

## **Draft report on youth entrepreneurship in the Mediterranean**

This draft report is the work of Domenico Gambacorta, a former member of ARLEM and the current rapporteur, Olgierd Geblewicz (president of Westpomerania Region, Poland). It was revised after the discussion at the fourth meeting of the ARLEM Commission for Sustainable Territorial Development which was held in Brussels in October 2018, with a view to its adoption at the 10th ARLEM plenary session in Seville in February 2019.

- **Introduction**

In North Africa and the Middle East, 60% of the population are under 30 years of age, but the youth unemployment rate is among the highest in the world<sup>1</sup>. This means that young people under 30 often live in precarious economic conditions, exacerbated by low wages and low social mobility. The need to ensure equal, sustainable employment opportunities for young people remains an indispensable element of economic growth strategies, especially in the Southern Mediterranean. Strengthening the support for youth entrepreneurship, particularly at local level, is a possible way to address regional problems effectively by promoting sustainable development, which can also help to reduce push factors for migration as well as to foster the economic and social inclusion of young people.

Within the European Union, boosting smart growth by also fostering youth innovative entrepreneurship is one of the key objectives of the Europe 2020 Strategy. However, serious problems continue to exist in the region: from lack of vocational education opportunities and limited access to credit, to the excessive centralisation of policies supporting entrepreneurship. These and other difficulties hinder young people in launching and running a profitable company or start up.

The lack of policies relating to youth entrepreneurship is therefore a multi-dimensional issue, caused by four interrelated factors. Firstly, the region is lacking in education programmes to train new entrepreneurs and to promote the spread of a culture of entrepreneurship among students. Moreover, vocational training programmes are not widespread. As a result, young people do not have the skills needed to start a business or to innovate to grow their own business. Secondly, youth entrepreneurship should be supported by a public administration able to provide information and services in a swift and effective manner. However, frequently young entrepreneurs from the region have to deal with the excessive centralisation of programmes aimed at the business world and a lack of local services for them. The third difficulty is access to credit, which remains highly problematic given that young entrepreneurs often do not have the opportunity to finance their own entrepreneurial projects.

Another serious shortcoming relates to the lack of decentralisation of employment policies and the labour market. In several countries local development and vocational training policies are almost exclusively under the remit of the central governments. Consequently, local and regional bodies have no say in initiatives to support entrepreneurship and cannot promote specific programmes for their communities. This has various detrimental effects on regional demographics as well: the needs of the local economic fabric are not met and internal migration and brain drain are constantly increasing, without being effectively tackled.

Yet, in the political and financial arenas, there are many tools and possibilities for developing solutions to the problems of youth entrepreneurship on the southern and eastern shores of the Mediterranean. With regard to the financial aspects, the partner countries are grouped into different policy frameworks. For example, there are candidate countries seeking to join the EU such as BiH, Albania and Montenegro, which have pre-accession instruments (IPA II) available to them. These instruments can be used to improve economic development in various sectors. There are also the countries of the Maghreb and the Near East, which have access to instruments such as the European

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<sup>1</sup> Report Youth Entrepreneurship in Mediterranean Partner Countries, P.3 (2018).

Neighbourhood Instrument (ENI). Moreover, in addition to these funds, individual Member States finance many projects (GIZ in Germany, the AFD in France and the AICS in Italy, etc.).

- **Purpose**

The aim of this paper is to look at the options for youth entrepreneurship measures from the perspective of local and regional authorities and the role that they can play in supporting young entrepreneurs in the Mediterranean region. Moreover, this report will suggest possible initiatives and reforms to international organisations and central governments, with a view to strengthening existing programmes in fields such as vocational training, territorial cohesion and financial support to businesses.

- **Recommendations**

ARLEM calls on intergovernmental organisations, in particular the EU, the UfM and the UN to:

- 1) recognise youth entrepreneurship as a key factor in economic development in the Mediterranean region. In particular, mention should also be made of the beneficial effects that a potential increase in the number of young entrepreneurs could have in other areas, such as social policies, preventing brain drain and tackling unemployment;
- 2) facilitate the creation of initiatives on business and vocational training at local level. Programmes that offer the opportunity to acquire the essential business and other skills required to set up a company, to ensure it is competitive on the market and to overcome the potential failure of a business initiative should be launched and promoted;
- 3) extend and strengthen programmes to support youth entrepreneurship, such as MedUP!, Med4jobs and Next Society in order to promote innovation and economic development in the southern shores of the Mediterranean. Also, the European Union should initiate mobility schemes to give young entrepreneurs from North Africa and the Middle East the opportunity to get practical training from experienced entrepreneurs in one of the 28 EU Member States.
- 4) create platforms and initiatives to facilitate cross-border cooperation between countries in Northern Africa and the Middle East. For example, the European Cluster Collaboration Platform could be used to develop collaboration transnationally in Northern Africa and the Middle East.
- 5) develop more financing instruments and micro-credit to support the establishment or development of small and medium-sized enterprises, including in high potential areas, such as digital technology, social economy, tourism and energy.

ARLEM calls on the Mediterranean region's central governments to:

- 6) involve local authorities more in business policies. In many countries in the Mediterranean region, local authorities have very little autonomy in supporting youth entrepreneurship and this has negative consequences on the regional economic and social fabric. Central governments are

asked to recognise the benefits of greater decentralisation, particularly as regards funds for employment promotion and the development of employment offices;

- 7) develop smart specialisation strategies to help create synergies in key areas for local and regional development, using new technologies and involving young entrepreneurs in joint initiatives with the Ministries of Economic Development. For example, central governments can include a funding scheme in their regional development policies to guarantee funds for SMEs in strategic sectors such as IT, agri-food and energy;
- 8) simplify business legislation and reduce the administrative and tax burden for young people's business projects in order to create more transparency for investments, both public and private
- 9) implement legislation conducive to creating and developing business incubators, business angels networks and venture capital funds, in both major cities and smaller urban centres. Moreover, central government should simplify legislation on alternative form of financing such as crowdfunding.
- 10) invest more in innovation, research and entrepreneurial culture development, introducing entrepreneurship to school curricula at all levels and grades. This should have positive effects with regard not only to entrepreneurship, but also to policies to foster the economic and social integration of young people, thus helping to prevent radicalisation<sup>2</sup>;
- 11) promote the role and participation of women in the labour market and support legislative reforms on female entrepreneurship development. A particular attention should be paid to social and family legislations as well.

ARLEM calls on representatives of local and regional authorities in the Mediterranean to:

- 12) showcase success stories where municipalities or regions effectively supported youth entrepreneurship, which could be replicated elsewhere. In this context, ARLEM may, as a pilot project, reward young entrepreneurs for their projects aiming at sustainable territorial development, including through innovation. In particular, ARLEM could reward projects which benefitted from an entrepreneurial-friendly environment provided by local or regional administrations Specific focus could be placed on innovative projects creating employment for young people and women, thus contributing to several objectives of the Sustainable Development Goals (SDGs), in line with the UfM and the EU recommendations and policies.
- 13) recognise the role that the diaspora communities in Europe could play in training young entrepreneurs. The diaspora communities can both play a role in coaching young entrepreneurs in countries of origin and represent opportunities for economic cooperation for local companies. In this context, digital media and e-learning platforms can be useful tools for tutoring and coaching initiatives.

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<sup>2</sup>

ARLEM Report on the role of subnational authorities in the Mediterranean region in combating radicalisation and violent extremism among young people (2017).

- 14) develop joint initiatives with Chambers of Commerce and business organisations to provide specific support to young people who wish to start a business.
- 15) create cross-border networks with other local bodies to train future civil servants responsible for maintaining contact with entrepreneurs. A trained local public administration is needed which can provide effective, skilled and transparent support to local businesses;
- 16) promote communication initiatives in local schools to encourage entrepreneurship and develop joint initiatives with universities and training centres for the dissemination of entrepreneurship culture, including within civil society.
- 17) support the establishment of national and local networks to formulate strategies for female entrepreneurship. Particular attention should also be given to the participation of women in economic, political and social life. As ARLEM has acknowledged in a previous report, without proper political support, women are at real risk of economic and social marginalisation<sup>3</sup>.
- 18) continuously collect data and statistics on youth entrepreneurship and publish detailed periodic reports, so as to make it easier for international organisations to develop projects in this area.

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<sup>3</sup>

ARLEM Report on women's empowerment in the Mediterranean region (2017).

**List of contributors<sup>4</sup>:**

- Chambon-Feugerolles Municipality (France)
  - Greater Amman Municipality (Jordan)
  - Zintan Municipality (Libya)
  - Beit Sahour Municipality (Palestine)
  - Hatay Municipality (Turkey)
  - Arco Latino
  - Medcities
  - Intermediterranean Commission of CPMR
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Bilateral discussions were also held with the European Commission (Directorate-General for Employment, Social Affairs and Inclusion and Directorate-General for Neighbourhood and Enlargement Negotiations) and the European Training Foundation.