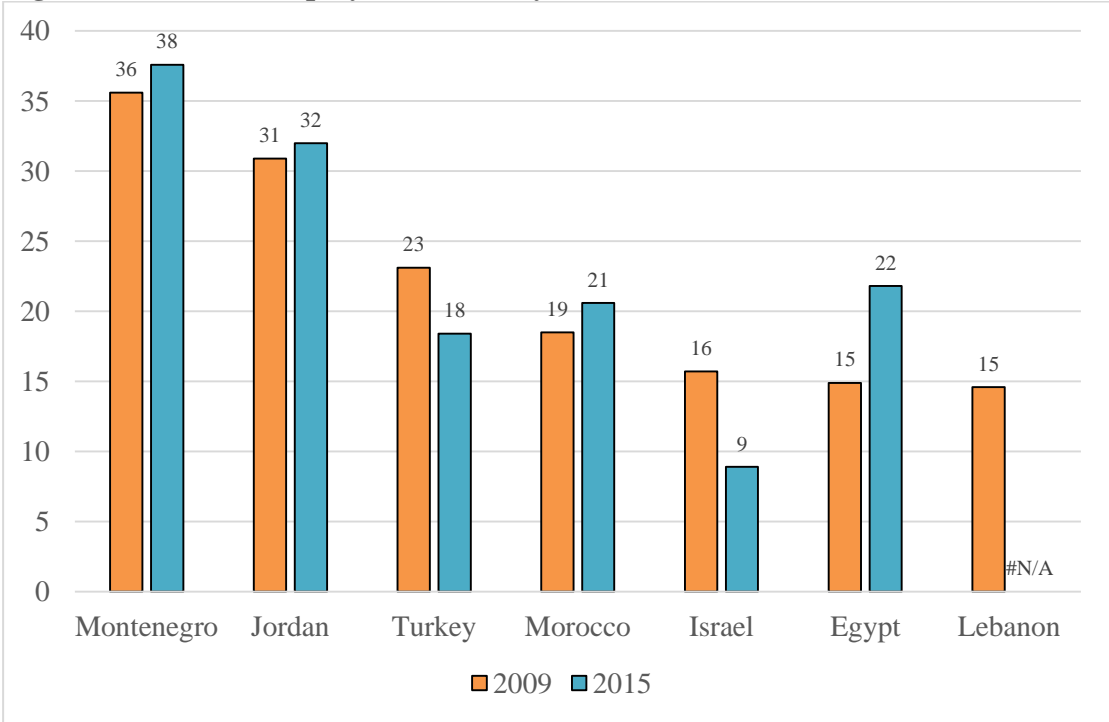
² There is no recent data for Lebanon.

Figure 1: Employment to population ratio, 15-24 year olds, 2016



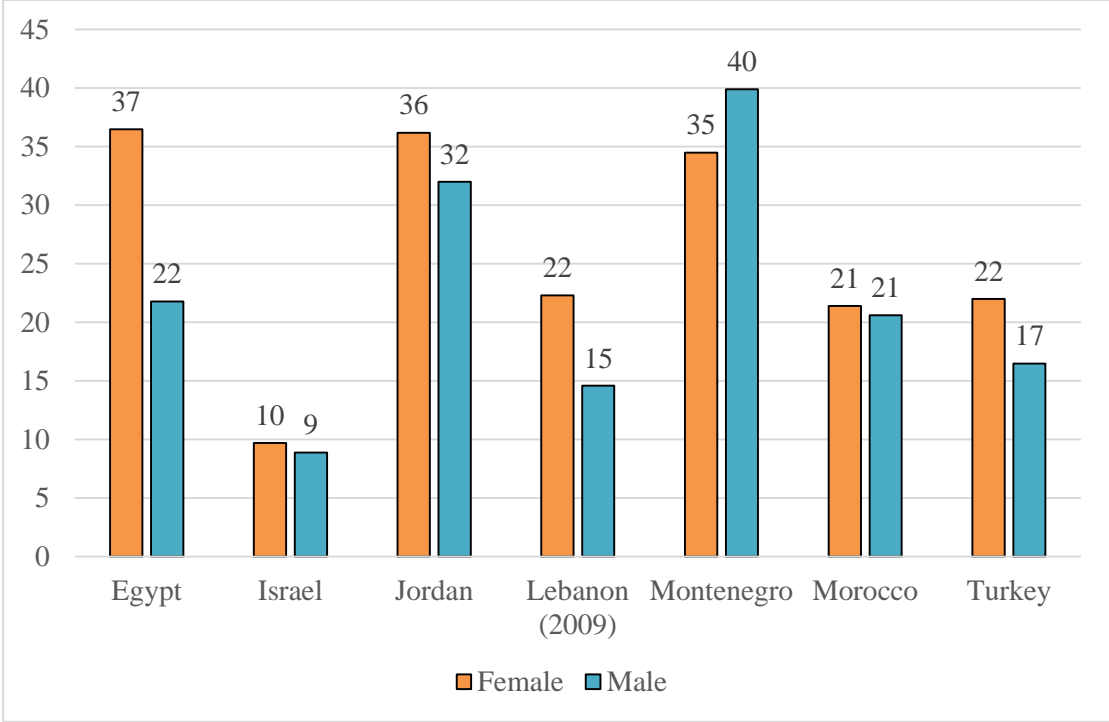
Source: World Bank World Development Indicators.

Figure 2: Youth unemployment, 15-24 year olds (%)



Source: Eurostat online data.

Figure 3: Male and female unemployment rates, 2015 (%)



Source: Eurostat online data.

The benefits of youth entrepreneurship for local and regional authorities (LRAs) are multifaceted. They include a potential increase in the number of local young people in employment, especially young women who have a relatively low employment rate and a low level of labour market activity. Entrepreneurship and the start-up of new businesses by young people can contribute to local economic growth, job creation and innovation. Starting up their own businesses can assist young people to develop practical skills that have not been taught at school, including independence, confidence, problem solving, teamwork and leadership skills. Successful youth entrepreneurs can have a wider impact on their local community, acting as role models for disenchanted youth and providing jobs and skills to those that they employ in their businesses.

Despite these benefits, young people face many obstacles to setting up their own businesses including a lack of experience and practical knowledge about how to run a business which may hinder the development of their activities. Young people, and especially women, often lack education and experience in marketing, accounting and financial management which affects the development and sustainability of their business ventures (OECD, 2014a). Young people are also likely to own few assets that could be used as collateral to support an application for loan finance from the banking system. This can be especially problematic for young women who often lack collateral and do not have experience of bank lending (OECD, 2014a). Young people are also unlikely to have access to premises where they can foster their new small businesses.

For these reasons, it is important that LRAs should facilitate the development of youth entrepreneurship by working with schools, colleges and universities to introduce entrepreneurial learning, provide information, advisory services and other forms of practical assistance, and facilitate youth entrepreneurs, especially young women, to gain access to financial resources. They should also provide the physical infrastructure for youth entrepreneurs to start up their businesses by creating incubator centres and start up hubs at low cost supported by advisory services and with access to financial resources.

3 The policy environment

The economies of the Middle East and North Africa (MENA) region are typically characterised by strong protectionism, lack of integration into international markets, heavy state intervention, and lack a support for the business environment (EBRD, 2016). A recent survey found that entrepreneurs in these countries are concerned about political instability, corruption and unstable electricity supplies. Entrepreneurs have difficulty accessing finance as banks mainly lend to large established companies and equity finance plays a small role in the region. Strict collateral requirements prevent most aspiring young entrepreneurs from accessing bank loans, while there are also few credit guarantee schemes that could overcome this problem. Corruption may deter entrepreneurs from seeking assistance from either LRAs or central government. In many sectors, incumbent firms benefit from privileged access to markets, licensing and contracts, inhibiting the entry of new firms set up by young entrepreneurs.

The business environment in the MENA region offers relatively little support for the growth of micro, small and medium-sized enterprises, due to the weak culture of entrepreneurship, insufficient knowledge of how to start and run a business, and an environment that does not encourage business start-ups. LRAs vary in their capacity to support youth entrepreneurship due to the different degrees of autonomy and competence they have to act independently in this field.

Three of the countries, Egypt, Jordan and Lebanon, have highly centralised systems of government. In **Egypt**, public services are delivered through a system of deconcentrated state administration. Local administration is based on a system of Governorates in which LRAs have no financial autonomy. The policy mandate for entrepreneurship is distributed over several agencies including the Social Fund for Development (SFD) which focuses on micro and small enterprises and the General Authority for Investment and Free Zones (GAFI) which focuses on small and medium enterprises with high growth potential (OECD, 2014b). Similarly, **Jordan** is divided in 12 Governorates, which are deconcentrated units of the central government. Although members of the 99 municipal councils and mayors are directly elected, employment policies are highly centralised, as is education policy. **Lebanon** also has a highly centralised form of government. Although municipal counsellors are elected, municipal powers are limited to providing local services such as street cleaning, road tarmacking, public lighting, street signs, wastewater treatment and water drainage.

Two of the countries, Morocco and Turkey, have a partially decentralised form of government. In **Morocco** there are 12 regions and 1,500 municipalities. Executive power is shared between the King and the government. Regions have competences for regional development including enterprise development and vocational training and may establish industrial and business areas. They are also responsible for vocational training. In **Turkey**, public services are delivered through a system of deconcentrated administration by provincial governors who are appointed by the Ministry of Interior. At the same time, elected local municipalities can provide some services for the development of the local economy.

The other two countries, Israel and Montenegro, have a decentralised form of government. **Israel** is divided in six administrative regions. Municipal and local councils are elected. While the central government is responsible for funding local small-business development centres to assist small businesses and entrepreneurs, local authorities can initiate employment policy depending on its capabilities and resources. They have powers to devise and implement measures at the local level in vocational education, usually with state financing. Israel has a relatively well-coordinated approach to supporting youth entrepreneurship. A specific “Law for Supporting SMEs” defines the government’s engagement with the sector. In **Montenegro** local authorities have a high degree of autonomy, and the system of fiscal decentralisation provides for a share of tax revenues to fall under the administration of local municipalities. Local authorities are responsible for stimulating local entrepreneurship and partly finance the system of vocational education. Support for entrepreneurship is spread across several strategic policy areas. The “National Development Plan 2013-2016” and the “Women’s Entrepreneurship Development Strategy 2015–2020” both prioritise developing entrepreneurial skills. The “2017 Economic Reform Programme” has a policy measure on “Improvement of non-financial support to the sector of small and medium-sized enterprises”. Objective 1.4 of the “Economic and Social Reform Programme 2015-2020” aims to improve entrepreneurial training programmes, support entrepreneurial ventures of rural households, women and university graduates, and provide financial and technical support for business start-ups.

4 Entrepreneurial learning

4.1 Formal education

Some countries have introduced entrepreneurial learning into the core curricula at secondary or tertiary levels of education. In **Egypt**, entrepreneurial learning in secondary schools is promoted through the “National MSME Strategy 2017” of the Ministry of Trade and Industry (ETF, 2018a). The Ministry of Education and Technical Training has proposed the mainstreaming of entrepreneurship as a key competence in all vocational schools and has led the development of an entrepreneurship curriculum (ETF, 2018b). The Luxor governorate has piloted entrepreneurship as a key competence in vocational schools through the IMKAN initiative (McCallum et al., 2018). In **Israel**, entrepreneurial learning is part of national youth, education and economic policies. The “Socio-economic Strategy 2030” mainstreams entrepreneurial learning throughout general and vocational education. Two educational networks (Amal and ORT), covering 15% of science and technology schools and colleges, promote youth entrepreneurship in cooperation with the business sector. These networks have strong ties with local authorities and have established partnerships with local businesses who provide mentors for young entrepreneurs (ETF, 2018a). In **Jordan**, the Ministry of Education recognises entrepreneurial learning as a key competence in the national curriculum for primary schools and is beginning to extend this to upper secondary schools. Entrepreneurial learning pilot modules have been developed in some secondary schools. Learning materials were developed and teachers trained on how to teach entrepreneurial learning (ETF, 2018c). In **Montenegro**, entrepreneurial learning was introduced as an optional subject in the eighth grade of primary school in 2004. Since the 2015/16 school year entrepreneurial learning has been mandatory in upper secondary schools (MLSW, 2015). Entrepreneurial learning has also been included in various strategies for education (OECD, 2015). In **Turkey**, entrepreneurship is taught as an elective subject in primary and secondary education and in vocational education and training. Virtual companies are used in vocational schools to support entrepreneurship training. Within the higher education system, entrepreneurship is mainly taught in business schools and technical faculties. The “VET Strategy 2014-2018” emphasises creativity and start-up skills. Entrepreneurial learning has not been introduced in the educational systems in **Lebanon** or **Morocco**.

4.2 Informal education and training

Outside the formal education systems, numerous programmes provide education and training in the basics of entrepreneurship. In **Egypt**, the Youth Entrepreneurship Programme run by AMIDEAST in collaboration with Citi bank offers a six-month training programme backed up with incubator capacity and financial and legal consultation for 18-30 year olds living in Cairo.³ In **Israel** informal training is provided by the Israel Investment Authority, a government body. In **Lebanon**, the Engagement of Business Development Centre (BDC) supports entrepreneurship education in vocational schools. BDC has trained more than 120 vocational school teachers and technical community college instructors in entrepreneurship teaching, benefitting 4,000 students in 20 pilot institutions (ETF, 2018a).

The **Israel Innovation Authority (IIA)** runs a Young Entrepreneurship incentive programme that trains underprivileged Israeli teenagers and young adults in entrepreneurship skills. Unistream, a non-profit organisation, operates the programme through its project “Startup Now”. Students learn about entrepreneurship and practice establishing a company mentored by local business leaders. The programme focuses on populations from Israel’s social and geographic periphery in the south and north of the country.

Elsewhere, informal training is provided by NGOs. One of these, called Injaz, is an international NGO (INGO), which operates in **Egypt, Jordan and Lebanon**.

The INGO **INJAZ** runs entrepreneurship education programmes in several Mediterranean countries including Egypt, Jordan and Lebanon. In Egypt, it works to promote entrepreneurship skills among unemployed youth by partnering businesses with 330 schools and 32 universities. In Jordan, its “Company Start-up Programme” provides high school students with hands-on experience and practical training in business. A programme called “My Entrepreneurial Project” creates career opportunities for youth entrepreneurship and self-employment. Injaz-Lebanon provides training in entrepreneurship to young people aged from 12 to 24 in youth centres around the country, reaching about 4,000 young people. It provides basic education support and training on the concept of youth entrepreneurship, financial literacy and other short-term intensive courses assisting young people to start up their own business enterprises.

³ See: <https://www.amideast.org/egypt/academic-and-cultural-exchange/youth-entrepreneurship-program>

In **Turkey**, informal education is provided with the support of major international companies such as Google and Visa.

The **Turkish Entrepreneurship Foundation** is an NGO established in 2014 by 20 founders from the business sector. It is sponsored by several international companies including Google and has been supported by USAID. Its Fellowship Programme supports 40 young graduates every year to become entrepreneurs. They are sent to San Francisco, London, Tel Aviv and Berlin for four-day intensive courses each year. The Foundation also arranges internships, which assist students to become entrepreneurs. It has generated 32 technology-based start-ups.

The Turkish NGO, **Habitat**, provides training and education to young people from various socio-economic backgrounds.⁴ It was established in 1997 as a youth organisation with the aim of supporting sustainable development. It works with 5,000 young volunteers through its branches in 81 cities in Turkey. It has initiated a Youth Entrepreneurship Platform. Habitat has good connections with local authorities and representatives of state institutions. Habitat has developed a Financial Education Programme in partnership with Visa. It has received support from UNDP, although 90% of its funding comes from the private sector.

Informal entrepreneurial learning has not been substantially developed in **Montenegro** or **Morocco**.

⁴ Interview, Habitat official, June 2018.

5 Information, advice and assistance

5.1 Support provided by central government and LRAs

In **Egypt**, LRAs lack capacity to support young entrepreneurs. The central government is therefore the main source of information, advice and assistance; for example GAFI has established an SME clinic to support high-growth SMEs and has a network of one-stop shops to support such enterprises (OECD, 2014b). In **Israel**, a wide range of services is offered to startups by the Small and Medium Business Agency (SMBA) and other organisations such as the Jewish Agency and philanthropic and private funds, including services such as consulting, instructing and teaching, and financial aid. In **Jordan**, entrepreneurs receive support through the Jordan Enterprise Development Company (JEDCO), the Tatweer Business Development Centre, various business associations and the Chambers of Industry and Commerce. Start-ups benefit from well-established support programmes, although resources are limited and the geographical spread is restricted to the main towns (OECD, 2014b). In **Lebanon**, the Lebanese Investment & Development Authority established a Business Support Unit to provide start-ups with information, advice and licensing support in early 2018. Startup Scouts, an initiative of the Office of the Prime Minister, is a training and support program for aspiring and early stage entrepreneurs up to age 25 across Lebanon. It has so far supported the creation of 45 startups.⁵ The project “YESS Tripoli”, funded by the EU, supports MSMEs in Tripoli to enable them to employ vulnerable young people. In **Montenegro**, the Directorate for Development of Small and Medium Sized Enterprises (SMEDD) in the Montenegrin Ministry of Economy assists small and medium enterprises (SMEs) and has a special interest in promoting youth entrepreneurship. The SMEDD offers informative and advisory services, entrepreneurship training, mentoring services, and organises participation in business fairs. In 2017, the Ministry of Economy provided €132,000 for training and mentoring support services to SMEs (UNDP, 2017). Entrepreneurs in **Morocco** are supported by the National Agency for the promotion of SMEs (ANPME). The Morocco Incubation and Spin-off Network, based at the Centre National pour la Recherche Scientifique et Technique (CNRST), was established in 2002 to bring together universities and industry. It supports the creation of innovative start-ups through training and advisory services.

⁵ See: <http://www.startupscouts.org>

5.2 Services provided by NGOs

In **Jordan**, entrepreneurs receive support through various business associations and the Chambers of Industry and Commerce.

In Montenegro, the **Union of Youth Entrepreneurship** was established in 2017 as a business association for young entrepreneurs under the age of 35.⁶ It currently has 88 members. It assists its members by providing IT support, business consultancy services, and support to attend business fairs and conferences. Target groups are young entrepreneurs and those thinking about becoming an entrepreneur. Meetings and events are held on an informal basis in a member's home or a café. Communications are made through social media. Some members write blogs about their experience with entrepreneurship on the Union's website. The Union collaborates with every municipality in Montenegro and seeks sponsorships from municipality budgets, although only small sums are available such as for travel expenses. The requirements for receiving financial support from municipalities are strict (e.g. having substantial collateral), which young entrepreneurs can rarely satisfy. Hence developing schemes that are more suitable to young entrepreneurs would be highly recommendable. Some municipalities offer grants for start-up businesses, while others offer loans with very low interest rates. More could be done to support the young entrepreneurs, for example by offering available spare space for co-working; municipalities have much empty space that could be used for this purpose.

In **Morocco**, NGO programmes such as Injaz, Endeavor, Startup Maroc, TechnoPark and OCP Foundation provide information, assistance and training for startups. However, these are based in the large cities and similar levels of support is not available elsewhere, although new initiatives such as Startup Your Life have tried to reach out to peripheral areas, as have Ampion Bus, Hidden Founders and New Work Lab.⁷

The NGO **StartupYourLife** is a non-profit organisation that aims to identify, gather and empower innovative entrepreneurs in Morocco. It is made up of innovative entrepreneurs, developers, designers and change makers based in Morocco or from the diaspora who embrace a common mission of advancing innovative entrepreneurship in the country. Its goal is to generate role models and success stories capable of changing the local ecosystem, attracting foreign investors, and creating high economical value and lasting social impact. It aims to create a Hub for innovative startups in Morocco and build bridges to other ecosystems. It provides mentoring, training, networking and access to capital from local and international sources.

⁶ Interview with member of Union of Young Entrepreneurs, June 2018.

⁷ See: <http://www.atlanticcouncil.org/blogs/menasource/empowering-entrepreneurship-in-morocco-and-beyond>

5.3 Services providers supported by international donors

In **Jordan**, entrepreneurs receive support through the Tatweer Business Development Centre supported by USAID. Tatweer has provided more than 750 financial grants in the form of technical and marketing assistance, business plans and strategies, market analysis and assessment, product and process development, market outreach and backward linkages, export facilitation and building the capacity of middle management. In **Turkey**, the main body responsible for SME policy development, co-ordination and implementation is the Small and Medium Enterprises Development Organisation (KOSGEB) affiliated to the Ministry of Science, Industry and Technology (MoSIT). It has 88 regional offices, covering all cities in Turkey. The “National SME Strategy and Action Plan 2015-18” aims to simplify business regulations.

5.4 Services providers supported by EU programmes

In **Turkey**, the “Regional Competitiveness Operational Programme”, co-funded by the EU’s IPA pre-accession programme, aims to foster entrepreneurship in 43 less developed provinces in Turkey. It had a budget of €352 million for 2007-2011. Several government policies and NGO initiatives provide incentives for female entrepreneurial start-ups. The Small and Medium Enterprises Development Organization (KOSGEB) is a state-owned organisation that supports women entrepreneurs. Civil society organisations, such as the Women Entrepreneurs Association of Turkey (KAGIDER) and TurkishWin, train women in starting and developing their businesses. The United Nations Development Program (UNDP) in collaboration with the Turkey Vodafone Foundation and the Habitat Association have also supported youth entrepreneurship. Turkey participates in the EU’s “Erasmus for Young Entrepreneurs” programme, a cross-border exchange scheme that facilitates mobility of young entrepreneurs, helping them acquire relevant skills to run a business by working with an experienced entrepreneur in another country for a period of one to six months.

6 Finance for youth entrepreneurship

6.1 Subsidised loans and grants from national governments

In **Egypt**, while finance is generally available for good business ideas, young entrepreneurs cannot easily access small sized loans. Therefore, the the Social Fund for Development (SFD) provides financial support for small entrepreneurs through microcredit funds, in collaboration with international financial institutions (OECD, 2014b). In **Israel**, approved enterprises in a development area may receive grants of 10%-32% of the value of their investments in fixed assets; they also benefit from low company tax rates of 10%-25% for a period of seven to fifteen years.⁸ The government's SME Guarantee Fund is managed by two private consulting companies. The Koret Israel Economic Development Fund is an NGO that provides micro-loans from its own endowments, supplemented by 50% government participation. In **Lebanon**, the Banque du Liban (BDL) has provided \$600 million of credit lines on an interest-free basis for up to seven years for investment in the knowledge economy focusing on young entrepreneurs' startups. Under BDL Circular 331, the credit line can be used to finance up to 75% of an investment in local start-ups, incubators, or venture capital funds that invest in startups.⁹ For example, a Lebanese venture capital fund called Middle East Venture Partners received \$71 million under Circular 331 and has invested in more than 10 tech start-ups.¹⁰ In **Montenegro**, the Investment and Development Fund of Montenegro (IDF) has introduced a credit line for start-ups and entrepreneurs. In 2016, the IDF introduced the measure "Loans for University Graduates" which provided zero interest rate loans enabling the creation of 12 new youth businesses. A priority measure "Improvement of financial support to the sector of small and medium-sized enterprises" is part of the "Economic Reform Programme 2017". Under this measure, the government will provide €120 million through the IDF to finance young entrepreneurs and others through short- and long-term loans with a grace period of five years and a loan repayment period of 15 years. The interest rate on these loans has been decreased for entrepreneurs in the northern region and in less-developed municipalities. Interest-free loans are offered to students in higher education who want to start their own business, supplemented by a training programme. A loan guarantee facility has been provided through the "Competitiveness of Enterprises and Small and Medium-sized Enterprises"

⁸ <http://www.israelbusiness.org.il/financialassistance/investmentincentives>

⁹ Intermediate Circular No. 331 addressed to Banks and Financial Institutions, Banque du Liban, 22 August 2013.

¹⁰ Domat, C. (2016) "Lebanon's Central bank pledges \$600 million for start-ups", *Global Finance*, 14th October.

programme (COSME)¹¹ to the financial intermediaries without the need to provide collateral. In **Morocco**, ANPME, the National Agency for the promotion of SMEs, runs the Moukawalati Programme which provides financial assistance to young entrepreneurs aged between 20 and 45 years to enable them to set up their own businesses, provided they have a minimum level of education and the investment does not exceed 250,000 Dhs.¹² The programme provides an interest free cash advance of up to 10% of the investment cost up to a maximum of 15,000 Dhs to be paid back over a six-year term. In addition, the Central Guarantee Fund provides a credit guarantee for setting up a company that covers between 50% and 85% of the value of investments. Entrepreneurs in Morocco have relatively easy access to bank finance compared to other countries in the region; over one fifth of working capital and investment is financed through the banks (EBRD, 2016). In **Turkey**, both the Ministry of Science, Industry and Technology and TÜBİTAK extend grants, subsidies, and other incentives to entrepreneurs. Turkey also has several business angel networks and a business angel association (TBAA) that provides equity finance to potential investors. Other financial support for start-ups is provided by banks such as TEB and Garanti, by the Bogazici University Business Angels and by financial support programmes managed by KOSGEB.

6.2 Venture capital funds

In **Egypt**, bank finance is only available to a small proportion of businesses, so venture capital is a useful alternative route for young entrepreneurs to finance a new start-up (EBRD, 2016). Financial institutions have injected funding into a series of investor funds, seed funds and angel investors from very small projects to larger and more promising ones, often with a focus on youth entrepreneurship. For example, Flat6Labs is a venture capital fund that provides start-up finance to entrepreneurs mainly in high technology sectors in exchange for a 10%-20% equity stake. The companies are initially hosted in the Flat6Labs incubator in Cairo for a three-month initial period.¹³ In **Israel**, about 70 venture capital funds provide young entrepreneurs in the high technology sector with startup equity finance and there is also an advanced business angel network. **Jordanian** entrepreneurs report that access to finance is the main obstacle to their business operations, so access to venture capital is important for start-ups (EBRD, 2016). A venture capital fund, Oasis500 based in Amman, provides seed investment and business accelerator services to start-up businesses in the

¹¹ The COSME Loan Guarantee Facility is a window of the Single EU Debt Financial Instrument which supports European enterprises' growth and research and innovation (R&I).

¹² See: <http://www.moukawalati.ma>. The minimum educational level is a Diplôme de la Formation Professionnelle or Bachelor degree.

¹³ <https://www.flat6labs.com/locations/>

technology and creative industry sectors.¹⁴ Start-ups secure funding from Oasis500 through a competitive process and receive 100 days of training and mentoring before being introduced to an investor network for follow-on funding from a variety of venture capital funds and banks. Several venture capital funds in **Lebanon** provide start-up finance to young entrepreneurs. For example, MIC Ventures is a \$48 million fund launched in February 2018 under the auspices of Lebanon’s Council of Ministers to invest in telecom sector start-ups. It provides them with a lab to develop their products and with coaching for marketing. Al Majmoua is a non-profit microfinance institution that supports women micro-entrepreneurs. Emkan is a microfinance NGO established in 2008 by the Hariri Group, covering all regions of Lebanon. The “Berytech Fund I” is a \$6 million venture capital fund that invests in early-stage companies in the ICT sector in exchange for equity ownership.

The G43 Anatolian Venture Capital Fund (G43) is a venture capital fund established in 2012 with a capital of €30 million to provide finance to SMEs in less developed regions of Turkey. It is a joint initiative between the Ministry of Science, Industry and Technology, the SME Development Organisation of Turkey (KOSGEB), the European Investment Fund (EIF) and the Istanbul Venture Capital Initiative (iVCi). It is the first regional equity fund focusing on the less developed regions of Turkey.

6.3 Funding from EU and other international donors

Turkey has participated in the EU’s COSME programme since 2014. In December 2016, the European Investment Fund (EIF) selected QNB Finansbank as its lending partner for loans to Master degree students through the Erasmus+ guarantee programme and to SMEs via the COSME programme. The agreement enables QNB Finansbank to provide EUR 228 million of loans to over 37,000 small businesses in Turkey over three years. The EIF Chief Executive, Pier Luigi Gilibert, stated that “giving students the opportunity to move abroad for educational purposes broadens horizons and encourages entrepreneurial ambition. By signing both Erasmus+ and COSME guarantee agreements with QNB Finansbank, EIF can play a role in creating jobs via SMEs, whilst providing studying opportunities abroad for future entrepreneurs”.

¹⁴ See: <http://oasis500.com/about-us/>

7 Structural support for youth entrepreneurship

7.1 Structural support from central government and LRAs

In **Egypt**, the Social Fund for Development (SFD) finances the Network of Egyptian Small Business Development Centres and the Micro and Small Business Support Centres that provide support to young entrepreneurs. These centres provide training, technical assistance and other basic services to young entrepreneurs. Community Development Associations are local community NGOs that are officially recognised public service providers that give assistance to local entrepreneurs. An example is the Young Businessmen's Association for Community Development.¹⁵ In **Israel**, numerous business incubators provide professional guidance to start-ups. These include several R&D technology centres, 27 technology incubators, one industrial incubator, one biotechnology incubator and several science parks and clusters.¹⁶ Biotech clusters are located in Jerusalem and Rechovot, while there is a software cluster in Herzliya and an ICT cluster in Haifa. The Israel Innovation Authority has established an Incubator Incentive Programme for technology-based start-ups, providing administrative, technological and business support. The Small and Medium Business Agency (SMBA) within the Ministry of Economy supports SMEs through 26 Small Business Development Centres (MATI Centres) that provide professional advice and training in several Israeli cities (OECD, 2014b). MATI Centers are one-stop-shops for entrepreneurs, providing a package of services including professional advice and training, and referral to sources of finance. In **Jordan**, the “National Entrepreneurship and SME Growth Strategy 2014-2018” supports incubators and startups. Publicly funded incubators are managed and administered by a public-private company Al Urdonia Lil Ibda (AULE). In **Montenegro**, Objective 1.4 of the “Economic and Social Reform Programme 2015-2020” contains measures to develop clusters, business incubators, business zones and technological parks. SMEDD has established a network of business centres that provide consulting and training services for potential entrepreneurs and its programme for mentoring start-up companies for two years is free of charge. The incubators provide new start-ups with office space, infrastructure and a range of services and are used to support youth entrepreneurship. There are two active incubator centres in Podgorica and Bar. In **Turkey** the Scientific and Technological Research Council supports start-ups through Technology Development Centres (OECD, 2016).

¹⁵ <http://www.annalindhfoundation.org/members/young-bussinessmen-association-community-development>

¹⁶ See: <http://www.israelbusiness.org.il/startingyourbusiness/technologicalincubators>

The Montenegrin **Business Start-Up Centre Bar** was set up in the municipality of Bar in 2007 to support students, young graduates and young potential entrepreneurs up to the age of 35 in starting their own business. The project has been financed by the Ministry of Foreign Affairs of the Netherlands and co-owned by local stakeholders represented in the Coordination Committee of the Centre. Its objectives are to assist young people in Bar to establishing new businesses; remove local bureaucratic obstacles to doing business. Partners of BSC Bar include the Bar Municipality, the Faculty of Tourism Hotel Management and Trade, the Economic Secondary Vocational School, the Montenegro Business Alliance, the Association of Olive Producers, the Cultural Centre, the Forum of Unemployed Women, the Association of Entrepreneurs and Agricultural Association. The Bar Municipality is the main partner and contributor. BSC Bar offers young entrepreneurs training in business in marketing, financial management, management skills, legal and tax issues, exporting to the EU, product development and innovation. It runs a Business Plan Competition and young entrepreneurs with the best business plans are supported with personal coaching, consultancy, micro-loans, incubation space and services and free registration of their business training, consultancy, working space and access to micro-credit.

7.2 Structural support from the private sector

In **Egypt**, the Nahdet el Mahrousa NGO has established an incubator for early-stage social enterprises set up by young professionals. Since its establishment in 2003, over 70 social enterprises have been incubated in areas such as youth development, education, health services and other social and cultural fields. Nahdet el Mahrousa has been funded by private businesses and international organisations.¹⁷ In **Israel**, private institutions such as venture capital funds, multinational corporations and others own technology incubators. Selected through a competitive process, they are licensed for eight years and are widely spread across the country. The programme nurtures novice entrepreneurs at the earliest stage of technological innovation. In **Jordan**, private sector incubators such as the Jordan Technology Group (JTG) support start-ups. The Jordan Innovation Centres Network (JICs) including universities and other stakeholders is administered by JEDCO. Eight incubators established by JEDCO are managed by AULE. Jordan also has several technology incubators, including iPark and JTG. UNICEF Jordan has developed a network of social innovation labs to provide an informal space to deliver a social innovation curriculum and a core set of technical skills to young people.¹⁸

¹⁷ <http://www.nahdetelmahrousa.org/who-we-are/our-story>

¹⁸ See: <http://unicefstories.org/2016/08/23/empowering-the-new-generation-of-innovators-in-jordan/>

Berytech Technology Pole founded in 2002 was the first technology incubator in **Lebanon**. Investors in Berytech include Lebanese banks, large national and multinational corporations, local NGOs, a university and individuals. Berytech was the first in the region to receive EU accreditation as a Business Innovation Center. It has housed more than 300 entities, assisted more than 3,000 entrepreneurs through outreach programmes, created more than 1,600 job opportunities, granted more than \$600 thousand to startups, and has invested more than \$70 million in Lebanese technology companies.¹⁹ Berytech incubators are based in several locations in Lebanon including at Mar Roukoz just outside Beirut in the vicinity of Saint-Joseph University. It connects to university resources including students and staff to encourage the growth of knowledge-based industries and enable the transfer of business skills to young entrepreneurs. Berytech Mataf is located close to the university's Faculty of Medicine and specialises in supporting health sector startups. Berytech Digital Park is based in the Beirut Digital District in Bechara el Khoury in Beirut and supports the startups in the ICT sector.

7.3 Structural support from international donors

In **Lebanon**, the UK Lebanon Tech Hub is an initiative of the Banque du Liban and the UK Government supporting the growth of Lebanon's knowledge economy.

Two main incubator programmes support entrepreneurship in **Turkey**: the Business Development Centres (ISGEMs) and the Technology Development Centres (TEKMERs) (Sungur, 2015). Seven ISGEMs have been established since 1997 under a World Bank programme in the provinces of Zonguldak, Tarsus, Ereğli, Eskişehir, Adana, Mersin and Van. Subsequently five more ISGEMs were established in Avanos, Samsun, Elazığ, Yozgat and Diyarbakır.

¹⁹ <http://berytch.org/about/>

7.4 Structural support from international donors and the EU

Several incubators in **Lebanon** have been established with international donor assistance. The German Academic Development Center in Beirut, in partnership with the Innovation Center Hamm in Germany, established the Maria Goeppert-Mayer Incubator/Accelerator (MGMI). The incubator offers Lebanese entrepreneurs an incubator for nurturing their startup ideas to help them grow in their early stages while offering financing to help kick-start their ideas.²⁰ The incubator offers startups and young entrepreneurs a link to German universities and industrial institutions related to the theme of their startups to help them in the research and development process. Additionally, the Business Incubation Association of Tripoli (BIAT) is a not-for-profit organisation established with the assistance of an EU-funded project called the “Integrated SME Support Programme” under the Ministry of Economy and Trade. It provides training in business planning, strategic management, bookkeeping and access to finance. Its project “Tripoli Youth Entrepreneurs” supports local youth entrepreneurship in the most vulnerable areas in the north of the country.

²⁰ See: <https://en.annahar.com/article/604721-new-startup-incubator-launched-linking-lebanon-and-germany>

8 Assisting LRAs for youth entrepreneurship

8.1 Assistance from the national level

A major challenge to the development of youth entrepreneurship is that government ministries, agencies and LRAs in the region tend to have a fragmented and uncoordinated approach to the issue. The many initiatives have been developed and implemented to support youth entrepreneurship often lack coherence or a broader strategy due to a “lack of leadership”.²¹ Local Chambers of Commerce are often more effective in carrying out initiatives that foster youth entrepreneurship than are LRAs. Compounding the problem is that most national authorities have a highly centralised approach to promoting youth entrepreneurship, and policies are typically formulated and carried out at the national level with little involvement of LRAs. An example of this is the proliferation of incubators that are typically only set up in capital cities and rarely established in more peripheral areas.

8.2 Assistance from international cooperation

The EU European Neighbourhood Policy (ENP) and the European Neighbourhood Instrument (ENI) support youth entrepreneurship in the Mediterranean region. For example, the four-year EBSOMED project for 2018-2022 has a budget of €6.25 million to strengthen business support organisations in the Southern Neighbourhood countries including Israel, Jordan and Morocco. Another example is the MEDUP! project with a budget of €5.46 million for 2018-2022 to strengthen social entrepreneurship support organisations and provide financial and technical support to social enterprises throughout the region. Further, the ENI CBC Med 2014-2020 Joint Operational Programme aims to support innovative start-ups and new enterprises with a focus on young and women entrepreneurs through its Priority A.1.1.²² Cross-border initiatives supported by the programme include improving access to financing, dedicated training, coaching and mentoring programs to strengthen business and managerial knowledge and the creation of local hubs and accelerators to train and host entrepreneurial talent, as well as specialised support services. These initiatives are aimed specifically at young people aged from 24-35, with preferential access for young women. A call under this Priority was closed in early 2018 with a total budget of €6.8 million.

In 2016 the EU adopted an External Investment Plan (EIP) to provide finance for investment in its Southern Neighbourhood. The plan aims to support the

²¹ Interview with ETF official, June 2018.

²² European Commission (2015) Mediterranean Sea Basin Programme 2014-2020 Final, Adopted 17 December, Decision No. C(2015)9133.

creation of decent jobs especially for youth and women. It is part of the European Fund for Sustainable Development (EFSD), which provides €4.1 billion in grants to support sustainable development in the EU Neighbourhood and sub-Saharan Africa, in combination with guarantees to reduce investment risk. It also provides technical assistance to support local authorities and companies to prepare bankable projects.

9 Recommendations for LRAs

9.1 The legal and institutional environment

- LRAs should improve the local business environment for young entrepreneurs by removing any local by-laws that may restrict business start-ups and by reducing or eliminating local fees, charges and taxes on business activities carried out by young people.

9.2 Entrepreneurial learning

- LRAs should support local schools and universities to introduce entrepreneurial learning programmes.
- LRAs should provide local evening courses for young people, especially for young women, in business competences such as accounting, business finance and marketing in association with local colleges and local NGOs.

9.3 Soft support for youth entrepreneurship

- LRAs should facilitate and support the creation of local networks of young entrepreneurs for information and guidance.
- LRAs should partner with local employment agencies and private organizations, such as Chambers of Commerce.
- LRAs could set up local mentorship programmes to provide training and advice to new business start-ups by young people.
- LRAs could support the local branches of the national employment service to provide information and guidance about entrepreneurial opportunities.
- LRAs could assist young women in identifying available sources of finance and provide guarantees for local banks loans to young women entrepreneurs with attractive business ideas and business plans.

9.4 Finance for youth entrepreneurship

- LRAs could set up local guarantee schemes funded by central government as part of regional development policies.
- LRAs could set up local investment funds for lending to young entrepreneurs in the locality at subsidised interest rates.
- LRAs could engage venture capital funds at local level.

9.5 Structural support for youth entrepreneurship

- LRAs should provide disused premises in their locality to serve as venues for business centres, incubators, and start-up hubs.
- LRAs often lack capacity to run incubators themselves, and in such cases should access state funding for incubators that should be privately managed.
- LRAs should provide focused support for young women who wish to become entrepreneurs by setting up business incubators specifically for young women and improving awareness among women of the opportunities available to them at local level.

9.6 How LRAs can be empowered by national and international assistance

- Central government agencies should provide expertise and technical support to LRAs to support youth entrepreneurship.
- International donors should step up support for youth entrepreneurship at local level modelled on best practice identified in this report.
- Engage the opportunities within the EU ENI for promotion of youth entrepreneurship at local level by providing LRAs with technical assistance on establishing a local ecosystem for youth entrepreneurship promotion.

9.7 Possible ARLEM follow-up activities

ARLEM should offer support to local authorities to identify projects in the field of youth entrepreneurship. It should engage with the EU European Neighbourhood Policy (ENP) and the European Neighbourhood Instrument (ENI) to support youth entrepreneurship in the Mediterranean region. Such projects should cover the whole field of youth entrepreneurship policy including entrepreneurial learning, soft support through information and advisory services, the provision of grants and subsidised loans for business start-up and the provision of business incubator services for new start-ups by young entrepreneurs.

ARLEM should engage with the EU's External Investment Plan (EIP) to secure finance for project investment in youth entrepreneurship throughout the Mediterranean region. The EIP aims to support the creation of decent jobs especially for youth and women and is therefore highly applicable to the field of

youth entrepreneurship. It is part of the European Fund for Sustainable Development (EFSD), which has large financial resources for grants to support sustainable development in the EU Southern Neighbourhood, as well as guarantees to reduce investment risk in youth enterprises. It also provides technical assistance to support local authorities to prepare projects in support of youth entrepreneurship.

Even where LRAs have few or no competences to deliver services to support young entrepreneurs in their locality, they should be encouraged to work closely with the competent authorities at central level to deliver local services to young entrepreneurs and their business start-ups. Where competences exist, the establishment of supported incubators along the lines of the Business Start-up Centre in the municipality of Bar in Montenegro would be a good example to follow. Where competences do not exist, the encouragement of the civil society and private sector to establish incubators should be encouraged at local level.

Networking with schools, the private sector and NGOs is also a feasible alternative for the delivery of services for entrepreneurial learning, information and advice. Projects to establish such networks could be supported by ARLEM through applications to the ENI and EIP.

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