

Part 2

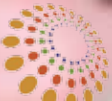
# Avoiding a lost generation

## Ten key recommendations to support youth entrepreneurship across the G20



**EY**  
Building a better  
working world

**G20**  
Young Entrepreneurs Alliance  
Summit, Australia 2014

 **G20**  
Young Entrepreneurs'  
Alliance

# Welcome

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*Avoiding a lost generation: ten key recommendations to support youth entrepreneurship across the G20*, contains both key recommendations and actionable guidance based on best practices adopted by governments across the G20. It follows on from our previous report, *Avoiding a lost generation: young entrepreneurs identify five imperatives for action*, where we surveyed 1,000 entrepreneurs on a wide range of possible policy and other initiatives that would boost their activities.

Of the many and varied repercussions of the 2007-08 financial crisis, one that rippled across borders to impact both developed and developing economies was rising unemployment, an issue that affected young people, in particular. While growth has picked up in many countries and a new sense of optimism is present through much of the global economy, the high number of young unemployed has proven a persistent and deeply entrenched barrier to further progress. Although policymakers around the world have hunted hard for sustainable solutions, a global youth unemployment rate of 16.1% tells a story of dreams dashed, ambitions unfulfilled and potential wasted. In this context, the broader message of economic recovery is one that must hold limited resonance for a young person without a job, or even the prospect of one.

And yet all is not lost. Once again, the answer lies in the activities of one of the world's most precious economic commodities: entrepreneurs. As generators of jobs, supporters of local communities and pivotal components of more prosperous societies, it's no wonder they are so highly prized by governments across the G20 and beyond. Young entrepreneurs are of particular importance. Brimming with potential and energy, theirs are activities – if nurtured and supported correctly – that can lead to meteoric growth, jobs and success across societies. So, how can G20 governments help?

An important starting point is the recognition that while a global phenomenon, youth unemployment varies from one G20 country to another. Low skill levels may be prevalent in some countries, whereas others enjoy higher skills but limited job opportunities. Recognizing that there is no one-size-fits-all solution, EY has created a new guide which provides a framework for assessing the youth employment challenge in G20 countries. From this analysis, and our own extensive experience with governments and entrepreneurs, we propose 10 key recommendations to G20 policymakers to consider.

Solving this challenge will not happen overnight. Youth unemployment has penetrated deep into the G20 and breaking free of its grip requires governments and business to work together to support the job-creating activities of entrepreneurs. Helping greater numbers of young people to start and sustain their own enterprises holds the key to a stronger global economy and the emergence of a better working world: we hope this report helps accelerate the process.



**Maria Pinelli**

Global Vice Chair  
Strategic Growth Markets, EY

In December 2013, Australia assumed the role as Chair of the G20; a position that is surrounded with immense responsibility and complexity but, more importantly, the potential for a significant and enduring positive impact on the world's future.

The priorities under Australia's G20 chairmanship (sustainable and inclusive growth, employment, investment in infrastructure, trade, driving the commercialization of innovation and increasing the participation of women in the workforce) are all outcomes that result from building ecosystems that create and enable high-growth entrepreneurial small and medium enterprises (SMEs). Investment in SMEs is essential for the G20 to achieve the 2% increase in global GDP committed to in 2014.

The G20 has accomplished much since its inception. But we are still faced with a global employment crisis which must be addressed with the same urgency and priority as the global financial crisis, and most importantly we must immediately implement strategies to address youth employment.

The G20 Young Entrepreneurs Alliance (G20 YEA) is a collective of leading entrepreneurship non-governmental organizations (NGOs) representing over 500,000 entrepreneurs across G20 countries and the European Union that have already created an estimated 5 million jobs. In 2014, over 400 young entrepreneurs and leaders from 37 countries selected to represent the voice of the world's future business leaders are attending the G20 YEA Summit in Sydney from 18 to 22 July.

We look forward to supporting the Australian Government in the improvement and implementation of key priority areas, with a focus on high-growth entrepreneurial SMEs:

- ▶ Building the infrastructure needed for the future
- ▶ Facilitating open trade in goods and services
- ▶ A strong and vibrant research sector
- ▶ The Entrepreneurs' Infrastructure Programme
  - ▶ The R&D Tax Incentive
  - ▶ CSIRO SME Engagement Centre
- ▶ Providing information to make it easier for SMEs to grow and thrive

- ▶ Removing barriers for SME entry and growth
  - ▶ Cutting US\$1b in red tape
  - ▶ Superannuation clearing house
- ▶ Access to finance
  - ▶ Crowdsourced equity funding paper
  - ▶ Peer-to-peer lending
  - ▶ Employee share schemes
- ▶ Building SME skills and capacity
- ▶ Growing SME digital know-how

The G20 YEA is very pleased to assist and build on the acknowledgement of youth and entrepreneurship in the 2013 G20 leaders' declaration, B20 human capital taskforce, T20 and Y20 recommendations. We are very encouraged by the commitment of the G20 employment working group to address youth unemployment in their employment plans. We extend heartfelt thanks to Robert Milliner, Mike Callaghan and Holly Ransom for their leadership, guidance and collaboration. We hope to see the relationships with these official engagement groups continue to improve throughout 2014 and into Turkey's chairing of the G20.

We are particularly thankful and excited about the depth, strength and impact of our collaboration with EY, and we hope together we will create a positive impact for many years to come.

Sincerely,



Jeremy Liddle

Entrepreneur and President, G20 YEA  
Australia

# Executive summary

Rare is the G20 policymaker who has not sought to address one of the biggest challenges of our times – youth employment. As an issue that has proved borderless in scope and deep in impact, it should come as little surprise that there are many government programs in place around the world that have sought to address it.

Leveraging initiatives already successfully deployed in other countries is attractive and practical. However, conditions in all countries are not the same, and a program that works in one environment may need to be customized to be successful in another. With this in mind, we have developed a guide to diagnosing the youth employment challenge in G20 countries.

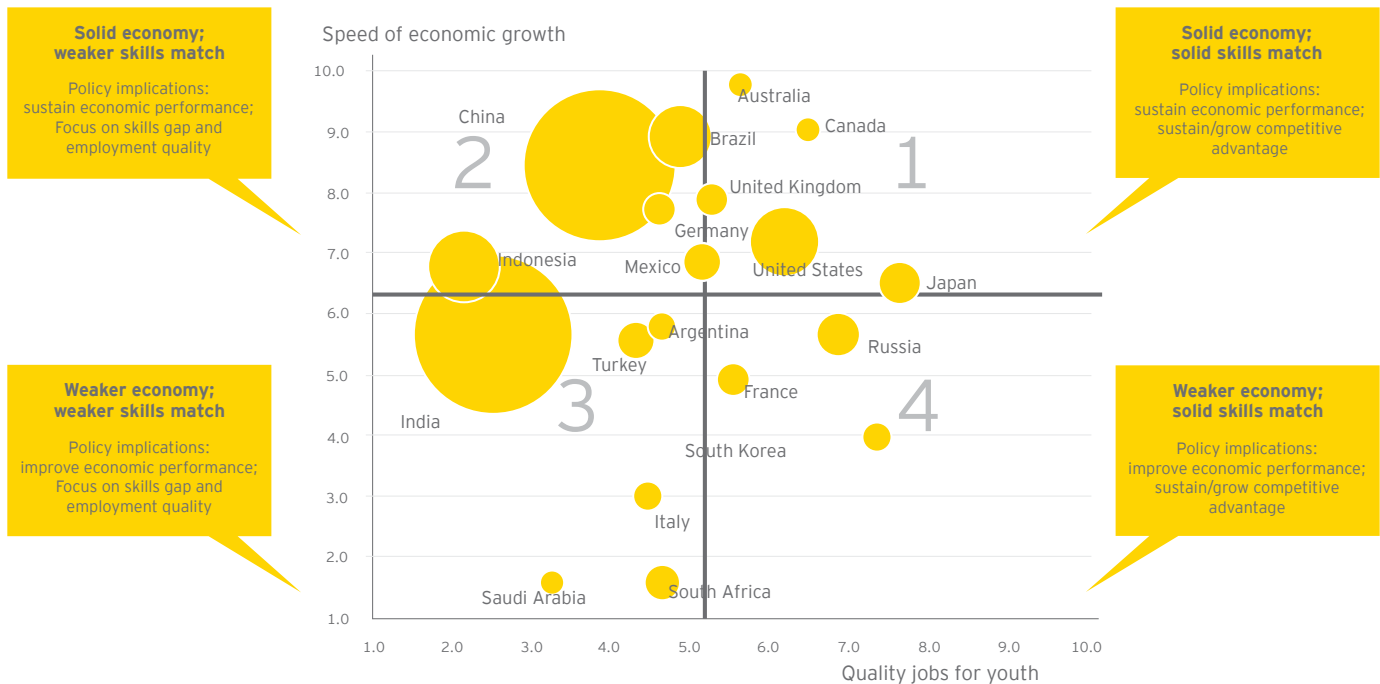
The aim of the diagnostic is first to guide assessment of the type of youth employment challenge for G20 countries. The framework shows the relative position of G20 economies across speed of economic activity – or their relative capacity to create jobs for youth, and across quality jobs for youth – reflecting their performance on the challenge of providing “decent” employment for youth. G20 countries are segmented into four quadrants,

reflecting their relative positions on “speed of economic growth” and on “quality jobs for youth.”

In recognizing the differences in context for the youth employment challenge across economies, the objective of the diagnostic is also to guide specific policy recommendations for governments. To bring these to life, the report presents a selection of best practice case studies that correspond to the four quadrants defined in the EY guide to diagnosing youth unemployment. The best practices reflect the different economic and employment quality dynamics between quadrants, showcasing the different ways entrepreneurship policy can be successfully applied to action our recommendations and support youth employment.

Using this new guide, and drawing on our own extensive experience with governments and entrepreneurs, we have developed 10 key recommendations as well as supporting actions for G20 governments to consider.

## The EY guide to diagnosing youth unemployment <sup>1</sup>



1. The axis “Speed of economic growth” reflects the strength of labor market conditions for youth. A higher score corresponds to stronger conditions. The axis “Quality jobs for youth” shows economic vulnerability; education levels and disparity in employment between youth and adults in the labor force. A higher score corresponds to relatively better quality jobs for youth. The size of the sphere in the chart reflects the relative size of the youth population across G20 economies.

## Our messages to G20 governments

### Access to funding



#### Capital without mentorship is lost capital

**Key recommendation:** Create funding mechanisms, either government run or government backed, that make mentorship and financial education a condition of funding.

#### Actions

- ▶ Provide financial literacy education for prospective young entrepreneurs alongside mentorship and funding support.
- ▶ Fund mentoring programs, and/or invest in mentoring programs through technology-focused, or skills-focused, government departments.
- ▶ Tie start-up funding to mentoring by requiring young entrepreneurs to have a mentor at the early stages of their business for at least two years that involves regular engagement.
- ▶ Match the right mentor with the young entrepreneur by developing a pool of mentors that can be drawn upon to match with the relevant entrepreneur.
- ▶ Employ innovative financing strategies to multiply the scope and potential impact of mentorship programs. Launch mentoring/financing support streams that cater to different business needs of young entrepreneurs.
- ▶ Facilitate access to collateral-free capital for young entrepreneurs along with grants and other assistance as appropriate, to promote inclusive entrepreneurship.

#### Best practice case studies



##### Canada

Futurpreneur Canada (Quadrant 1)



##### United States

Entrepreneurial Mentor Corps (EMC) (Quadrant 1)



##### Brazil

Start-up Brasil (Quadrant 2)



##### South Korea

Korea Fund of Funds (Quadrant 4)



##### Argentina

Fundación Impulsar (Quadrant 3)

# 2

## Access to alternative funding is critical

**Key recommendation:** Create strong relationships and provide incentives with venture capitalists (VCs), incubators and business angels to develop or create initiatives that enable alternative sources of capital

### Actions

- ▶ Provide advice to small businesses on raising equity finance from business angels and VCs.
- ▶ Provide incentives to venture capital and angel investors to invest in start-ups.
- ▶ Create a community of angel-based investors.
- ▶ Support friends and family in investing in small business through access to tax incentives, credits, deductions and incentives.
- ▶ Encourage start-up funding by providing government-guaranteed loans to VCs.
- ▶ Create a strong network of accelerators and incubators to support high-potential young entrepreneurs.
- ▶ Collaborate with the private sector to support online crowdfunding and create new initiatives in a competitive environment, including equity crowdfunding.

## Best practice case studies



### United Kingdom

Understanding Finance for Business initiative (Quadrant 1)



### United Kingdom

Seed Enterprise Investment Scheme (Quadrant 1)



### United States

Early Stage Innovation Fund (Quadrant 1)



### Canada

Canada Accelerator and Incubator Program (Quadrant 1)



### European Union

EU Venture Capital Fundraising Rules to Benefit SMEs



### Germany

German Accelerator (Quadrant 1)



### China

Incubators for returning students (Quadrant 2)



### Australia

ScreenWest initiative (Quadrant 1)

# 3

## Public funding matters

**Key recommendation:** Sponsor start-up growth with low-cost funding for targeted groups.

### Actions

- ▶ Assume youth are in the start-up phase and need finance. Provide government funding support to start-ups.
- ▶ Foster start-up programs mentored by academic institutions by directly investing in these institutions.
- ▶ Develop an entrepreneurial support pipeline starting with online training, workshops, then peer-to-peer networks, mentorship opportunities, customer linkages and export readiness.
- ▶ Boost female-led start-ups by providing government funding.
- ▶ Adopt a coordinated approach to start-up financing.

## Best practice case studies



**United Kingdom**

StartUp Loans Scheme (Quadrant 1)



**Russia**

Internet Initiatives Development Fund (Quadrant 4)



**Russia**

Skolkovo Innovation Center (Quadrant 4)



**Japan**

Female Youth Entrepreneurship Program (Quadrant 1)



**South Africa**

Finance for Youth-Owned Businesses (Quadrant 3)



## Entrepreneurs still need banks to keep credit moving

**Key recommendation:** Create a new class of loan for small businesses and young entrepreneurial firms that offers targeted funding to meet expansion capital needs.

### Actions

- ▶ For the Ministry of Finance or Commerce to establish and aggregate microfinance in a single site for one stop access.
- ▶ Provide loans particularly focused on propelling startup growth and funding, or referrals to microfinancing institutions that do.
- ▶ Reduce the financing gap for female entrepreneurs by offering targeted funding from banks.
- ▶ Work with banks to provide credit to SMEs specifically creating new jobs for young people.
- ▶ Provide intensive skills-based training and bank funding for young entrepreneurs.
- ▶ Boost female-led start-ups by providing government funding.

## Best practice case studies



### India

Micro and small enterprises (MSE) business finance support (Quadrant 3)



### South Africa

South African Microfinance Apex Fund (Quadrant 3)



### Brazil

“Banking on Women” initiative (Quadrant 2)



### Italy

SME credit support (Quadrant 3)



### Saudi Arabia

Loan packages for young entrepreneurs (Quadrant 3)



### The Netherlands

Qredits



## Tax and regulation

# 5

Targeted tax and business incentives are highly important to supporting young entrepreneurs in scaling their businesses

**Key recommendation 1:** Encourage investment in start-ups by offering tax benefits.

### Actions

- ▶ Identify and encourage investment schemes best able to target support on youth entrepreneurs.
- ▶ Develop tax incentives to support and advance these schemes.
- ▶ Develop tax incentives to encourage youth job creation.

**Key recommendation 2:** Enable young, high-growth entrepreneurial firms to scale up through amplified support for market access.

### Actions

- ▶ Drive a government procurement scheme which includes youth entrepreneurs as a targeted supplier.
- ▶ Support enterprise collaboration, and procurement opportunities, between high-growth young entrepreneurial firms and market-leading corporates.
- ▶ Enable access to export markets including through export financing initiatives.

## Best practice case studies

### Key recommendation 1



**United Kingdom**

Seed Enterprise Investment Scheme (SEIS) (Quadrant 1)



**Canada**

Small business personal income tax credit (Quadrant 1)



**Australia**

Early Stage Venture Capital Limited Partnerships (Quadrant 1)



**Turkey**

Business angel tax incentives (Quadrant 3)



**Argentina**

Youth Employment Tax Incentive (Quadrant 3)

### Key recommendation 2



**France**

"Pacte PME" SME Pact (Quadrant 4)



**South Africa**

Corporate Small Business Development Forum (Quadrant 3)



**Brazil**

Lei Geral Policy (Quadrant 2)

# 6

## Support global mobility for young entrepreneurs

**Key recommendation:** Encourage top international talent by changing visa rules and offering funding support.

### Actions

- ▶ Support international student mobility and introduce G20 multi-lateral visas.
- ▶ Relax G20 business visa restrictions among G20 countries.
- ▶ Promote immigrant entrepreneurs by linking them to funding institutions and business incubators.
- ▶ Promote inbound start-up activity by providing relocation funding support.

# 7

## Complex and burdensome rules in areas such as tax hold back young entrepreneurs

**Key recommendation:** Simplify and streamline tax administration to ease administrative burdens on young entrepreneurs.

### Actions

- ▶ Develop effective instruments to measure administrative and compliance burdens.
- ▶ Simplify tax rules and administration to ease burdens.
- ▶ Improve support and guidance available to young entrepreneurs.

## Best practice case studies



**United Kingdom**

Graduate Entrepreneur visa (Quadrant 1)



**Canada**

Start-up Visa Program (Quadrant 1)



**France**

Entrepreneurship visa (Quadrant 4)

## Best practice case studies



**United Kingdom**

Creation of the Office of Tax Simplification (Quadrant 1)



**France**

French 2014 reforms to simplify the administrative code (Quadrant 4)

## Entrepreneurship culture



### Positive mainstream views about entrepreneurship are needed to attract young people

**Key recommendation:** Create a positive narrative around entrepreneurship to help engage young people from an early age.

#### Actions

- ▶ Invest in initiatives that develop market leadership in specific areas (e.g., innovative technology) for the country or region, targeting and enabling young entrepreneurs to flourish at the start-up stage, and that promote the value of entrepreneurship to society and in particular youth.
- ▶ Promote entrepreneurship opportunities through an integrated approach, combining government and industry in particular.
- ▶ Target and educate unemployed youth about the opportunities entrepreneurship can bring them.
- ▶ Publicly celebrate young entrepreneurs success and international promotion of domestic start-ups and entrepreneurial firms.
- ▶ Integrate media/cultural campaigns with a broader national strategy that promotes the link between job creation and entrepreneurship.

## Best practice case studies



### Brazil

Startups and Entrepreneurship Ecosystem Development initiative (Quadrant 2)



### France

French Tech certification program (Quadrant 4)



### South Africa

Youth Entrepreneurship Promotion and Awareness Programme (Quadrant 3)



### Indonesia

Young Entrepreneur Program (Quadrant 2)



## Encourage a national, regional and local culture of entrepreneurship

**Key recommendation:** Encourage and foster hubs, incubators, accelerators and networks to bring relevant talent together.

### Actions

- ▶ Start early. Influence the discussion among young people while they are still in school and at university. Promote through an outreach program.
- ▶ Promote organizations and environments that will positively influence public perception of entrepreneurship.
- ▶ Bring together innovators and commercial organizations to showcase high-tech start-ups.
- ▶ Launch initiatives to promote a culture of entrepreneurship linked to SMEs.
- ▶ Encourage national and local entrepreneurial and networking associations.

## Best practice case studies



### Canada

Youth Entrepreneurship Fund (Quadrant 1)



### Australia

Innovate NSW (Quadrant 1)



### Germany

“Building on SMEs” initiative (Quadrant 1)



### Mexico

The National Entrepreneurs’ Institute (Quadrant 1)

## Developing an entrepreneurial ecosystem

# 10

For many of the recommendations and actions to have sustainable impact they need to work as part of a regional ecosystem, and within a regional ecosystem framework that fosters and attracts a critical mass of talent, capital and most importantly entrepreneurial leaders

**Key recommendation:** Create the foundation for a regional entrepreneurial ecosystem to flourish.

### Actions

- ▶ Provide an overarching ecosystem framework and a flexible funding model to support regional entrepreneur ecosystems.
- ▶ Provide funding for a lead organization or consortia of organizations at the regional level that includes comprehensive entrepreneurship ecosystem indicators.
- ▶ Provide funding to regional organizations and have them work within a regional alliance model comprised of all entrepreneur service providers (non-profit organizations); colleges and universities; and all levels of government. They operated within a coordination framework and meet on a regular basis.
- ▶ Emphasize the pillar of entrepreneurial education and skills development for the 21<sup>st</sup> century.
- ▶ Collaborate with business to deliver more robust testing of entrepreneurs' ideas and bring commercially viable opportunities to market.
- ▶ Identify a short list of key issues challenging G20 countries (e.g., trade, export, clean energy, food supply) and create incentives to attract young entrepreneurs across the G20 to solve these problems.

## Best practice case studies



Russia

Skolkovo Innovation Center (Quadrant 4)



United States

Silicon Valley start-up ecosystem (Quadrant 1)



Israel

Aviv-Yafo start-up ecosystem

# Setting the scene

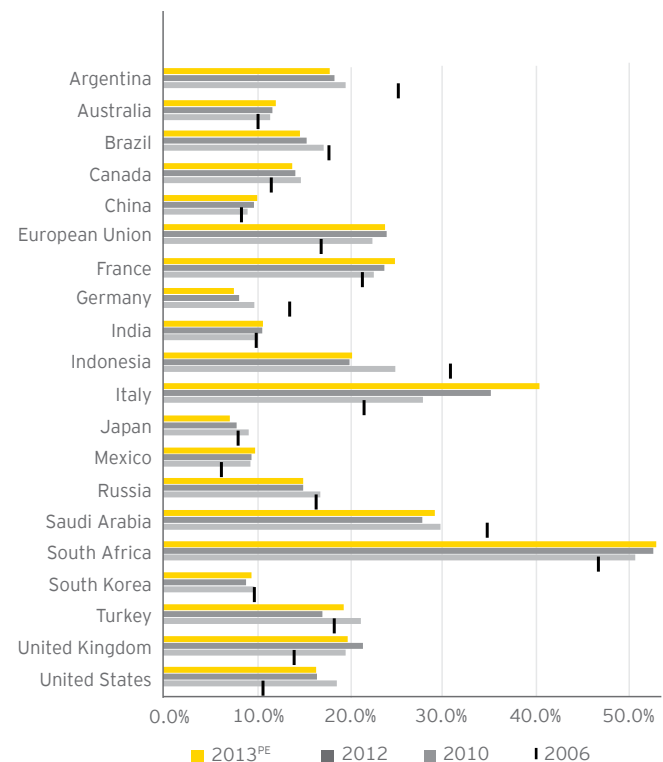


## The global challenge

Economies may be growing and deficits may be starting to fall but for millions of people around the world who remain locked out of the jobs market, the economic recovery must seem a far way off. A look at the numbers tells its own grim story. In January of this year, the youth unemployment rate in the OECD stood at 15.7%<sup>2</sup> while the rate in the EU28 was 23.4%,<sup>3</sup> with only slight falls in both cases from the previous year. In the G20 countries, youth unemployment stood at 16.1%.<sup>4</sup>

Youth unemployment also differs in character from one country to another. In the G20, some face issues of low skills levels, while other countries' youth may have high skills, but few job opportunities to match. With no one-size-fits-all solution available, it should come as little surprise that despite the efforts of policymakers to help more young people back into work, youth unemployment – surely one of the most invidious repercussions of the financial crisis – remains one of the greatest challenges for G20 governments to still address.

### Youth unemployment across the G20 countries (ages 15 to 24)



Source: "Research - Global Reports - Global Employment Trends 2014: supporting data sets," ILO website, [http://www.ilo.org/global/research/global-reports/global-employment-trends/2014/WCMS\\_234879/lang-en/index.htm](http://www.ilo.org/global/research/global-reports/global-employment-trends/2014/WCMS_234879/lang-en/index.htm), resource list 3 February 2014. PE = preliminary estimates.

- "OECD unemployment rate falls to 7.8% in November 2013," OECD press release, <http://www.oecd.org/std/labour-stats/HUR-Jan14.pdf>, 14 January 2014.
- "January 2014 Euro area unemployment rate at 12.0%, EU28 at 10.8%," Eurostat news release, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-28022014-AP-EN/PDF, 28 February 2014](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-28022014-AP-EN/PDF, 28 February 2014).
- Philippe Egger, "An ILO Note to the G20 Task Force on Employment," International Labour Organization, [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/genericdocument/wcms\\_190699.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/genericdocument/wcms_190699.pdf), September 2012, page 2.

“Youth unemployment is now a ticking bomb for all governments, both from developed countries and emerging countries. In the 21<sup>st</sup> century, the jobs we need to create will come neither from the big corporations nor from government, but they will come mainly from entrepreneurs who represent 66% of job creation within the OECD and 85% within the EU.”

Grégoire Sentilhes, President of NextStage and co-founder of the G20 Young Entrepreneurs' Alliance, representing the Journées de l'Entrepreneur (JDE) in France

Governments nonetheless have a wide range of approaches at their disposal. In the years immediately following the financial crisis of 2007-08, many focused on the renewal and improvement of infrastructure. An important current approach is to look for new fields of activity, and to encourage job creation through economic diversification. Another is for governments to offer tax relief and other financial incentives to SMEs in their early years of growth and development. These approaches can all be effective in providing new job opportunities. However, there is no guarantee that they will have a significant impact on the specific problem of youth unemployment.

## Kicking away the career ladder

Young people have suffered far more from the recent recession than their older counterparts in that they face “a much higher probability of being unemployed when in the labor force and they are more often employed in precarious jobs.”<sup>5</sup> According to the OECD, in Q4 there were four G20 countries – Indonesia, Italy, Mexico and Saudi Arabia – in which the youth unemployment rate was over four times higher than that for adults over the age of 25.

Even for those young people in work, problems often remain. The ILO report, *Global Employment Trends for Youth 2013*,<sup>6</sup> pointed out that many young people are working in low quality jobs that are insecure, poorly paid, with irregular hours and minimal job satisfaction that do not make good use of their qualifications and skills. As economic growth in the G20 begins to return, there is a need to repair the damage and look for lasting solutions to youth unemployment, in order that the generation so badly affected does not remain at a permanent disadvantage in the labor market. One of the OECD's initiatives is to promote potential long-term solutions to youth unemployment, which include “apprenticeship schemes, youth guarantees, measures to promote youth entrepreneurship.”<sup>7</sup> In this way, it is seeking solutions that emphasize employment quality and a close match between jobs and skills.

## Vocational education and training: apprenticeship schemes

Vocational education and training is designed to help young people navigate the transition from education to work. It could include employment at relevant businesses under arrangements such as internships or apprenticeship schemes. Ideally, these would involve new economy businesses such as those in digital media and data analytics. In these ways it increases employability, matching and adapting young people's skills to a valued type of work.

The success of the apprenticeship model in Germany, a country with relatively low youth unemployment during the recession (8.1% in 2012), has encouraged other G20 countries to introduce “specific measures to support apprentices in the context of the recent economic slowdown.”<sup>8</sup> G20 countries have responded by offering tax and other financial incentives: Australia awarded retention bonuses to companies contemplating dismissing their apprentices; France granted one-year exemptions from paying social security to firms hiring apprentices; and Mexico increased funding for training grants. Brazil's Professional Apprenticeships Plan “calls on all large and medium-sized enterprises to hire apprentices to a minimum of 5% of the workforce.”<sup>9</sup> The UK and Italy recently introduced reforms to increase the number of apprenticeships.

One problem in following the German apprenticeship model, however, is that it requires a similarly supportive culture, which is hard to achieve without adopting key aspects of German industrial life and education. For example, the UK's initiative to adopt and transplant the German model has encountered problems because of a lack of commitment from industry, and because the “education system provides no clear vocational track.”<sup>10</sup>

5. “The OECD action plan for youth: Giving youth a better start in the labour market,” OECD, May 2012, p. 2.

6. *Global Employment Trends for Youth 2013: A Generation at Risk*, International Labour Organization, [http://www.ilo.org/global/research/global-reports/global-employment-trends/youth/2013/WCMS\\_212423/lang-en/index.htm](http://www.ilo.org/global/research/global-reports/global-employment-trends/youth/2013/WCMS_212423/lang-en/index.htm), 8 May 2013, page 42.

7. “The OECD action plan for youth: Giving youth a better start in the labour market,” OECD, May 2012, p. 2.

8. “The challenge of promoting youth employment in the G20 countries,” OECD, <http://www.oecd.org/els/emp/50304960.pdf>, May 2012.

9. “G20 Task Force on Employment: Addressing employment, labour market and social protection challenges in G20 countries: Key measures since 2010,” OECD, [http://www.oecd.org/els/emp/G20\\_2013\\_Report\\_E\\_Russia130703.pdf](http://www.oecd.org/els/emp/G20_2013_Report_E_Russia130703.pdf), p.5.

10. “Keeping up with the Schmidts,” *The Economist*, <http://www.economist.com/news/britain/21601247-attempts-build-snazzy-german-style-apprenticeship-system-crash-cultural-and-economic>, 26 April 2014.

## Youth guarantees

The youth guarantee is a means of tackling youth unemployment and which entitles young people to support in the labor market. It was first implemented in the 1980s and 1990s in Scandinavia, and its main objectives are to promote labor market integration and prevent long-term youth unemployment.<sup>11</sup> Of the G20 countries, Germany has the most mature youth guarantee program and it has now been adopted as a principle by the EU as a whole. European Commission (EC) has recently called on EU Member States "to ensure that all young people under 25 receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed."<sup>12</sup> This offer is then to be adapted to each individual need and situation.

It remains to be seen how successful the EU will be in encouraging Member States to adopt this policy. It is also uncertain whether it will make a major contribution to youth employment in those G20 countries outside the EU that do not share the social market economic model of Scandinavia.

## Youth entrepreneurship

Entrepreneurship gives young people an opportunity to take the initiative in creating their own employment, and to define their work so that it matches their own skills and interests.

Encouraging entrepreneurship in young people is an "ever more important way of harnessing their enthusiasm, energy and ambition to contribute to economic development."<sup>13</sup> If their initiative is successful, they can then contribute benefits more widely to society. It is generally accepted that entrepreneurs "create jobs, increase innovation, raise competition and are responsive to changing economic opportunities and trends."<sup>14</sup> Young entrepreneurs also can also act as role models for their peers and, by their own company's operations or more specifically through mentoring, encourage others to follow their example.



11. Iobal Employment Trends for Youth 2013: A Generation at Risk, International Labour Organization (Geneva), [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_212423.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_212423.pdf), p. 66.

12. "Youth Guarantee: Making It Happen," European Commission conference, 8 April 2014.

13. "Fostering Future Entrepreneurs," International Labour Organization,

[http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---ifp\\_seed/documents/publication/wcms\\_175469.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_175469.pdf), accessed July 2014, page 1.

14. Francis Green, Youth Entrepreneurship: A background paper for the OECD Centre for Entrepreneurship, SMEs and Local Development, OECD, [http://www.oecd.org/cfe/leed/youth\\_bp\\_finalt.pdf](http://www.oecd.org/cfe/leed/youth_bp_finalt.pdf), 2013.



## The EY guide to diagnosing youth unemployment

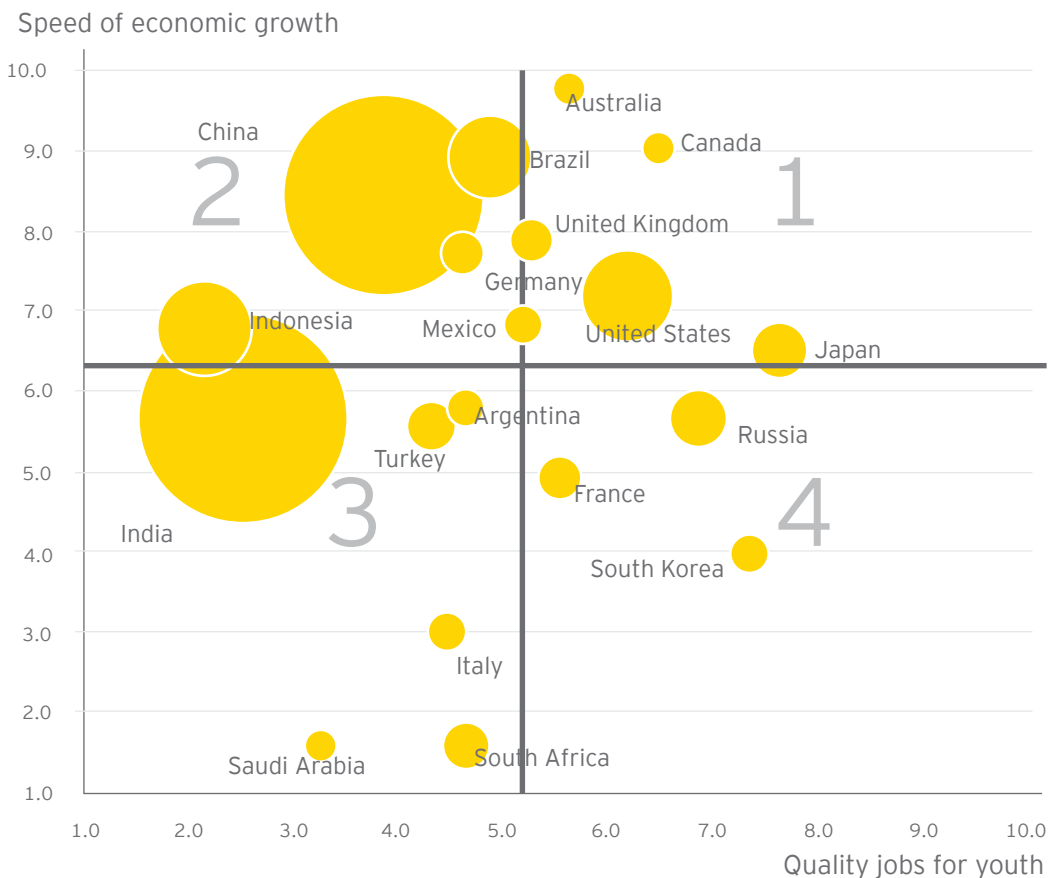
In Figure 1 we present the EY guide to diagnosing youth unemployment, a new tool which highlights the different policy challenges each country faces, reflecting the underlying dynamics of the economic situation and youth employment.

There are two coordinates: the speed of economic growth and quality employment for youth. Speed of economic growth combines the following data about a country's young people: their participation in the labor force; their unemployment rate; their inactivity rate; and their employment to population ratio. Quality jobs for youth measures factors such as education levels of youth in the labor market, economic vulnerability and the share of youth unemployment in total unemployment. G20

countries are scored out of 10 on speed of economic growth and quality jobs for youth, which shows their performance relative to other G20 countries on these dimensions.<sup>15</sup> A high score indicates that the country's position is a relatively favorable one. The tool also includes a measure of the relative scope of the Youth Employment Challenge across G20 countries, represented by the size of the total youth population by country (i.e., those aged from 15 to 24).

G20 members are positioned on the chart, and represented by a sphere representing the size of the youth population. For example, Australia and Canada have positive scores on both the speed of economic growth and on quality jobs for youth, while Italy's scores are by contrast relatively poor. These countries are therefore positioned in diagonally opposite quadrants while on the chart.

Figure 1



15. Scores in the diagnostic show the relative position of a given G20 country relative to other G20 countries only. Data for other economies is not included in the scoring system.

## Implications for government and policy development

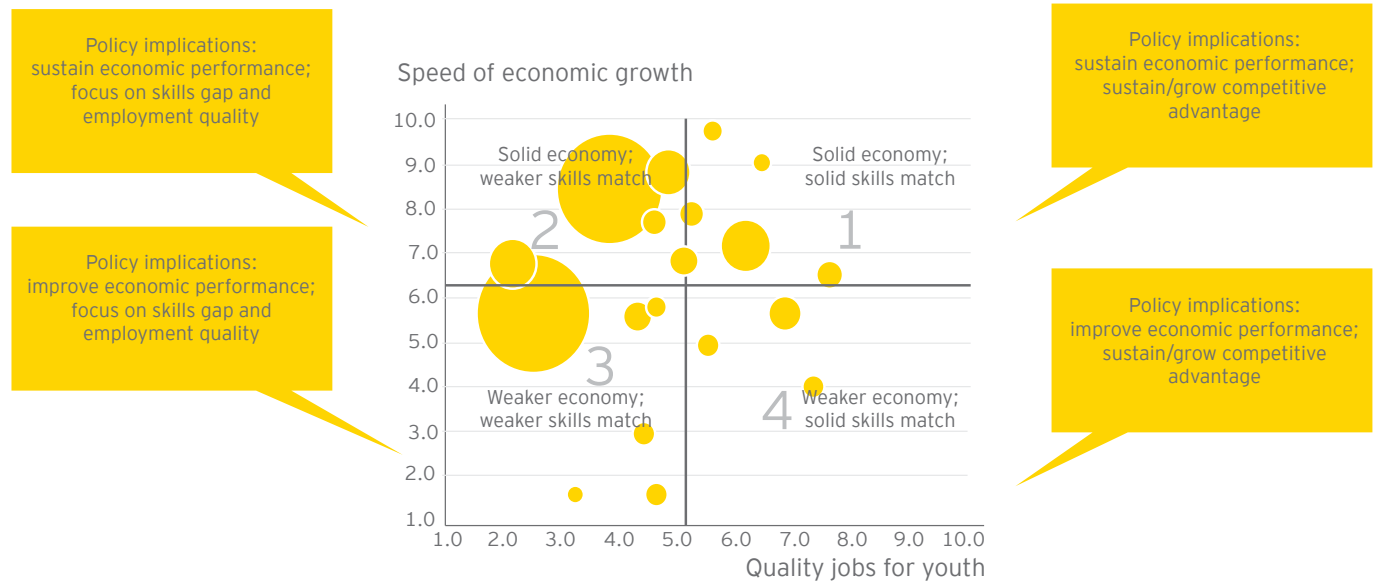
In Figure 2, we present the EY guide to diagnosing youth unemployment. It analyzes the appropriate response for each country to its own youth employment problem, given its position on the chart. The tool classifies G20 countries into four quadrants, reflecting their relative economic strength and ability to provide quality jobs for youth. Indonesia, for example, has a solid economy but shows softer performance on its current ability to provide quality employment opportunities for its young people

This assessment suggests distinct implications for governments and for policy development across the G20. For example, best practice policy examples for Indonesia will be different from those for France or South Korea, which show relatively strong performance on quality jobs, but softer economic conditions.

Policymakers in government need to take account of the present conditions of youth employment in their own country and frame their policies accordingly. They will “need to fit their overall approach into their respective national socio-economic context and specific development challenge.”<sup>16</sup> The best practice examples in this report, which are classified by quadrant, exemplify the differences in successful policy application, reflecting economic and employment quality circumstances.

There is clearly no easy solution to the problem of youth unemployment. Any approach must address several components, such as government initiatives to diversify industry, promote apprenticeships, offer development stage funding and tax relief, use education as a driver for change, and foster a culture of entrepreneurship. The approach must also take account of the particular character of youth unemployment in each country, so that the government’s response is targeted and appropriate. Entrepreneurship, however, holds many of the answers.

Figure 2



16. James Zhan (UNCTAD, Director, Division on Investment and Enterprise), “Entrepreneurship and productive capacity-building,” for Investment, Enterprise and Development Commission: Sixth session, High-Level Segment on Youth Entrepreneurship for Development (Geneva), [http://unctad.org/meetings/en/Presentation/cii2014\\_Zhan02\\_en.pdf](http://unctad.org/meetings/en/Presentation/cii2014_Zhan02_en.pdf), 28 April 2014.

Not only has entrepreneurship proved a fertile source of job creation, with entrepreneurs accounting for 67% of new jobs across the G20,<sup>17</sup> it also drives future economic growth and helps establish stronger, more prosperous communities. However, young entrepreneurs themselves are concerned at a lack of recognition of this reality, and that it is unnecessarily difficult for them to establish their businesses. In EY's *G20 Entrepreneurship Barometer 2013*, we found that "only 15% reported their own country had a culture that fully supported their efforts."<sup>18</sup>

The policy priority for all the G20 countries must be to create and maintain sustainable entrepreneurship ecosystems. These will encourage young people to start their own businesses and shape them into high-quality working environments, developing their own skills together with those of their employees. Such an initiative should be a long-term joint venture, between government, business and the young entrepreneurs themselves, with the ultimate goal of increased and sustainable job creation and radically lower youth unemployment.



17. Paul Wymenga, Dr. Viera Spanikova, et al., *EU SMEs in 2012: at the crossroads Annual report on small and medium-sized enterprises in the EU, 2011/12*, Ecorys for European Commission, [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2012/annual-report\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2012/annual-report_en.pdf), September 2012, page 15.

18. "Exceptional Extras, January 2014: G20 Entrepreneurship Barometer 2013 - Engines of growth," EY website, <http://www.ey.com/GL/en/Services/Strategic-Growth-Markets/ey-exceptional-extras-january-2014---G20-entrepreneurship-barometer-2013>, accessed July 2014.

## Defining best practice

There are many examples of best practice from across the G20 which are targeted at enabling entrepreneurship and creating more jobs for young people. Furthermore, “best practice” for a particular economy at a given point in time is defined by economic circumstances, the strength of entrepreneurial ecosystem and previous best practice examples. In this report we investigate and showcase a selection of best practice initiatives from across the G20 and present evidence of their progress so far. We distill what is important for G20 governments to consider, and list clear actions for them to deploy in their respective countries. We also use the EY guide to diagnosing youth unemployment to classify best practices according to economic and employment quality drivers.

In the *G20 Entrepreneurship Barometer 2013*,<sup>19</sup> we explored the concept of “the power of three,” setting out how governments, entrepreneurs and the larger corporations can work cooperatively to create thriving entrepreneurial ecosystems. The *Barometer* surveyed the views of 1,500 young entrepreneurs from across the G20, capturing and drawing together their insights. These young people considered the rate of progress within each country’s entrepreneurial environment, as well as identifying key enablers and obstacles.

To provide the context for the best practice case studies that follow, we have summarized the results of our survey within each of three main pillars: funding, tax and regulation, and culture.<sup>20</sup> In each, we have set out case studies and key messages to G20 governments, taking into account conclusions drawn from our diagnostic tool.

## Getting labor working in developing countries

I have been leading and supporting EY engagements on job creation and employment generation across the emerging markets but there is a huge amount still to do. For example, according to the World Bank’s *World Development Report 2013*, around 600 million new jobs will be required over the next 15 years to support a growing workforce.

It is important to note that in most emerging economies, 9 out of 10 jobs are created by the private sector, which is the foundation of any thriving economy. We have developed a private sector development framework, in collaboration with governments and international development partners, to drive inclusive entrepreneurial growth through job creation. Entrepreneurship is particularly vital to the future of developing countries because in the coming years, they must rebalance their economies toward greater domestic consumption, import demand and higher-value business activity.

The creation of an environment in which entrepreneurship can flourish will be an important step toward achieving these objectives, as will the need to empower the next emerging market: women. With nearly one billion expected to enter the workforce over the next decade, women are increasingly seen as the engine of the next wave of economic growth. Governments have a vital role to play in facilitating and encouraging this entrepreneurial development and funding ecosystem. In doing so, they will help make it far more likely that new businesses take root, delivering the sustainable jobs and growth so vital for accelerated development and the beginning of a better working world.

### Rohan Malik

Government and Public Sector Emerging Markets  
Leader at EY

[rohan.malik@in.ey.com](mailto:rohan.malik@in.ey.com)

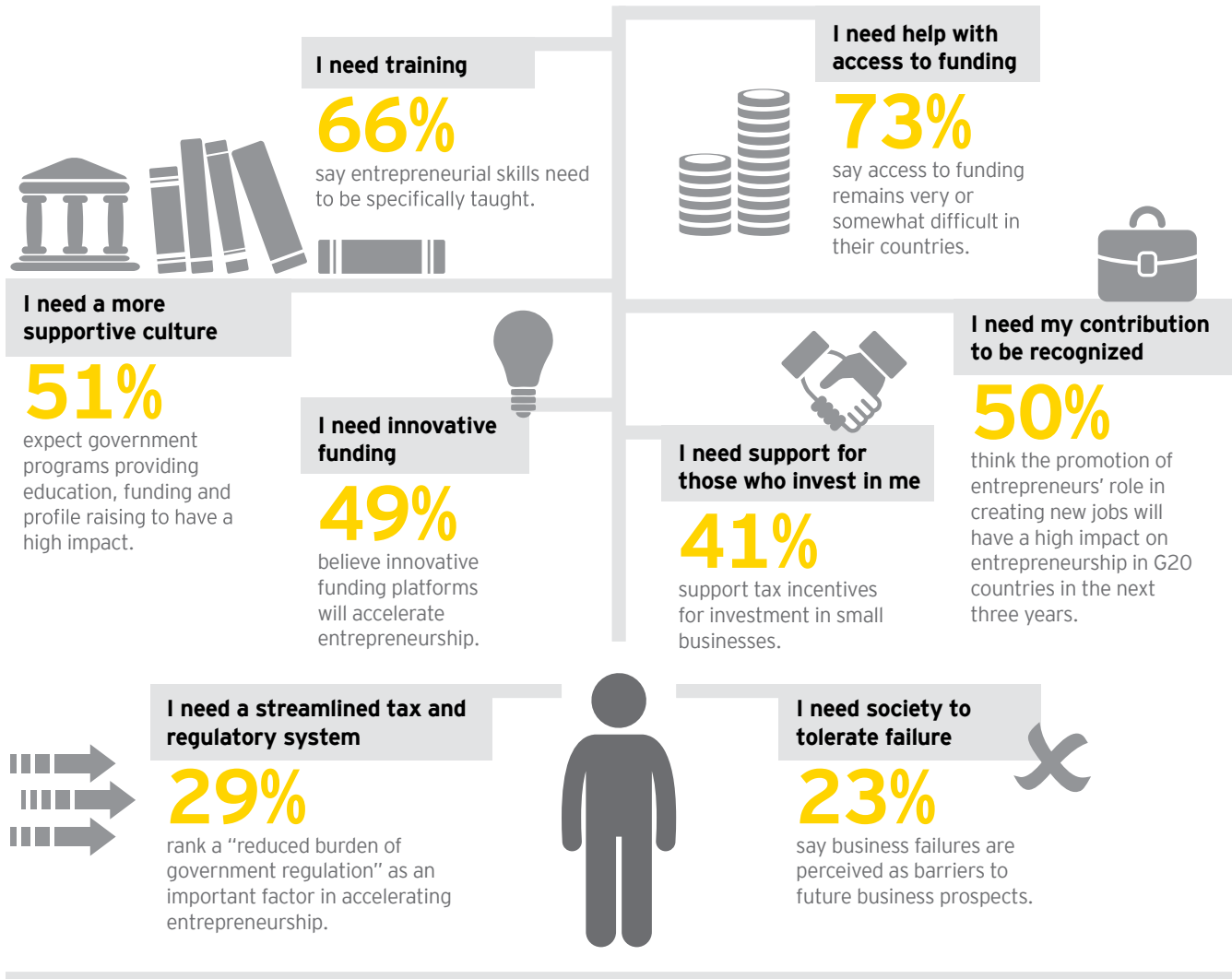
19. “The EY G20 Entrepreneurship Barometer 2013: The power of three: governments, entrepreneurs and corporations,” EY website, <http://www.ey.com/GL/en/Services/Strategic-Growth-Markets/The-EY-G20-Entrepreneurship-Barometer-2013>, accessed July 2014.

20. “Avoiding a lost generation: Young entrepreneurs identify five imperatives for action,” EY, produced for the G20 Young Entrepreneurs’ Alliance Summit, Russia, June 2013 [http://www.ey.com/Publication/vwLUAssets/Avoiding\\_a\\_lost\\_generation\\_June\\_2013/\\$FILE/Avoiding\\_a\\_lost\\_generation\\_LoRes\\_FINAL.pdf](http://www.ey.com/Publication/vwLUAssets/Avoiding_a_lost_generation_June_2013/$FILE/Avoiding_a_lost_generation_LoRes_FINAL.pdf).

# I am a young entrepreneur, and here's how you can help me

The young entrepreneurs of the G20 hold the key to solving our youth unemployment problem, but we must help them to achieve their potential. Their key concerns are as follows:

**"I am innovative, I have a global mindset, I want to learn. I seek out advice and support when it is available. I make a significant impact on my community and bolster the economy by creating jobs. I am a young entrepreneur."**



Source: 2013 EY G20 Entrepreneurship Barometer

# Access to funding

This is the single area in which improvements are seen to be most urgently needed, according to our findings in the *G20 Barometer*. There should be a “deeper and more diverse mix of funding options,” including more innovative ways of raising capital, such as crowdfunding and microfinance.<sup>21</sup> More traditional methods, such as venture capital funds and private sector investor investment, should be incentivized to focus more on entrepreneurial businesses. The bank lending model needs to adapt to reflect the fact that start-ups can rarely provide traditional collateral: alternative approaches are required, such as credit guarantee schemes.

## 1 Capital without mentorship is lost capital

A particularly valuable source of advice is the experienced entrepreneur who acts, often pro bono, as a mentor to young start-ups. The key recommendation is to create funding mechanisms, either government run or government backed, that make mentorship and financial education a condition of funding.

Actions for policymakers:

- ▶ Provide financial literacy education for prospective young entrepreneurs alongside mentorship and funding support.
- ▶ Fund mentoring programs, and/or invest in a mentoring programs through technology-focused, or skills-focused, government departments.
- ▶ Tie start-up funding to mentoring: young entrepreneurs must have a mentor at the early stages of their business. The relationship must be sustained for at least two years and involve a monthly engagement.
- ▶ Match the right mentor with the young entrepreneur by developing a pool of mentors that can be drawn upon to match with the relevant entrepreneur. For example, the needs of young entrepreneurs must be considered, as well as the proximity of mentorship.
- ▶ Employ innovative financing strategies to multiply the scope and potential impact of mentorship programs (e.g., subsidized loans or venture capital schemes, in addition to grants and equity).
- ▶ Facilitate access to collateral-free capital for young entrepreneurs along with grants and other assistance as appropriate, to promote inclusive entrepreneurship.

21. “Exceptional Extras, January 2014: G20 Entrepreneurship Barometer 2013 - Engines of growth,” EY website, <http://www.ey.com/GL/en/Services/Strategic-Growth-Markets/ey-exceptional-extras-january-2014--G20-entrepreneurship-barometer-2013>, accessed July 2014, page 14.

## Best practice case studies

### Canada: Futurpreneur Canada

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

Futurpreneur Canadian (formerly the Canadian Youth Business Foundation)<sup>22</sup> includes a start-up program that provides the support that entrepreneurs need to get their businesses off the ground. Young entrepreneurs benefit from the extensive experience of a “hand-matched” business professional who mentors them for a minimum of two years to ensure the success of the business. Futurpreneur Canada provides access to up to CAD45,000 in start-up financing and access to up to CAD30,000 in expansion financing through a partnership with the Business Development Bank of Canada.

**Performance:** Since 1996, Futurpreneur Canada has helped 6,570 young entrepreneurs to start their own business, creating more than 26,000 jobs and generating more than CAD191m in tax revenue in the process.



### United States: Entrepreneurial Mentor Corps (EMC)

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

On February 2011, the US Government launched EMC, a new program designed to mobilize the current generation of early-stage entrepreneurs to help build and support the next generation of American businesses.<sup>23</sup>

**Performance:** The first phase of the EMC program was a clean energy sector pilot. This funded four accelerators that in turn supported 100 start-ups. The approach is expected to be scalable to support 1,000 start-up companies.<sup>24</sup>

Where the picture is mixed, with high output but with lower quality jobs, the policy objective is to leverage funding incentives to drive innovation and entrepreneurship skills development among young people.

### Brazil: Start-up Brasil

G20 country profile: Quadrant 2 – has stronger economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 2: Sustain economic performance and focus on closing the skills gap and improving employment quality.

Start-up Brasil is a national acceleration program. It aims to support the creation, and accelerate the growth, of approximately 150 high-tech start-ups across the country. The investment, which is part of the government's Programa Estratégico de Software e Serviços de Tecnologia da Informação (TI Maior), will provide the companies with funding, along with support to expand their marketing and sales efforts.<sup>25</sup> The program has an initial budget of US\$19m, with a stipulation that at least 25% of the 150 companies must be foreign firms which have operations in Brazil.

**Performance:** This is early days for the program. Nonetheless, it provided 56 start-ups with approximately US\$90,000 in initial capital, as well as funding nine accelerators (selected from a pool of more than 900 applicants). Under the program, accelerators are expected to make additional investments of up to R\$1m (US\$499,000) in each team, indicating a huge potential multiplier effect. With companies required to be incorporated in Brazil, this suggests the local market will be a major beneficiary of the skills gain.

22. Futurpreneur website, <http://www.futurpreneur.ca/>, accessed 5 June 2014.

23. "Entrepreneurial Mentor Corps fact sheet," *The U.S. Small Business Administration website*, [http://www.sba.gov/sites/default/files/files/EMC\\_FactSheet.pdf](http://www.sba.gov/sites/default/files/files/EMC_FactSheet.pdf), accessed 5 June 2014.

24. "Startup America," *The U.S. Small Business Administration website*, [http://www.sba.gov/about-ba/sba\\_initiatives/startup\\_america/about\\_startup\\_america](http://www.sba.gov/about-ba/sba_initiatives/startup_america/about_startup_america), accessed 5 June 2014.

25. Emily Stewart, "Start-Up Chile and Start-Up Brasil: Two Very Different Beasts," *PulsoSocial*, <http://pulsosocial.com/en/2013/11/14/start-up-chile-and-start-up-brasil-two-very-different-beasts/>, 14 November 2013; Kim-Mai Cutler, "The Brazilian Government Is Doing A Startup Program, Too, And They're Putting A Call Out For Entries," *TechCrunch website*, <http://techcrunch.com/2013/04/15/startup-brasil-brazil/>, 15 April 2013.

### South Korea: Korea Fund of Funds

G20 country profile: Quadrant 4 – has softer economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 4: Improve economic performance and sustain and grow skills-based competitive advantage.

- ▶ The Korea Fund of Funds was set up to support local venture businesses and venture capital (VC) industry by providing stable capital sources and establishing a “venture ecosystem.”<sup>26</sup> The average size of funds is US\$7m, and US\$1m is the average investment size of each target firm. The uniqueness of the fund is that it invites more capital from the private sector. The government’s capital creates synergy with private capital to be invested in SMEs rather than providing loans or guarantees.
- ▶ The Youth 1000 CEO Project is a Seoul city initiative that provides young entrepreneurs with free office space and grants.<sup>27</sup> The city provides financial and advisory support to 1,000 people in their 20s and 30s who have ground-breaking ideas but no capital. They are also given training at the business establishment center, which acts as a workspace and provides them with basic infrastructure, such as office space and supplies.

**Performance:** In the program’s first three years, 3,451 jobs were created in 1,551 businesses. In its fourth cycle, from March to May of this year, the program stepped up its support and decided to award 1,200 winners instead of 1,000.

### Argentina: Fundación Impulsar

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

The Fundación Impulsar promotes financial inclusion and is targeted primarily at those who are from economically disadvantaged backgrounds. It assists and supports young people between the ages of 18 and 35 who have innovative business ideas for which they have not been able to secure funding elsewhere. There is an initial assessment phase during which candidates’ ideas and business plans are tested in interview. Then, for those who are successful, the Fundación Impulsar provides seed capital along with business planning courses, development support, a greater awareness of the culture of entrepreneurship and a year of mentoring. The mentors are experienced business people who volunteer 4 hours per week to share their knowledge.

**Performance:** These are sustainable and profitable programs: of the 1,200 microenterprises already funded by the Fundación Impulsar, 70% are still trading and they have an average of three employees each.



26. Ashoka Changemakers, <http://www.changemakers.com/SME-Finance/entries/korea-fund-funds>, accessed 5 June 2014.

27. Elaine Ramirez and Sang Youn-joo, “Youth start-up programs young, but blooming: Public and private sectors boost entrepreneurial support to tackle nation’s unemployment problem,” The Korea Herald, [http://www.koreaherald.com/common\\_prog/newsprint.php?ud=20121002000722&dt=2](http://www.koreaherald.com/common_prog/newsprint.php?ud=20121002000722&dt=2), 2 October 2012; “Supporting Dreams Through the Youth CEO Project,” Arirang News, [http://www.arirang.co.kr/News/News\\_View.asp?nseq=116991&category=2](http://www.arirang.co.kr/News/News_View.asp?nseq=116991&category=2), 13 June 2011; In-Soo Nam, “South Korea Fuels a New Entrepreneurial Spirit,” The Wall Street Journal, <http://online.wsj.com/news/articles/SB10001424127887323393804578554681586293800>, 19 June 2013.



## 2

### Access to alternative funding is critical

Private equity and VC are important parts of the funding landscape, which are of particular help to entrepreneurs in scaling up their businesses. While not a panacea, crowdfunding and other inventive ways of raising capital are also significant.

Along with funding, business accelerators and incubators also support innovative businesses by providing them with technical and marketing guidance from networks and from experienced entrepreneurs.

There is a clear cross-fertilization between alternative funding and tax policy. This is evident in the Turkish scheme for business angels and the Australian tax credits for venture capital.

The key recommendation is to create strong relationships and provide incentives with venture capitalists (VCs), incubators and business angels to develop or create initiatives that enable alternative sources of capital.

Actions for policymakers:

- ▶ Provide advice to small businesses on raising equity finance from business angels and VCs.
- ▶ Provide incentives to venture capital and angel investors to invest in start-ups.
- ▶ Create a community of angel-based investors.
- ▶ Support friends and family in investing in small business through access to tax incentives, credits, deductions and incentives.
- ▶ Encourage start-up funding by providing government-guaranteed loans to VCs.
- ▶ Create a strong network of accelerators and incubators to support high-potential young entrepreneurs.
- ▶ Collaborate with the private sector to support online crowdfunding and create new initiatives in a competitive environment, including equity crowdfunding.

### Best practice case studies

#### United Kingdom: "Understanding Finance for Business" initiative

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The London Development Agency and the European Regional Development Fund jointly launched the Understanding Finance for Business initiative to support London's entrepreneurs in raising capital.<sup>28</sup> It helps companies to make informed decisions about the sorts of financing they require, by providing tailored advice through seminars, workshops and one-on-one support. Through the Gateway2Investment program,<sup>29</sup> it provides support in raising equity finance from business angels, VCs and other investors.

**Performance:** The program helps London-based businesses which have sales of less than £40m (US\$67m) and fewer than 250 employees and are looking to raise from £100,000 (US\$160,000) to £5m (US\$8m) in a one year timeframe.

#### United Kingdom: "Seed Enterprise Investment Scheme" (SEIS)

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

In 2011, the UK Government launched SEIS, which offers tax benefits to individuals investing in small and early-stage start-up businesses in the UK. SEIS has been designed to boost economic growth in the UK by promoting new enterprise and entrepreneurship.<sup>30</sup>

**Performance:** It gives income tax relief at 50% of the cost of shares on a maximum annual investment of £100,000 (US\$166,000) in the small or early-stage start-up.<sup>31</sup> Relief is given through reducing the investor's income tax liability. In addition, it offers an exemption of 28% tax on any capital gains occurring within three years of the investment.<sup>32</sup>

28. "Government backed schemes and initiatives promoting new business startups," *ENT magazine website*, <http://www.entmagazine.com/start-ups.html>, accessed 29 May 2014.

29. "Gateway2Investment," *British library website*, <http://www.british-library.uk/bipc/ourpartners/gateway2.html>, accessed 29 May 2014. Exchange rate used is average for January 2014 - May 2014 YTD (£1 = US\$1.6643).

30. "Seed enterprise investment scheme," *SEIS website*, <http://www.seis.co.uk/>, accessed 29 May 2014.

31. Exchange rate used is average for January 2014 - May 2014 YTD (£1 = US\$1.6643).

32. "Seed Enterprise Investment Scheme (SEIS) Factsheet," *Gander Tax Services website*, <http://www.gandertaxservices.co.uk/wp-content/uploads/2014/06/Seed-EIS-Factsheet.pdf>, accessed 29 May 2014; Lauren O'Neill, "Securing tax relief for prospective investors," *FPM website*, <http://www.fpmca.com/news/securingtaxreliefforprospectiveinvestors>, 18 Nov 2013.

### United States: Early Stage Innovation Fund

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The Small Business Administration (SBA) launched the Early Stage Innovation Fund initiative in January 2013 to improve access to investment capital for start-ups.<sup>33</sup> The program provides government-guaranteed loans to VC funds, which in turn use this amount to make equity investments. It aims principally to provide direct investment to those companies that are otherwise overlooked by VCs.

**Performance:** The program aims to provide US\$200m in debt financing for each of the next five years for early-stage venture funding.

### Canada: Canada Accelerator and Incubator Program

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The Canadian Government launched the Canada Accelerator and Incubator Program (CAIP) as part of its Venture Capital Action Plan in September 2013. The program aims to establish a developed network of accelerator and incubator organizations to enable high-potential young entrepreneurs, to develop their ideas into globally competitive businesses.

**Performance:** Canada's Economic Action Plan 2014 proposes to provide the program with an additional CAD40m (US\$36.4m) over four years, starting in 2015-16, and thus increase its total funding to CAD100m (US\$91m).<sup>34</sup>

### European Union: "EU Venture Capital Fundraising Rules to Benefit SMEs"<sup>35</sup>

The EU introduced a European Venture Capital Fund<sup>35</sup> along with simplification of the fundraising regulation rules to promote better access to finance for SMEs. It increased financial support from the EU budget and the European Investment Bank. It introduced a single set of fundraising regulations that once VCs met could be applied across the EU Member States.

**Performance:** According to the European private equity venture capital association (EVCA), the total amount of VC invested in Europe increased by 5% to €3.4b (US\$4.6b) in 2013. More than 3,000 companies were venture backed. Start-up stage investments accounted for the majority of VC activity by amount (55%) and number of companies (59%).<sup>35ii</sup>

### Germany: German Accelerator

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The German Accelerator is a PPP which aims to expose German tech start-ups to American business culture and help them to enter the US market.<sup>36</sup> It provides entrepreneurs with three to six months of hands-on mentoring at locations in Silicon Valley, San Francisco and New York City, during which time experienced mentors continually challenge the entrepreneurs' assumptions and provide feedback to them. The start-ups actively engage with customers, establish relationships, adjust to local styles of communication, validate their products' market fit and make connections with potential investors.

**Performance:** There have been about 250 applications since the program's inception in 2011, and over 40 companies have already taken part.

33. Robb Mandelbaum, "S.B.A. Signs Its First Venture Capital Fund to New Investment Program," *The New York Times website*, [http://boss.blogs.nytimes.com/2013/01/22/s-b-a-signs-its-first-v-c-to-newstart-up-investment-program/?\\_php=true&\\_type=blogs&\\_php=true&\\_type=blogs&\\_r=1](http://boss.blogs.nytimes.com/2013/01/22/s-b-a-signs-its-first-v-c-to-newstart-up-investment-program/?_php=true&_type=blogs&_php=true&_type=blogs&_r=1), 22 January 2013.

34. "Chapter 3.1: Connecting Canadians With Available Jobs," *Government of Canada Budget 2014 website*, <http://www.budget.gc.ca/2014/docs/plan/ch3-1-eng.html>, accessed 29 May 2014. Exchange rate used is average for January 2014 - May 2014 YTD (C\$1 = US\$0.9096).

35. "New EU fundraising rules: boosting venture capital for SMEs and easing access to credit," *Europa website*, [http://europa.eu/rapid/press-release\\_IP-11-1513\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-11-1513_en.htm?locale=en), 7 Decem 35i. Exchange rate used is €1=US\$1.36188, as of 27 June 2014.

35ii. "2013 investments at a glance," *European Private equity & Venture capital Association (EVCA) website*, [http://www.evca.eu/research/activity-data/annual-activity-statistics/investments-\(2013\)](http://www.evca.eu/research/activity-data/annual-activity-statistics/investments-(2013)), accessed 27 June 2014.

36. *German Accelerator website*, <http://germanaccelerator.com/>, accessed 5 June 2014.

### China: Incubators for returning students

G20 country profile: Quadrant 2 – has stronger economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 2: Sustain economic performance and focus on closing the skills gap and improving employment quality.

The country is in the process of building 150 business start-up incubators for Chinese students who are returning to China after attending higher education institutions abroad.<sup>37</sup> It offers an informational platform and facilitates the communication and sharing of knowledge about human resources, projects, policies and funding.

**Performance:** About 80% of NASDAQ-listed Chinese high-tech enterprises were started by students who have returned to China after studying abroad.

### Australia: ScreenWest initiative

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

In 2012, the Western Australian Government partnered with the Australian crowdfunding platform Pozible to launch a ScreenWest initiative, making up to US\$250,000 available for digital projects in the state.<sup>38</sup> The program is an excellent example of the “Power of 3,” with state government, a commercial company and entrepreneurs all being involved. Creative teams will need to attract contributions online in order to secure the grant. Then for every dollar they raise through online crowdfunding, ScreenWest will contribute a further three dollars to the budget. The project is industry-specific, focusing on digital visual media, an industry that has proved especially attractive to young people.

**Performance:** There have already been a dozen projects which have achieved at least 100% funding, and many others already partially funded.<sup>39</sup>

## 3 Public funding matters

Nurturing youth entrepreneurship entails a sustained effort from public funding bodies. They need to help finance the start-up ventures by providing seed capital at a reasonable cost. Many countries have set up specialized funding agencies that focus on providing financial assistance in the form of loans, subsidies and debt refinancing options to the first-time young entrepreneurs and early-stage start-ups. Given many young entrepreneurial firms are in the nascent stages of their development, public funding support through these channels also demands a coordinated approach. In particular, entrepreneurs look to governments to play a more supportive role by encouraging more public-private partnerships, developing an entrepreneurial support pipeline starting with online training, workshops, then peer-to-peer networks, mentorship opportunities, customer linkages and export readiness. Linking funding to education is consequently an important mechanism for supporting young entrepreneurs.

The key recommendation is to sponsor start-up growth with low-cost funding for targeted groups

Actions for policymakers:

- ▶ Assume youth are in the start-up phase and need finance. Provide government funding support to start-ups.
- ▶ Foster start-up programs mentored by academic institutions by directly investing in these institutions.
- ▶ Develop an entrepreneurial support pipeline starting with online training, workshops, then peer-to-peer networks, mentorship opportunities, customer linkages and export readiness.
- ▶ Boost female-led start-ups by providing government funding.
- ▶ Adopt a coordinated approach to start-up financing.

37. C. Custer, “China Has 150 Start-up Incubators Just for Returning Study-Abroad Students,” *Tech in Asia website*, <http://www.techinasia.com/china-150-start-up-incubators/>, 24 August 2011.

38. “State Govt takes lead in innovative grant allocation initiative,” *Government of Western Australia website*, <http://www.mediastatements.wa.gov.au/pages/StatementDetails.aspx?listName=StatementsBarnett&StatId=6183>, 25 July 2012.

39. “ScreenWest’s 3 to 1,” *Pozible*, <http://www.pozible.com/collection/detail/25>, accessed 5 June 2014.

## Best practice case studies

### United Kingdom: StartUp Loans Scheme

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The UK Government launched a new scheme, in 2012, offering loans to young people to help them start new ventures. The StartUp Loans Scheme which has funds of £82.5m (US\$137.3m),<sup>40</sup> offers finance and support to entrepreneurs aged between the ages of 18 and 24.<sup>41</sup> The most promising applicants receive formal mentoring and training, including help with developing a business plan. Those with “robust and approved” plans are eligible for loans of around £2,500 (US\$4,160).

**Performance:** By the end of 2013, more than 3,000 people had registered interest for a StartUp Loan and over 460 new businesses had been approved, with loans totaling over £1.5m (US\$2.5m).<sup>42</sup>

### Russia: Internet Initiatives Development Fund

G20 country profile: Quadrant 4 - has softer economic growth and higher quality jobs for youth

Recommended policy objectives for Quadrant 4: Improve economic performance and sustain and grow skills-based competitive advantage.

The Russian Government launched its Internet Initiatives Development Fund (IIDF) to provide early-stage development funding, training, and organizational support for aspiring internet entrepreneurs.<sup>43</sup> The IIDF’s goal is to create a favorable funding environment for the country’s digital economy.

**Performance:** As of October 2013, the IIDF had received nearly 1,000 proposals from across Russia. The IIDF plans to select the 100 most promising applications, of which 50 will receive up to €23,000 and a place in the Accelerator program, the remaining 50 will receive online access to training courses and advice from industry experts.

### Russia: Skolkovo Innovation Center

G20 country profile: Quadrant 4 – has softer economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 4: Improve economic performance and sustain and grow skills-based competitive advantage.

Skolkovo Innovation Center<sup>44</sup> (also known as “Russia’s Silicon Valley”) is a planned high-technology business area set up at Skolkovo near Moscow. The project is similar to the ecosystem, Silicon Valley, in the US, providing end-to-end support for new ventures to develop successfully. The Skolkovo Institute of Science and Technology’s curriculum only offers graduate degrees and is financially backed by the Russian Ministry of Finance. It seeks to create tech start-ups and lure corporate research laboratories with tax breaks and relaxed visas and customs regulations. It utilizes the infrastructure, resources and other features of the technology park.

**Performance:** It has successfully backed 750 start-ups. By 2012<sup>45</sup> it had US\$97m in grants, 750 residents and 49 venture capital funds. It also had created 131 intellectual property items. And had attracted IBM, Microsoft and Siemens to locate to Skolkovo, and claims to have recruited 52 VC firms.

### Japan: Female youth entrepreneurship program

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The Japanese Government has inaugurated a fund to help young female entrepreneurs launch new companies. This forms a part of the country’s economic revitalization measures, known as the “Japan is Back” campaign. Tech start-ups launched by women are a particular growth area in Japan.<sup>46</sup>

**Performance:** As part of this funding program, Japan’s Government has allocated US\$200m (¥20b) to a fund to support young female entrepreneurs. Start-up founders also can apply for special low-interest loans from banks.

40. Exchange rate used is average for January 2014 - May 2014 YTD (€1 = US\$1.6643).

41. Steph Welstead, “Government launches start-up loans for young entrepreneurs,” *Startups UK website*, <http://startups.co.uk/government-launches-start-up-loans-for-young-entrepreneurs/>, 27 May 2012.

42. Abigail Van-West, “Start-up Loans scheme for young entrepreneurs explained,” *Startups UK website*, <http://startups.co.uk/start-up-loans-scheme-for-young-entrepreneurs-explained/>, 28 January 2013.

43. “Helping Russian entrepreneurs: Russia’s Internet Initiatives Development Fund,” *Think Russia website*, <http://www.thinkrussia.com/policy-initiatives/helping-russian-entrepreneurs-russia-s-internet-initiatives-development-fund>, 27 November 2013.

44. Oliver Staley, “Russia teams with MIT on Skolkovo Institute of Science and Technology,” *The Washington Post*, [http://www.washingtonpost.com/business/russia-teams-with-mit-on-skolkovo-institute-of-science-and-technology/2013/05/09/54b31e9c-b5da-11e2-b94c-b684dda07add\\_story.html](http://www.washingtonpost.com/business/russia-teams-with-mit-on-skolkovo-institute-of-science-and-technology/2013/05/09/54b31e9c-b5da-11e2-b94c-b684dda07add_story.html), 8 May 2013.

45. Andrii Degeler, “Russian tech hub Skolkovo in 2012 by the numbers: \$97m in grants, 750 residents, 49 funds,” *The Next Web*, <http://thenextweb.com/insider/2012/12/17/skolkovos-2012-97m-in-grants-750-residents-49-venture-funds/>, 17 December 2012. 46. “Japan’s tech startup solution? Women,” *CNN Money website*, <http://management.fortune.cnn.com/2013/09/11/japan-tech-women/>, accessed 29 May 2014.

46. Michael Fitzpatrick, “Japan’s tech startup solution? Women,” *Fortune magazine*, <http://management.fortune.cnn.com/2013/09/11/japan-tech-women/>, 11 September 2013.

## South Africa: Finance for youth-owned businesses

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

Three development finance institutions – the Industrial Development Corporation (IDC), the Small Enterprise Finance Agency (sefa) and the National Youth Development Agency (NYDA) – signed a cooperation agreement in October 2013 that will enable youth-owned businesses to have easier access to finance.<sup>47</sup> The agreement will result in a coordinated approach to providing funding and support services to these businesses. The cooperation agreement between the IDC, sefa and the NYDA is a follow-up to the signing of the Youth Employment Accord in April 2013, in which the government and its social partners made a commitment to prioritize youth employment and skills development. The IDC announced it had set aside ZAR1b (US\$93.4m)<sup>48</sup> from its Gro-e-Scheme to fund businesses owned by young entrepreneurs.<sup>49</sup>

**Performance:** These programs offered support to 44 youth-owned businesses during the six months from the signing of the Youth Employment Accord in April 2013. Furthermore, concessional lending and financial support amounting to ZAR37.4m (US\$3.5m) was provided to youth-owned enterprises during the same period.<sup>50</sup>

## 4 Entrepreneurs still need banks to keep credit moving

Accessing expansion capital can be a frustrating process for young entrepreneurs. Banks are low-risk lenders, and quite often young entrepreneurs are unable to meet the qualifying criteria for traditional loans. As a result, governments and organizations in many provinces offer secured loans, or even subsidized interest rates and credit mediation facilities, to qualifying young entrepreneurs.

Many entrepreneurs face an uphill battle for sufficient capital to keep a growing business, at the same time as managing sufficient working capital to pay its employees, vendors and landlord on time. While tight credit conditions were particularly pronounced in the recent financial crisis, challenges in accessing bank credit for investment and working capital persist, reflecting risk aversion and imperfect information on young entrepreneurial firms when applying for bank finance.

At the same time, bank lending is a financial backbone for business expansion. Unless the entrepreneur has a stockpile of cash to use when needed, reliance on short-term financing from a bank is the first line of defense. Accordingly, many entrepreneurs establish a line of credit with their bank, in addition to permanent financing such as a commercial mortgage or term loans for equipment and other fixed assets. As a result, there is a clear need for bank credit among young entrepreneurs in the scale-up phase of their business, and an important role for policy in driving facilitation.



47. "Partnership to provide support to youth entrepreneurs," *Industrial Development Corporation (IDC) website*,

<http://idc.co.za/media-room/press-release/media-releases-2013/400-record-disbursements-for-industrial-development-2>, 21 October 2013.

48. "IDC, SEFA and NYDA sign cooperating agreement," IDC news update, <http://www.idc.co.za/media-room/articles/403-idc-sefa-and-nyda-sign-cooperating-agreement>, accessed 28 May 2014.

49. "Helping Russian entrepreneurs: Russia's Internet Initiatives Development Fund," *Think Russia website*,

<http://www.thinkrussia.com/policy-initiatives/helping-russian-entrepreneurs-russia-s-internet-initiatives-development-fund>, 27 November 2013.

50. "Minister Patel welcomes efforts to fast-track youth entry into business," Economic Development Department South Africa press release,

<http://www.economic.gov.za/communications/media/press-releases-2013/361-minister-patel-welcomes-efforts-to-fast-track-youth-entry-into-business/download>, 21 October 2013.

The key recommendation is to create a new class of loan for small businesses and young entrepreneurial firms that offers targeted funding to meet expansion capital needs.

Actions for policymakers:

- ▶ For the Ministry of Finance or Commerce to establish and aggregate microfinance sources in a single site for one stop access.
- ▶ Provide loans particularly focused on propelling startup growth and funding, or referrals to microfinancing institutions that do.
- ▶ Reduce the financing gap for female entrepreneurs by offering targeted funding from banks.
- ▶ Work with banks to provide credit to SMEs specifically creating new jobs for young people.
- ▶ Provide intensive skills-based training and bank funding for young entrepreneurs.
- ▶ Boost female-led start-ups by providing government funding.

## Best practice case studies

### India: Micro and small enterprises (MSE) business finance support

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

Young people in India tend to be excluded from entrepreneurship opportunities as commercial banks traditionally steer away from them. Recognizing that a lack of adequate credit at reasonable interest was a deterrent, the Government launched a Credit Guarantee fund scheme for micro and small enterprises (CGTMSE) in 2000 in conjunction with the Small Industries Development Bank (SIDB) to make collateral free credit to the MSE sector.

In 2007-08 under the terms of the scheme, Bharatiya Yuva Shakti Trust (BYST) established public-private partnerships with two of India's largest banks, Bank of Baroda and the India Bank to provide financing to young entrepreneurs. BYST monitors each entrepreneur's business performance and provides non-financial support, including an extensive mentoring program in partnership with the business community.

**Performance:** Between 2013 and the present, 426 young entrepreneurs have been supported. At the end of three years, entrepreneurs are expected to create at least five new jobs, and increase their initial investment by a factor of three. On both measures, BYST achieved average ratios of 1:10 in 2014 of all its entrepreneurs supported to date.

### South African: Microfinance Apex Fund

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

The South African Microfinance Apex Fund (Samaf) provides affordable access to micro-loans to SMEs, specifically targeting women and young entrepreneurs. It has a national footprint. It is one initiative among several led by the National Department of Trade Investment for the Government of South Africa that brings microfinance options together in a one-stop shop. Through Samaf and several other institutions, like the National Empowerment Fund <sup>51</sup> and Khula Enterprise Finance Limited <sup>52</sup>, it brings together a wide range of products and services comprising loans, and non-cash incentive grants that play an important role in enabling access to finance for small enterprises.

**Performance:** For the 2011-12 period, Samaf disbursed ZAR58.3m (US\$5.5m) to financial intermediaries (FIs) in respect of loans and grants. About 68% of the loans by the FIs to the end users were in rural communities and 93% were micro-enterprise loans. Samaf supported 14 microfinance institutions, 23 financial services cooperatives and 24 stokvels during 2011-12. The total number of end user borrowers increased by 53% to 62,459 in 2011-12 from 40,726 in 2010-11.

In April 2012, the Small Enterprise Finance Agency Limited (SEFA) was established with the merger of Khula Enterprise Finance, Samaf and the Industrial Development Corporation (IDC) small business activities. During 2012-13, SEFA disbursed ZAR198m (US\$18.6m) and financed 28,362 loans to small, micro and medium enterprises. This led to the creation of about 19,853 direct jobs during the period.

51. The National Empowerment Fund offers a range of start-up, business growth, and rural and community upliftment financing products with a focus on black economic empowerment transactions (Equity Finance).

52. Per "Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises," Department: Trade and Industry, Republic of South Africa website, [http://www.dti.gov.za/sme\\_development/docs/strategy.pdf](http://www.dti.gov.za/sme_development/docs/strategy.pdf): Khula Enterprise Finance Limited facilitates access to finance and has developed a variety of financing products including credit guarantee schemes in which it has partnered with the country's major commercial banks to unlock lending to small enterprises. Khula continues to seek new ways to improve access to financial support across the country, partnering with sector departments to develop new sector specific financing programs for small business, and studying different approaches to strengthen the realization of government goals for small business finance.

### Brazil: “Banking on Women” initiative

G20 country profile: Quadrant 2 – has stronger economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 2: Sustain economic performance and focus on closing the skills gap and improving employment quality.

There is a major credit gap problem throughout Latin America: the difficulties that female entrepreneurs encounter in obtaining funding, compared to the easier task of their male counterparts. In a recent survey, 45% of women-owned SMEs in Latin America reported having difficulties in accessing capital. As part of its worldwide “Banking on Women” program, the International Finance Corporation (IFC) is working with Itaú Unibanco to help expand its own “Programa de Mulheres Empreendedoras,” a unique program that supports access to finance for women entrepreneurs in Brazil.<sup>53</sup>

**Performance:** There are over 150 women-owned businesses cited on the program’s website.<sup>54</sup>

### Italy: SME credit support

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

The European Investment Bank (EIB) and UBI Banca Group signed an agreement in Milan in January 2014 to provide a credit line to support youth employment and small and medium enterprises (SMEs) in Italy.<sup>55</sup>

**Performance:** The €50m (US\$69m)<sup>56</sup> EIB credit line will be channeled by the UBI Group’s network banks to Italian start-ups, SMEs, and “midcaps” (between 250 and 3,000 employees) which create new jobs for young people in the 15 to 29 age group. A loan of €200m (US\$275m) will be provided as support.<sup>57</sup>

### Saudi Arabia: Loan packages for young entrepreneurs,

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

1. The Saudi Credit and Savings Bank (SCSB) and Shell Saudi Arabia (KSA) signed an agreement, in 2013 to provide entrepreneurs graduating from the Intilaaqah KSA program (an enterprise training program to equip young Saudi entrepreneurs with automatic eligibility for funding). The SCSB’s loans packages range from SAR500,000 (US\$130,000) up to SAR8m (US\$2.1m).<sup>58</sup>

**Performance:** Since 2010, Shell Intilaaqah has trained over 7,500 Saudis, who have between them started 665 enterprises and created 2,174 jobs.

2. The SCSB undertook another initiative last year to help young entrepreneurs to start their own businesses, by lending them capital of up to SAR300,000 (US\$80,000). It targets small and new enterprises and offers a coordinated approach to finance. In addition to development funding through interest-free loans, the bank offers coaching and mentoring.

**Performance:** The SCSB approved the funding of 415 SME projects worth SAR87 million (US\$23 million) in 2013.<sup>59</sup>

### The Netherlands<sup>60</sup>: Qredits

Qredits,<sup>61</sup> the Netherlands’ only national microcredit institution, is a non-profit organization that supports the social and financial inclusion of Dutch micro-entrepreneurs who have a viable business plan but can’t obtain financing or coaching through regular channels. A portion of Qredits’ loan portfolio is guaranteed by the European Investment Fund. Qredits was created with the support of national banks, which refer potential microcredit clients to Qredits through online forms that are sent directly to Qredits. Qredits follows up with the potential client and also with the referring bank.

**Performance:** Twenty-five percent of the banks’ referrals obtain a loan from Qredits.

53. “IFC and Itaú Unibanco Support Access to Financial Services for Women Entrepreneurs,” *International Finance Corporation website*, [http://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/industries/financial+markets/news/ifc+and+itau+unibanco+support+access+to+financial+services+for+women+entrepreneurs](http://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/industries/financial+markets/news/ifc+and+itau+unibanco+support+access+to+financial+services+for+women+entrepreneurs), accessed 5 June 2014.

54. *10,000 Women website*, <http://www.10000mulheres.com.br/empreendedoras>, accessed 5 June 2014 (Portuguese language).

55. “EIB and UBI Banca Group provide €350 million for SMEs, midcaps, start-ups and youth employment,” *Europa website*, [http://europa.eu/rapid/press-release\\_BE14-21\\_en.htm](http://europa.eu/rapid/press-release_BE14-21_en.htm), 3 February 2014.

56. Exchange rate used is average for January 2014 - May 2014 YTD (€1 = US\$1.3733).

57. “EIB delivers on increased SME lending and approves support for youth employment,” *Inside Europe website*, <http://insideeurope.eu/taxonomy/term/157>, 24 July 2013.

58. “Shell and Saudi Credit & Savings Bank join forces to support Intilaaqah entrepreneurs,” *Shell liveWIRE news*, [http://www.shell-livewire.com/home/newsevents/news/shell\\_ksa\\_and\\_scb\\_join\\_forces\\_to\\_support\\_intilaaqah\\_entrepreneurs/](http://www.shell-livewire.com/home/newsevents/news/shell_ksa_and_scb_join_forces_to_support_intilaaqah_entrepreneurs/), accessed 28 May 2014; “Find a Programme / Saudi Arabia,” *Shell Intilaaqah Community*, [http://www.shell-intilaaqah.com/home/find\\_programme/1244710409.619/](http://www.shell-intilaaqah.com/home/find_programme/1244710409.619/), accessed 28 May 2014.

59. Neil King, “SCSB to give \$23m to 415 SMEs,” *Arabian Business website*, <http://www.arabianbusiness.com/scsb-give-23m-415-smes-515375.html>, 27 August 2013.

60. Since the Netherlands is not part of the G20, it has not been included in the diagnostic and no country profile is included.

61. *Qredits website*, [www.qredits.com](http://www.qredits.com), accessed 23 June 2014.

# Tax and regulation



The *EY G20 Entrepreneurship Barometer* found a clear consensus that the tax and regulatory systems are far too complex. They need to be streamlined and simplified, so that the entrepreneurs can focus on running their businesses rather than being caught up in administration. There was also strong support for tax incentives to encourage the entrepreneurs to start their businesses and for their investors to provide the necessary capital. Government support also needs to be concentrated where it is most effective, for example at the start-up phase, through R&D tax credits, training credits and location incentives. Furthermore, international mobility and market access stand out. In fact, there is a direct link between internationalization and the competitiveness of SMEs.<sup>62</sup> For fast-growing, young entrepreneurial firms, government initiatives in these areas are imperative to driving market growth and business sustainability.

## 5 Targeted tax and business incentives are highly important to supporting young entrepreneurs in scaling their businesses

Targeted tax incentives are vital in fostering high-performing enterprises. Furthermore, authorities view these incentives as a way to reduce unemployment rates among the young generation.

Key recommendation #1 is to encourage investment in start-ups by offering tax benefits.

Actions for policymakers:

- ▶ Identify and encourage investment schemes best able to target support on youth entrepreneurs.
- ▶ Develop tax incentives to support and advance these schemes.
- ▶ Develop tax incentives to encourage youth job creation.

62. "European Commission - Enterprise and Industry - Small and medium-sized enterprises (SMEs) - Access to markets," *European Commission's Directorate General for Enterprise and Industry website*, [http://ec.europa.eu/enterprise/policies/sme/market-access/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/market-access/index_en.htm), last updated 2 April 2013.



## Best practice case studies

### United Kingdom: Seed Enterprise Investment Scheme

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

In 2011, the UK Government launched Seed Enterprise Investment Scheme (SEIS), which offers tax benefits to individuals investing in small and early stage start-up businesses in the UK. SEIS has been designed to boost economic growth in the UK by promoting new enterprise and entrepreneurship.<sup>63</sup>

**Performance:** It gives income tax relief at 50% of the cost of shares on a maximum annual investment of £100,000 (US\$166,000) in the small or early stage start-up.<sup>64</sup> Relief is given through reducing the investor's income tax liability. In addition, it offers an exemption of 28% tax on any capital gains occurring within three years of the investment.<sup>65</sup>

### Canada: Small Business Personal Income Tax Credit

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

Under new provisions in New Brunswick, which come into effect for the 2014 tax year, residents investing in small businesses in the province will receive a 30% non-refundable personal income tax credit of up to CAD75,000 per year. A small business venture capital tax credit was introduced in British Columbia in 1985, an early example of such concessions. It encourages investors to make equity capital investments in small businesses in British Columbia, in order to give them access to early-stage VC.

**Performance:** In 2013, British Columbia had VC investments totaling CAD478m, more than double the CAD198m invested in 2012.<sup>66</sup>

### Australia: Early Stage Venture Capital Limited Partnerships

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The Early-Stage Venture Capital Limited Partnerships (ESVCLP) program aims to boost the country's early-stage VC sector. The program provides investors in the ESVCLP with tax concessions such as exemptions on their share of the fund's revenue and capital. This incentivizes high net worth individuals and networks to invest in Australian start-up businesses.<sup>67</sup>

**Performance:** Under legislation, early-stage VC groups must have assets of between US\$10m and US\$100m to be eligible for ESVCLP registration. Also, the business in which they are investing should have less than US\$50m in assets before the investment. Once the assets cross the US\$250m mark, the ESVCLP must dispose of the investment.<sup>68</sup>

### Turkey: Business angel tax incentives

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

In February 2013, the Turkish Treasury introduced tax incentives for business angels. The new framework provides tax incentives to licensed angel investors, allowing them to deduct up to 100% of their investment from their personal income tax base. It forms part of a government strategy to strengthen the financial ecosystem by developing public policies for business angels and business angel networks.<sup>69</sup>

**Performance:** More than 100 investors applied for angel investor licenses within the first year of its implementation to capitalize on these tax advantages.<sup>70</sup>

63. "Seed enterprise investment scheme," *SEIS website*, <http://www.seis.co.uk/>, accessed 29 May 2014.

64. Exchange rate used is average for Jan 2014-May 2014YTD (£1 = US\$1.6643).

65. "Seed Enterprise Investment Scheme (SEIS) Factsheet," *Gander Tax Services website*, <http://www.gandertaxservices.co.uk/wp-content/uploads/2014/06/Seed-EIS-Factsheet.pdf>, accessed 29 May 2014; Lauren O'Neill, "Securing tax relief for prospective investors," *FPM website*, <http://www.fpmca.com/news/securingtaxreliefforprospectiveinvestors>, 18 Nov 2013.

66. Mary Meldrum, "A Banner Year for British Columbia Venture Capital," *Trade and Invest British Columbia website*, <http://www.britishcolumbia.ca/global/blog/march-2014/a-banner-year-for-british-columbia-venture-capital.aspx#.U5B3iyqQmfl>, 19 March 2014.

67. Rose Powell, "Entrepreneur election watch: Early stage venture capital limited partnerships update,"

*Startup Smart website*, <http://www.startupsmart.com.au/planning/entrepreneur-election-watch-early-stageventure-capital-limited-partnerships-update/2013070110105.html>, 2 July 2013;

68. "Early Stage Venture Capital Limited Partnerships: Fact sheet," *Australian Government website*, <http://www.business.gov.au/grants-and-assistance/venture-capital/esvcip/Documents/ESVCLP-FactSheet.pdf>, 21 December 2011, page 1.

69. Burcu Tuzcu Ersin, Asli Ersanli, Moroglu Arseven, "Turkey: Angel Investment System In Turkey," *Mondaq website*, <http://www.mondaq.com/x/228156/tax+authorities/Angel+Investment+System+In+Turkey>, last updated 22 March 2013.

70. Jonathan Ortman, "Angel investors spread their wings," *Entrepreneurship website*, <http://www.entrepreneurship.org/blogs/policy-forum-blog/2014/march/angel-investors-spread-their-wings.aspx>, 31 March 2014.

### Argentina: Youth Employment Tax Incentive

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

In March 2014, the municipal council of Rosario in central Argentina put forward a proposal for a tax incentive which seeks to encourage youth employment.<sup>71</sup> According to the proposal, an employer who hires an 18 to 24 year old will gain a tax credit equal to twice the amount of tax paid during the period prior to hiring. If that individual shows that he/she is still studying in secondary or tertiary education, the credit will be doubled.

**Performance:** The council of Rosario will report on the first year's progress in March 2015.

Key recommendation #2 is to enable young, high-growth entrepreneurial firms to scale up through amplified support for market access.

Actions for policymakers:

- ▶ Drive a government procurement scheme which includes youth entrepreneurs as a targeted supplier.
- ▶ Support enterprise collaboration, and procurement opportunities, between high-growth young entrepreneurial firms and market leading corporates.
- ▶ Enable access to export markets including through export financing initiatives.



### France: "Pacte PME" SME Pact

G20 country profile: Quadrant 4 – has softer economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 4: Improve economic performance and sustain and grow skills-based competitive advantage.

The SME pact, a joint venture with OSEO (the French Government's innovation agency) and 14 business organizations, was formed to stimulate the growth of small enterprises. It acts as a bridge between innovative SMEs and large organizations (national as well as international) through commercial contracts and research and development collaborations. Established firms that voluntarily sign the SME Pact and commit themselves to increasing their procurement from SMEs give SMEs valuable exposure, increase their productivity through competitiveness and help them to grow.

**Performance:** Large corporation members of the SME Pact association procured €2.4b (US\$3.3b<sup>72</sup>) in additional orders from French SMEs in 2013. The share of SMEs in their purchases rose to 22.4% in 2013 from 21.2% in 2012. They also initiated 572 innovation partnerships with SMEs.<sup>73</sup>

### South Africa: Corporate Small Business Development Forum (CSDF)

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

Several large corporations have developed programs to increase their procurement from small enterprises. Sponsoring corporations run their program either individually or in collaboration with other corporations under the CSDF. Efforts are being made by business membership organisations, such as the National Business Initiative, to increase the number of large corporations involved in linkage programs with small enterprises.

**Performance:** The program supports small enterprises by increasing large corporations procurement from them.

71. "Argentina - Tax incentives to promote youth employment," *Staffing America Latina website*, <http://staffingamericalatina.com/en/argentina-incentivos-fiscales-para-promover-el-empleo-juvenil/>, 12M March 2014.

72. Exchange rate used is €1 = US\$1.36188, as of 27 June 2014.

73. "Annual Review SME Pact," *Pacte PME website*, [http://www.pactepme.org/uploads/blog/20140701\\_cp-bilan-annuel.pdf](http://www.pactepme.org/uploads/blog/20140701_cp-bilan-annuel.pdf), accessed 3 July 2014.

Note: Text has been translated from French to English.

### Brazil: Lei Geral Policy

G20 country profile: Quadrant 2 – has stronger economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 2: Sustain economic performance and focus on closing the skills gap and improving employment quality.

The Government of Brazil's policy on small and micro businesses offers a broad spectrum of initiatives to support private sector growth. Small businesses with a turnover of up to R\$2.4m (US\$1.23m) are entitled to a reduced tax structure, and are prioritized for government procurement projects of up to R\$80,000 (US\$41,064).

**Performance:** Quantitative data is not currently available.

## 6 Support global mobility for young entrepreneurs

Young entrepreneurs need to be able to establish themselves in geographical locations which are fertile areas for their particular business approach and products, whether in the overall business ecosystem or accessing a particular group of skilled individuals. Mobility may involve a temporary exposure to new countries, or it may be the more radical approach of wholesale emigration.

Easing regulations related to immigration can act as a positive step toward attracting young entrepreneurs from across the world. Entrepreneurial-minded students from leading universities should be retained and incentivized to remain in the country to create value-adding businesses.

The key recommendation is to encourage top talent by changing visa rules and offering funding support.

Actions for policymakers:

- ▶ Support international student mobility by relaxing visa norms and introducing G20 multi-lateral visas.
- ▶ Relax business visa restrictions among G20 countries.
- ▶ Promote immigrant entrepreneurs by linking them to funding institutions and business incubators.
- ▶ Promote inbound start-up activity by providing relocation funding support.

## Best practice case studies

### United Kingdom: Graduate Entrepreneur visa

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

- ▶ The UK Government, through UK Trade and Investment (UKTI), offers schemes to facilitate an individual's transition from international student to local entrepreneur.<sup>74</sup> The Tier 1 Graduate Entrepreneur visa, launched in 2012, aims to encourage international students who are graduating from UK universities to extend their stay in the country in order to establish a business. Prospective recipients can either apply to their own university in the UK or to the UKTI Sirius Programme.<sup>75</sup> Sirius invites talented young entrepreneurs with innovative start-up ideas to relocate to the UK. In return they receive a 12-month start-up support and accelerator package worth £12,000 (US\$20,103) to set up and expand their business.

**Performance:** More than 1,500 graduate entrepreneurs from over 93 countries applied during the first year of the Sirius Programme. Of these applicants, over 30 teams will have relocated to the UK by June 2014.

74. Ryan Schechter, "What the UK can do to stimulate entrepreneurship amongst its foreign students," *Nesta website*, <http://www.nesta.org.uk/blog/talent-drain-uk>, 14 January 2014.

75. "UKTI's Sirius Programme brings in entrepreneurs from Nigeria, Vietnam and Italy to start up in the UK," *Growth Business website*, <http://www.growthbusiness.co.uk/news-and-market-deals/business-news/2448457/uktis-sirius-programme-brings-in-entrepreneurs-from-nigeria-vietnam-and-italy-to-start-up-in-the-uk.html>, 16 December 2013.

### Canada: Start-up Visa Program

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

In an effort to attract innovative foreign entrepreneurs to Canada, the federal government created the Start-up Visa Program in April 2013. The program links immigrant entrepreneurs with experienced private sector organizations that are experts in working with start-ups. The program also fast-tracks permanent residency applications for immigrant entrepreneurs who are able to secure funding or support from a designated angel investor group or VC fund.<sup>76</sup> In addition, the Canadian Government introduced the new business incubator stream in October 2013 under the Start-up Visa Program. It allows foreign entrepreneurs to apply directly to incubator and accelerator programs. These institutions will evaluate proposals and provide recommendations to Citizenship and Immigration Canada for approval of their immigration applications. Applicants under the business incubator stream can immigrate to Canada in teams of up to five partners.<sup>77</sup>

**Performance:** The Start-up Visa Program aims to offer 2,750 visas a year to immigrant entrepreneurs and their families.<sup>78</sup> It is planned to run for at least five years, and should result in the recruitment of more than 13,000 immigrant entrepreneurs to Canada.

### France: Entrepreneurship Visa

G20 country profile: Quadrant 4 – has softer economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 4: Improve economic performance and sustain and grow skills-based competitive advantage.

The French Government also aims to facilitate funding and ease visa rules for entrepreneurs. In February 2014, the government announced plans to create an entrepreneur's visa and provide funding for start-ups planning to move to France.

**Performance:** France intends to offer subsidies amounting €25,000 (US\$34,000) to foreign start-ups planning to relocate to the country.<sup>79</sup>



76. The EY G20 Entrepreneurship Barometer 2013: Canada, EY website, <http://www.ey.com/CA/en/Services/Strategic-Growth-Markets/G20-Entrepreneurship-Barometer-2013-Overview>, page 4.

77. Ruba El-Sayegh, "Canada: Introducing A New Visa Stream To Lure Immigrant Entrepreneurs - The Start Up "Business Incubator" Class," *Mondaq website*, <http://www.mondaq.com/canada/x/271822/general+immigration/Introducing+A+New+Visa+Stream+To+Lure+Immigrant+Entrepreneurs+The+Start+Up+Business+Incubator+Class>, 30 October 2013.

78. The EY G20 Entrepreneurship Barometer 2013: Canada, EY website, <http://www.ey.com/CA/en/Services/Strategic-Growth-Markets/G20-Entrepreneurship-Barometer-2013-Overview>, page 4.

79. Leonid Bershidsky, "Bershidsky on Europe: Renzi's Bold Plan," <http://www.bloombergvew.com/articles/2014-02-18/bershidsky-on-europe-renzi-s-bold-plan>, 18 February 2014; "French government likely to facilitate access to subsidies for start-ups and lower regulatory burden," IHS Global Insight Daily Analysis, 18 February 2014, via Factiva, © IHS Global Insight Daily Analysis; "Entrepreneur visas' and other new measures in France to support enterprise," Invest in France Agency (IFA) website, <http://www.invest-in-france.org/us/news/entrepreneur-visas-and-other-new-measures-in-france-to-support-enterprise.html>, accessed 27 May 2014.

## 7 Complex and burdensome rules in areas such as tax hold back young entrepreneurs

Key recommendation is to simplify and streamline tax administration to ease administrative burdens on young entrepreneurs.

Actions for policymakers:

- ▶ Develop effective instruments to measure administrative and compliance burdens.
- ▶ Simplify tax rules and administration to ease burdens.
- ▶ Improve support and guidance available to young entrepreneurs.

### Best practice case studies

#### United Kingdom: Creation of the Office of Tax Simplification

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

In 2010, the United Kingdom created an agency specifically charged with simplifying the tax system, the Office of Tax Simplification (OTS). Its responsibilities are to identify areas where complexities in the tax system for both businesses and individual taxpayers can be reduced and to publish their findings for the government to consider ahead of the annual budget. The OTS draws on external expertise from the tax and legal profession. These experts focus on specific areas of complexity in the tax system and provide additional advice to the OTS.

#### France: French 2014 reforms to simplify the administrative code

G20 country profile: Quadrant 4 – has softer economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 4: Improve economic performance and sustain and grow skills-based competitive advantage.

As part of a cross-cutting policy to simplify administrative procedures for citizens and businesses the French Government will pursue a range of simplifications to the rules that apply when entrepreneurs set up and develop their businesses. This includes measures such as the abolition of the requirement to publish the notes to the annual accounts for very small companies (less than 10 employees).



# Entrepreneurship culture



Young entrepreneurs require a more supportive culture, in which their contribution to society is properly recognized and their success is celebrated. The converse of this is that there should also be a greater tolerance of failure, which can be a valuable source of knowledge and experience. To encourage more entrepreneurs, a country needs a set of beliefs that make entrepreneurship a valid and respected career choice.

The culture should also be more inclusive,<sup>80</sup> opening the door to the sort of talent that is often excluded. Women and immigrants and the disadvantaged can make a huge contribution, yet today they are often under-represented in the entrepreneurial community. Of the young entrepreneurs surveyed in the *EY G20 Entrepreneurship Barometer*, 84% believed that raising awareness of their role as job creators improves public attitudes, and it can encourage others, from all walks of life, to follow their example.

## 8 Positive mainstream views about entrepreneurship are needed to attract young people

For young people, the perception of entrepreneurs in the media is particularly important, especially in the digital media.

The key recommendation is to create a positive narrative around entrepreneurship to help engage young people from an early age.

Actions for policymakers:

- ▶ Invest in initiatives that develop market leadership in specific areas (e.g., innovative technology) for the country or region, targeting and enabling young entrepreneurs to flourish at the start-up stage, and that promote the value of entrepreneurship to society and in particular youth.
- ▶ Promote entrepreneurship opportunities through an integrated approach, combining government and industry in particular.
- ▶ Target and educate unemployed youth about the opportunities entrepreneurship can bring them.
- ▶ Publicly celebrate young entrepreneurs success and international promotion of domestic start-ups and entrepreneurial firms.
- ▶ Integrate media/cultural campaigns with a broader national strategy that promotes the link between job creation and entrepreneurship.

80. "Inclusive entrepreneurship," European Commission, Europe Economic and Social Committee, ec.europa.eu/social/BlobServlet?docId=9686&langId=en2012, p. 6.

## Best practice case studies

### Brazil: Startups and Entrepreneurship Ecosystem Development (SEED) initiative

G20 country profile: Quadrant 2 – has stronger economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 2: Sustain economic performance and focus on closing the skills gap and improving employment quality.

Last year, the state government of Minas Gerais launched the SEED initiative. The state assembly passed a law to offer a US\$34,400, equity-free grant to early-stage start-ups, from Brazil and abroad, that will have a base in Minas Gerais. The objective is to turn the state into Latin America's leading tech hub, by fostering its entrepreneurial culture while supporting new and innovative technology ventures.<sup>81</sup>

**Performance:** The SEED program integrates culture with other key drivers of entrepreneurship, and 40 companies from the program's first two rounds have received equity-free seed capital over six months to build their business.

### France: French Tech certification program

G20 country profile: Quadrant 4 – has softer economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 4: Improve economic performance and sustain and grow skills-based competitive advantage.

The French Tech certification program<sup>82</sup> was officially launched in January 2014 and builds on the "digital districts" venture. It aims to encourage the development of digital start-ups in France, by providing them with digital ecosystems throughout the country. These ecosystems need to reach a critical size and be sufficiently dynamic to bring together a substantial body of firms with high growth potential. As part of French Tech, €15m will be allocated to the international promotion of these ecosystems.

**Performance:** Technology start-ups have significant payoffs for the French economy.<sup>83</sup> Furthermore, the initiative, which focuses on promoting a culture of digital innovation, captures a groundswell in public sentiment on the issue.<sup>84</sup>

### South Africa: Youth Entrepreneurship Promotion and Awareness Programme

G20 country profile: Quadrant 3 – has softer economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 3: Improve economic performance and focus on closing the skills gap and improving employment quality.

The Youth Entrepreneurship Promotion and Awareness Programme forms part of South Africa's 10-year Youth Enterprise Development Strategy, which was launched last year. It targets young people throughout the country, particularly those who are unemployed, and encourages them to view entrepreneurship as a suitable way of obtaining employment and economic opportunities.<sup>85</sup>

**Performance:** This information is not available currently as the program only launched in November 2013.

### Indonesia: Mandiri Young Entrepreneur Program

G20 country profile: Quadrant 2 – has stronger economic growth and lower quality jobs for youth.

Recommended policy objectives for Quadrant 2: Sustain economic performance and focus on closing the skills gap and improving employment quality.

Bank Mandiri, owned by the Government of Indonesia, runs the Mandiri Young Entrepreneur Program. The program searches for new entrepreneurs by delivering entrepreneurship modules in state and private institutes of higher education, holding workshops and the presenting awards. Young entrepreneurs are supported by entrepreneurship training, coaching and promotion.<sup>86</sup>

**Performance:** Since its launch in 2007, the program has supported 15,000 entrepreneurs.<sup>87</sup>

81. Slideshare, <http://www.slideshare.net/prioridadesestrategicas/seed-ingles>, accessed 5 June 2014.

82. "The French Tech - Working and succeeding in France," *The official website of France*, <http://www.france.fr/en/working-and-succeeding-france/french-tech.html>, accessed on 5 June 2014 <http://www.usatoday.com/story/tech/2014/03/10/ozy-paris-tech-startups/6257647/>, accessed 5 June 2014.

83. Liam Boogar, "France Digitale launches with a \*bang\*: French Startups make 1 Billion Euros per year!" *Rude Baguette: France's startup blog*, <http://www.rudebaguette.com/2012/07/03/france-digitale-launches-with-a-bang-french-startups-make-1-billion-euros-per-year/>, 3 July 2012.

84. Vivienne Walt, "Fleur Pellerin Works to Make France Safe for Tech Startups," *BusinessWeek*, <http://www.businessweek.com/articles/2013-12-19/french-minister-fleur-pellerin-advocates-tech-startups#p3>, 19 December 2013.

85. Note by the UNCTAD secretariat, "Entrepreneurship and productive capacity-building: Creating jobs through enterprise development," for Investment, Enterprise and Development Commission: Sixth session, Trade and Development Board, Item 4 of the provisional agenda (Geneva), 28 April-2 May 2014, [http://unctad.org/meetings/en/SessionalDocuments/cid24\\_en.pdf](http://unctad.org/meetings/en/SessionalDocuments/cid24_en.pdf), 17 February 2014.

86. "Mandiri Young Entrepreneur," *Bank Mandiri website*, <http://csr.bankmandiri.co.id/en/menu-mandiri-young-entrepreneur-14.html>, accessed 5 June 2014

87. "Bank mandiri-bank-terbaik-di-indonesia," *Slideshare*, <http://www.slideshare.net/upakarti/bank-mandiribankerbaikdiindonesia> (need to validate!) [http://article.wn.com/view/2014/02/05/Bank\\_Mandiri\\_Helps\\_Mold\\_Thousands\\_of\\_New\\_Entrepreneurs\\_PT\\_Ba/](http://article.wn.com/view/2014/02/05/Bank_Mandiri_Helps_Mold_Thousands_of_New_Entrepreneurs_PT_Ba/), 15 February 2013.



## Encourage a national, regional and local culture of entrepreneurship

A significant factor in enabling digital start-ups, which have been one of youth entrepreneurship's major successes, is to create tech hubs and encourage the development of tech hubs and other entrepreneurial ecosystems. The success of Tech City in London's Shoreditch, Berlin's Silicon Allee, and Moscow's Skolkovo demonstrate the value of the principle established by Silicon Valley. There is a limit to what local or national governments can do to initiate these movements of individuals, but they can certainly encourage their development as evidenced by programs in France, Brazil and elsewhere.

The key recommendation is to encourage and foster hubs, incubators, accelerators and networks to bring relevant talent together and networks to bring relevant talent together.

Actions for policymakers:

- ▶ Start early. Influence the discussion among young people while they are still in school and at university. Promote through an outreach program.
- ▶ Promote organizations and environments that will positively influence public perception of entrepreneurship.
- ▶ Bring together innovators and commercial organizations to showcase high-tech start-ups.
- ▶ Launch initiatives to promote a culture of entrepreneurship linked to SMEs.
- ▶ Encourage national and local entrepreneurial and networking associations.

## Best practice case studies

### Canada: Youth Entrepreneurship Fund

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

Ontario's Youth Entrepreneurship Fund is providing CAD45m over two years and seeking to generate nearly 6,000 mentorship and job opportunities. The fund focuses on three priority areas: mentorship, seed-stage capital, and – of particular importance in promoting an enterprise culture – high school entrepreneurship outreach. It provides a number of programs, including: resources and money to start a business; micro-lending for women and accelerator funds that provide investment capital and network support.

**Performance:** The fund was launched in October 2013 and offers young people between 18 and 29 up to CAD25,000 to help them start their own business.

### Australia: Innovate NSW

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The New South Wales (NSW) government has unveiled Innovate NSW, an AUD6.7m scheme aimed at backing cutting-edge start-ups that specialize in enabling technologies. It will fund a number of consortia that must consist of three entities: an innovator, an end-user to test the solution, and a partner company that will research or scale the product. Australian Innovation Showcase will provide support via seminars and networking.

**Performance:** Innovate NSW Collaborative Solutions provides grants of up to 25% of project costs (to a maximum of AUD100,000) to consortia to develop an innovative, new-to-market, B2B solution.



### Germany: “Building on SMEs” initiative

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The Federal Ministry for Economic Affairs and Energy has launched a new SME initiative called “Building on SMEs: greater responsibility, greater freedom.” It targets seven areas that are seen as crucial for the commercial success of SMEs. One of those areas is “Business start-ups and business succession,” which aims to ensure the long-term dynamism of Germany’s SME sector by nurturing a strong entrepreneurial spirit. Working together with the private sector, the Ministry has launched “Gründerland Deutschland,” which can be translated as “Germany – a nation of entrepreneurs.” It is intended that to give renewed impetus to German start-ups and entrepreneurship.

**Performance:** Forming part of the annual German Entrepreneurial Week, Startup Week 2013 was geared specifically to young tech companies.<sup>88</sup> Over 1,800 events were held across Germany, in which experienced start-up founders were able to share their knowledge and experience.

### Mexico: The National Entrepreneurs’ Institute

G20 country profile: Quadrant 1– has stronger economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

The National Entrepreneurs’ Institute (NPI) aims to implement, execute and coordinate the national policy on entrepreneurship to support entrepreneurs and microenterprises and SMEs, fostering innovation and competitiveness in national and international markets.<sup>89</sup>

**Performance:** The government announced that, through the NPI, approximately US\$550m will be invested on training over 4,000 Mexican enterprises.



88. “Third Annual Entrepreneurial Week Begins in Germany,” *Germany.info website*, [http://www.germany.info/Vertretung/usa/en/\\_pr/P\\_\\_Wash/2013/11/18-Startup-Week.html](http://www.germany.info/Vertretung/usa/en/_pr/P__Wash/2013/11/18-Startup-Week.html), 18 November 2013.

89. “Pledge Fulfilled: National Entrepreneurs’ Institute,” *Mexico Presidencia de la Republica website*, <http://en.presidencia.gob.mx/pledge-fulfilled-national-entrepreneurs-institute>, 11 January 2013.

# Developing an entrepreneurial ecosystem



Many of the best practices evident in this report show a combination of groups working together. Governments working together with the private sector, and at times, established entrepreneurs, to improve support for youth and young entrepreneurs.

We see high-profile programs encouraging entrepreneurship in almost every major city, region and country. However, a painful gap exists between public leaders' new commitment to entrepreneurship and their regions' abilities to intentionally create programs and processes that will systematically and measurably stimulate entrepreneurial growth.

For many of the recommendations and actions to have sustainable impact they need to work as part of a regional ecosystem, and within a regional ecosystem framework that fosters and attracts a critical mass of talent, capital and most importantly entrepreneurial leaders.

Enabling policy environments and funding are needed to stimulate and build the foundational components or framework of a regional entrepreneurial ecosystem. Even when there are strong policy principles and all the ecosystem components are identified, it's not really an ecosystem until there is a network and a "culture" of interaction and collaboration.

Ultimately, a "culture" in the density of interactions and collaboration emerges among a critical mass of leaders and actors that are dynamic, self-regulating and fosters the achievement of entrepreneurs' aspirational goals.

Government plays a key role in bringing together stakeholders to create real dialogue about entrepreneurship and to build coalitions among stakeholder with coordination of funding for a lead organization or consortia of organizations at the national regional and local levels.

Many of the recommendations and actions outlined in this report need to be embedded within a regional entrepreneur ecosystem, led or driven by entrepreneurial leaders and catalysts.

# 10

For many of the recommendations and actions to have sustainable impact they need to work as part of a regional ecosystem, and within a regional ecosystem framework that fosters and attracts a critical mass of talent, capital and most importantly entrepreneurial leaders

Key recommendation is to create the foundation for a regional entrepreneurial ecosystem to flourish.

Actions for policymakers:

- ▶ Provide an overarching ecosystem framework and a flexible funding model to support regional entrepreneur ecosystems.
- ▶ Provide funding for a lead organization or consortia of organizations at the regional level that includes comprehensive entrepreneurship ecosystem indicators.
- ▶ Provide funding to regional organizations and have them work within a regional alliance model comprised of all entrepreneur service providers (non-profit organizations); colleges and universities; and all levels of government. They operated within a coordination framework and meet on a regular basis.
- ▶ Emphasize the pillar of entrepreneurial education and skills development for the 21<sup>st</sup> century.
- ▶ Collaborate with business to deliver more robust testing of entrepreneurs' ideas and bring commercially viable opportunities to market.
- ▶ Identify a short list of key issues challenging G20 countries (e.g., trade, export, clean energy, food supply) and create incentives to attract young entrepreneurs across the G20 to solve these problems.

## Best practice case studies

### Russia: Skolkovo Innovation Center

G20 country profile: Quadrant 4 – has softer economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 4: Improve economic performance and sustain and grow skills-based competitive advantage.

Skolkovo Innovation Center<sup>90</sup> (also known as “Russia’s Silicon Valley”) is a planned high-technology business area set up at Skolkovo near Moscow. The project is similar to the ecosystem, Silicon Valley, in the US, providing end-to-end support for new ventures to develop successfully. The Skolkovo Institute of Science and Technology’s curriculum only offers graduate degrees and is financially backed by the Russian Ministry of Finance. It seeks to create tech start-ups and lure corporate research laboratories with tax breaks and relaxed visas and customs regulations. It utilizes the infrastructure, resources and other features of the technology park.

**Performance:** It has successfully backed 750 start-ups. By 2012<sup>91</sup> it had US\$97m in grants, 750 residents and 49 VC funds. It also had created 131 intellectual property items. And had attracted IBM, Microsoft and Siemens to locate to Skolkovo, and claims to have recruited 52 VC firms.

90. Oliver Staley, “Russia teams with MIT on Skolkovo Institute of Science and Technology,” *The Washington Post*, [http://www.washingtonpost.com/business/russia-teams-with-mit-on-skolkovo-institute-of-science-and-technology/2013/05/09/54b31e9c-b5da-11e2-b94c-b684dda07add\\_story.html](http://www.washingtonpost.com/business/russia-teams-with-mit-on-skolkovo-institute-of-science-and-technology/2013/05/09/54b31e9c-b5da-11e2-b94c-b684dda07add_story.html), 13 May 2013.

91. Andrii Degeler, “Russian tech hub Skolkovo in 2012 by the numbers: \$97m in grants, 750 residents, 49 funds,” TNW blog, <http://thenextweb.com/insider/2012/12/17/skolkovos-2012-97m-in-grants-750-residents-49-venture-funds/>, 17 December 2012.

### United States: Silicon Valley start-up ecosystem

G20 country profile: Quadrant 1 – has strong economic growth and higher quality jobs for youth.

Recommended policy objectives for Quadrant 1: Sustain economic performance and sustain/grow competitive advantage.

Silicon Valley is considered the premier center for innovation and most influential start-up ecosystem in the world. Entrepreneurs based in Silicon Valley are 19% more likely to motivate themselves by the vision of changing the world, rather than just building a good product.<sup>92</sup> It is a hub for high-tech innovation and development and received 46% of all venture capital investment in the United States in 2012.<sup>93</sup> It was formed as a "milieu of innovations by the convergence on one site of new technological knowledge; a large pool of skilled engineers and scientists from major universities in the area; generous funding from an assured market with the Defense Department; the development of an efficient network of venture capital firms; and in the very early stage, the institutional leadership of Stanford University."<sup>94</sup>

**Performance:** It has 35% more serial entrepreneurs, 20% more mentors, and capital raised by companies based in Silicon Valley is 32% higher across all stages of a start-up compared to the global average of all ecosystems.<sup>95</sup> It added 46,665 jobs in 2013, an increase of 3.4% over the prior year driven primarily by computer hardware design, information services and the internet industry. Thousands of high-technology companies are headquartered in Silicon Valley, including many Fortune 1000 companies.<sup>96</sup>



92. "Startup Ecosystem Report 2012 - Part 1," Start-up Genome, via <http://blog.startupcompass.co/pages/entrepreneurship-ecosystem-report>, 20 November 2012, page 9.

93. Barry J. Kramer and Michael J. Patrick, "Venture Capital Survey Silicon Valley Fourth Quarter 2011," Fenwick & West LLP website, <http://www.fenwick.com/publications/pages/venture-capital-survey-silicon-valley-fourth-quarter-2011.aspx>, 15 February 2012.

94. Marvel Castells in Tom Forester, ed., *The Information Technology Revolution*, MIT Press, 1985, via "Silicon Valley," wikipedia, [http://en.wikipedia.org/wiki/Silicon\\_Valley#cite\\_ref-14](http://en.wikipedia.org/wiki/Silicon_Valley#cite_ref-14).

95. "Startup Ecosystem Report 2012 - Part 1," Start-up Genome, via <http://blog.startupcompass.co/pages/entrepreneurship-ecosystem-report>, 20 November 2012, page 9.

96. 2014 Silicon Valley Index, <http://www.siliconvalleycf.org/sites/default/files/publications/2014-silicon-valley-index.pdf>, accessed 4 July 2014.



### Israel<sup>97</sup>: Tel Aviv-Yafo start-up ecosystem

Tel Aviv-Yafo is fostering an innovative and accessible start-up ecosystem. The ecosystem includes world-class talent, VC and seed funds; leading hi-tech companies and R&D centers; start-up incubators; accelerators and co-working spaces; and informal networking meet-ups and events.<sup>98</sup>

The hi-tech industry in Tel Aviv-Yafo encompasses more than 1,000 companies (Israeli and foreign), comprising approximately 23% of all hi-tech companies in Israel. Around 64% of the Israeli hi-tech companies in the city are start-ups. The hi-tech industry in Tel Aviv-Yafo provides employment to around 31,000 people.<sup>99</sup>

**Performance:** During 2007-11, 635 Israeli hi-tech companies were opened in Tel Aviv-Yafo. Further, there were 70 exits by Israeli hi-tech companies located in Tel Aviv-Yafo during the same period. The value of these exits amounted to over US\$3b.<sup>100</sup>

97. Since Israel is not part of the G20, it is not included in the diagnostic and no country profile is included.

98. "Tel Aviv's Startup Ecosystem," Telavivstartupcity website, <http://www.telavivstartupcity.com/>, accessed 3 July 2014; "Startup City Tel-Aviv," Tel Aviv government website, <http://www.tel-aviv.gov.il/eng/Business/Pages/StartupCityTelAviv.aspx?tm=2&sm=39>, accessed 3 July 2014.

99. "Tel Aviv-Yafo - An International Centre of Innovation," *Tel Aviv government website*, <http://www.tel-aviv.gov.il/TheCity/Documents/Britain-Israel%20Publication.pdf>, accessed 3 July 2014; "Tel Aviv: Startup City - Cracking the Innovation Code Work Plan - 2013-2014," Tel Aviv government, <http://startupgrind.com/wp-content/uploads/2013/10/Tel-Aviv-Startup-City.pdf>, pages 10, 26, 27.p. 27.

100. "Tel Aviv-Yafo - An International Centre of Innovation," *Tel Aviv government website*, <http://www.tel-aviv.gov.il/TheCity/Documents/Britain-Israel%20Publication.pdf>, accessed 3 July 2014; "Tel Aviv: Startup City - Cracking the Innovation Code Work Plan - 2013-2014," Tel Aviv government, <http://startupgrind.com/wp-content/uploads/2013/10/Tel-Aviv-Startup-City.pdf>, pages 10, 26, 27.p. 27.

# Diagnostic methodology



The EY guide to diagnosing youth unemployment provides a framework for assessing the youth employment challenge in G20 countries, recognizing the different economic conditions and youth employment dynamics from market to market.

The aim of the diagnostic is to guide assessment of the type of youth employment challenge for G20 countries. The framework shows the relative position of G20 economies across speed of economic growth – or their capacity to create employment for youth, and across quality jobs for youth – or their ability to provide skilled, secure employment for youth. G20 countries are segmented into four quadrants, reflecting their relative positions on speed of economic growth and on quality jobs for youth. In recognizing the differences in context for the youth employment challenge across economies, the objective of the diagnostic is also to guide specific policy recommendations for governments. The report presents actionable strategies for these policy recommendations for each quadrant.

## Methodology

The diagnostic scores G20 countries on the speed of economic growth and on quality jobs for youth based on the following metrics. The constituents reflect key International Labour Organization statistics on youth employment rates and “decent” employment.

### Speed of economic growth

- ▶ Labor force participation (youth)
- ▶ Unemployment rate (youth)
- ▶ Inactivity rate (youth)
- ▶ Employment to population ratio (youth)

### Quality jobs for youth

- ▶ Share of youth unemployment in total unemployment (total economy)
- ▶ Level of economic vulnerability<sup>101</sup> (total economy)
- ▶ Gap in employment-to-population ratio (youth/adult)
- ▶ Ratio youth/adult unemployment (youth)
- ▶ Secondary-educated youth labor force (youth)
- ▶ Tertiary-educated youth labor force (youth)

101. “Informal economy,” *International Labour Organization website*, <http://ilo.org/global/topics/employment-promotion/informal-economy/lang-en/index.htm>, accessed July 2014.

For speed of economic growth and quality jobs for youth, the constituents are normalized on a 1 to 10 scale, using min-max normalization. A score of 10 indicates the strongest result across the G20 group and a score of 1 indicates the softest result.

$$9 * ((\text{Variable} - \text{MIN}(\text{Variable Series})) / (\text{MAX}(\text{Variable Series}) - \text{MIN}(\text{Variable Series}))) + 1$$

For the speed of economic growth and quality jobs for youth pillars, the constituents are aggregated using a geometric mean, to provide a final score for each country on each pillar. The geometric mean is used in place of a regular mean to avoid oversized contributions to the final score from individual constituents.

Countries are segmented into four quadrants based on their scores for the speed of economic growth and quality jobs for youth metrics. The median score for speed of economic growth and quality jobs for youth is used to define “higher” and “softer” performers on each measure. The quadrants are described in Figure 1. It is important to highlight that the scores and quadrants reflect the relative position of G20 economies on the model constituents – this is not an “absolute” assessment of performance.

**Figure 1: The EY guide to diagnosing youth unemployment quadrant key**

1	Stronger economic activity, higher quality jobs for youth
2	Stronger economic activity, softer quality jobs for youth
3	Softer economic activity, softer quality jobs for youth
4	Softer economic activity, higher quality jobs for youth

### Policy implications

The EY guide supports tailored policy recommendations by quadrant. The high-level differences across quadrants are represented in Figure 2.

**Figure 2: The EY guide to diagnosing youth unemployment quadrants and policy implications**

1	Sustain economic performance; sustain/grow competitive advantage
2	Sustain economic performance; focus on skills gap and employment quality
3	Improve economic performance; focus on skills gap and employment quality
4	Improve economic performance; sustain/grow competitive advantage

### The scores and quadrants of G20 members

	Quality jobs for youth	Speed of economic growth	Youth population	Quadrant
Argentina	4.7	5.8	6,765k	3
Australia	6.8	9.8	3,166k	1
Brazil	5.4	8.9	33,399k	2
Canada	7.3	9.0	4,559k	1
China	3.8	8.4	224,437k	2
France	6.9	4.9	7,862k	4
Germany	6.5	7.7	8,975k	1
India	2.4	5.7	231,577k	3
Indonesia	1.9	6.8	41,185k	2
Italy	5.3	3.0	6,069k	3
Japan	8.6	6.5	12,483k	1
Korea, Republic of	6.2	4.0	6,698k	4
Mexico	6.2	7.3	22,224k	1
Russian Federation	6.8	5.7	18,974k	4
Saudi Arabia	2.3	1.6	4,652k	3
South Africa	4.3	1.6	10,011k	3
Turkey	4.5	5.6	12,642k	3
United Kingdom	6.5	7.9	7,927k	1
United States	7.2	7.2	44,168k	1

**Quadrant key**

1	Higher growth, higher quality
2	Higher growth, lower quality
3	Lower growth, lower quality
4	Lower growth, higher quality

## Contacts

### Maria Pinelli

Global Vice Chair, Strategic Growth Markets, EY  
maria.pinelli@ey.com

### George Atalla

Global Leader, Government & Public Sector  
george.atalla@ey.com

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