

AN IBERO-AMERICAN PERSPECTIVE ON YOUTH ENTREPRENEURSHIP, 2016

Written by Mike Herrington and Penny Kew



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EXECUTIVE SUMMARY

The Ibero-American block includes two European countries (Portugal and Spain) as well as all the Spanish and Portuguese speaking countries in North, Central and South America. While most of the Latin American and Caribbean (LAC) region economies have in recent years benefited from rapid economic growth, with concomitant social gains, the drop in commodity prices has had an effect on many countries within the region. Like the rest of the world, the region faces challenges such as persistent jobless growth and an increasing dependence on technology in today's business environment. Unemployment and underemployment is a critical factor - especially among the youth, who now form a large section of the population. The region is expected to show the largest increase in the youth unemployment rate, which is estimated to reach 16.8 per cent in 2016, and is expected to climb further to 17.1 per cent in 2017. It is clear that the challenge facing the LAC region is to find ways of fostering innovation and effective entrepreneurial activity among the youth in order to harness their potential to contribute in a meaningful way to sustainable economic development in the region.

The national entrepreneurship ecosystems

Twelve Ibero-American countries participated in the 2105 Global Entrepreneurship Monitor Survey – the findings of this report relate primarily to these countries. An economy cannot increase the quantity and quality of entrepreneurs without creating an enabling environment in which entrepreneurship can flourish. Key findings in terms of the entrepreneurship ecosystems include:

- The countries with the weakest entrepreneurship ecosystems are Guatemala, Brazil, Peru and Argentina. The country with the most enabling entrepreneurship ecosystem is Portugal, while Ecuador, Mexico and Chile also report fairly positive assessments of their entrepreneurial ecosystems.
- Access to finance is the worst ranked Entrepreneurial Framework Condition (EFC), overall, among the Ibero-American countries. Government policy (taxes and bureaucracy) and R&D transfer were also regarded as critical constraints to developing a strong SME sector, with nine out of the twelve countries reporting mean scores below average for these two factors.
- Physical infrastructure is the EFC which is ranked most positively, overall, among the Ibero-American countries. With the exception of Portugal and Brazil, the rest of the countries all rate physical infrastructure as good, with Panama, Chile and Ecuador rating it as very good. Commercial and professional infrastructure fosters entrepreneurship in most of the countries. Only two countries (Panama and Brazil) report very low scores in terms of post-school entrepreneurship education.

In order to facilitate a deeper understanding of youth entrepreneurship development within the Ibero-American countries, GEM National Teams were asked to provide information about the entrepreneurial ecosystems in their countries relating specifically to the youth. They were asked, in particular, to focus on the way in which young people who want to be entrepreneurs would perceive the national ecosystem, in terms of limitations and opportunities, as well as to highlight best policy practices or strategies that the government, NGOs and private sector have introduced to encourage youth entrepreneurship. The insights are summarised in Chapter 2, and include educational, financial and mentoring initiatives.

Youth entrepreneurship dynamics

Entrepreneurial activity

- Overall, entrepreneurship is regarded relatively positively by the Ibero-American youth. On average, around two-thirds of individuals aged 18 - 24 see entrepreneurship as a good career choice and believe that entrepreneurs have high status. This is marginally higher than for the 25 – 34 year old cohort.
- Close to half of young people, on average, perceive good entrepreneurial opportunities in the areas where they live; however, a third of the young people who perceive opportunities report that fear of failure would constrain them from pursuing these opportunities. A third of the youth also express an intention to start a business within the next three years.
- The biggest discrepancy between the young youth (18 -24 years) and the older youth (25 – 34 years) is in terms of their confidence in their own ability to run a business. Less than half of 18 – 24 year olds believe they have the capabilities to successfully pursue entrepreneurial opportunities, compared to 60% of 25 – 34 year olds.

- In terms of involvement in early-stage entrepreneurial activity, the youth as a whole (i.e. 18 – 34 years of age) are significantly more entrepreneurial than the adults (35 years+) in all of the Ibero-American countries. The difference is most marked in Panama, where the youth is twelve times more likely to be engaged in early-stage entrepreneurial activity than adults, and in Uruguay and Chile (around nine times more likely).
- The older youth are around 1.4 times more likely to be involved in nascent as well as new firm activity, compared to the young youth. From an individual country perspective, the youth in Ecuador are the most entrepreneurial, while those in Spain are the least entrepreneurial.
- In the majority of the countries, the new business rate is lower than the nascent rate across both age categories. Brazil and Panama are the exceptions, in that the percentage of nascent entrepreneurs is lower than the percentage of new entrepreneurs.
- For the Ibero-American countries as a whole, the older youth are considerably more likely to be owners/managers of established businesses than are the young youth. From an individual country perspective, youth in Brazil and Ecuador have the highest rates of established business ownership across both age categories (more than double the average for the Ibero-American countries), while Panama has the lowest established business rates.
- The Ibero-American countries have a positive ratio of TEA to business discontinuance - for every person exiting a business in 2015, across both age categories, close to four were engaged in early-stage entrepreneurial activity.
- More than a third of businesses in both of the youth categories close because they are not profitable, while a fifth close for family or personal reasons. A number of youth entrepreneurs also encounter problems in accessing financing to sustain the business.

Profile of the young entrepreneurs

- Overall, gender parity among the youth is relatively positive across the Ibero-American countries. On average, across both age cohorts, eight women were engaged in early-stage entrepreneurship for every ten male entrepreneurs in 2015. In terms of established business activity, the ratios are slightly lower. Six women in the young youth category and seven in the older youth category are engaged in established business activity for every ten male entrepreneurs of similar age.
- Women aged 18 – 24 report higher TEA rates than men in Argentina, Brazil and Panama. Portugal has the widest gender gap, with only two women engaged in TEA for every ten male entrepreneurs.
- Among the older youth, Peru is the only country where women report higher TEA rates than men; however, Argentina, Ecuador and Mexico all show an encouraging level of gender parity.
- Brazil shows the best gender parity in terms of established business activity, with young women in both age categories outperforming their male counterparts in terms of established business rates.
- Overall, the youth in the Ibero-American countries show high levels of opportunity motivation – close to three-quarters of young entrepreneurs in these countries are opportunity-driven. Among the young youth, Portugal has the highest rate of opportunity-driven motivation – young entrepreneurs in this country are more than 20 times more likely to be driven by opportunity than by necessity. Among the older youth, Uruguay and Spain have the highest rates of opportunity-driven TEA.
- Guatemala and Brazil have the highest proportion of necessity-driven entrepreneurs among the younger youth, while among the older youth Panama and Guatemala have the highest necessity rates. In these three countries, entrepreneurs are only marginally more likely to be motivated by opportunity rather than necessity.
- Overall, young women in both age categories are more likely to be pushed into entrepreneurship out of necessity than are young men. From an individual country perspective, the highest rates among women are in Brazil and Guatemala - more than half of young female entrepreneurs in these two countries are pushed into entrepreneurship by necessity. Male necessity-driven entrepreneurship is highest in Guatemala and Panama, across both age cohorts.
- Among the young youth, women are more likely than men to be opportunity-motivated in Portugal, Panama and Spain. Among the older youth, Portugal is the only country where women are more likely than men to be opportunity-motivated.

Sources of entrepreneurial finance

- Overall, entrepreneurs in the older youth cohort require more funds to start their businesses – on average, two-thirds more money than entrepreneurs in the young youth group.
- Young entrepreneurs rely heavily on their own savings, with three-quarters of the total money needed for the venture coming from the entrepreneurs' own funds. The share of own investment is highest in Brazil, Panama and Uruguay and lowest in Colombia.
- A significant majority of young entrepreneurs across both age cohorts (over 90%) use their own savings to fund their ventures, while a third rely on family for funding. Banks are an important source of entrepreneurship finance, with just under 30% of entrepreneurs in both age cohorts obtaining funds from these institutions.
- Colombians make the most use of more sophisticated funding options – a quarter use private/ venture capital sources and 13% use crowd-funding. Guatemalan entrepreneurs are the most likely to use crowd-funding. Aside from Colombia, only Chile and Portugal report more than 10% of young entrepreneurs accessing venture capital.

Entrepreneurship impact

- The majority of TEA activity in the Ibero-American countries as a whole, across both age cohorts, is in the consumer-oriented services sector. This is particularly the case for the young youth (71%). The older youth also report most of their activity (over 60%) in the consumer services sector, but a fifth of entrepreneurs in this age cohort are engaged in the transformative sector.
- Among the young youth, Portugal has the highest participation in the consumer-services sector. Spain (32%) and Uruguay (20%) are the only countries to report significant involvement in the business services sector, while a quarter of Brazilian entrepreneurs are in the transformative sector.
- Among the older youth, industry participation is more balanced. Chile, Colombia, Portugal, Spain and Uruguay show particularly balanced profiles, with good levels of participation across the industry sectors. These countries all show robust involvement in the business services sector.
- On average, a third of Ibero-American youth entrepreneurs only create employment for the business owner and therefore make no contribution to job creation. Just under half of the youth businesses employ between one and five people.
- Brazil (63%) has the highest proportion of early-stage entrepreneurs aged 18 -24 who make no contribution to job creation. Chile and Colombia have the lowest proportion – around 90% of entrepreneurs in this age cohort employ at least one person other than the owner.
- A particularly encouraging finding is that over 60% of the Colombian young youth entrepreneurs employ six or more people. Uruguay (35%) and Chile (28%) also have significant numbers of youth entrepreneurs creating 6+ jobs.
- Among the older youth, around half of the early-stage entrepreneurs in Brazil and Spain create no additional jobs, while Colombia and Chile lead in terms of creating six or more jobs. The older youth in Portugal make a more significant contribution to employment creation, compared to the young youth, with a quarter employing 6+ people.
- On average, over 80% of entrepreneurs across both age cohorts expecting to add at least one job in the next five years and a quarter have medium to high growth expectations (6+ jobs).
- Colombia has the highest high-growth expectations by a considerable margin, with around two-thirds of young entrepreneurs in this country expecting to create six or more new jobs in the next five years. Brazil has the lowest growth expectations.
- On average, just over a quarter of Ibero-American young entrepreneurs believe that their products are innovative. From an individual country perspective, the youth in Peru have the lowest innovation levels. The highest innovation levels can be seen in Chile, where over half of entrepreneurs state they have innovative products or services, followed by Guatemala.
- The use of new and latest technology by youth businesses in the Ibero-American countries is generally low, with more than two-thirds of youth businesses indicating that they were using no new technology.
- From an individual country perspective, Chile and Colombia show the most positive uptake of latest technology – Colombia is the leader in this respect with a quarter of the young youth and 16% of the older youth using latest technology. In Spain, a fifth of the young youth use latest technology in their businesses. Brazil and Mexico are at the other end of the scale, with less than 5% of young entrepreneurs using latest technology.

CHAPTER 1: INTRODUCTION

1.1 The Ibero-American countries

The Ibero-American block consists of 21 countries and includes two European countries (Portugal and Spain) as well as Spanish and Portuguese speaking countries in North, Central and South America (**Table 1.1**). The countries analysed in the report are the countries where GEM has national teams.

Table 1.1: The Ibero-American countries

Spanish-speaking countries	Argentina, Bolivia, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Spain, Uruguay, Venezuela
Portuguese-speaking countries	Brazil, Portugal

The majority of the Ibero-American countries fall into the Latin American and Caribbean region. In the last 15 years, the Latin American and the Caribbean region has undergone significant changes, mainly for the better. Many countries in the region have adopted prudent macroeconomic policies, the middle class has grown while poverty rates have decreased substantially. Poverty in Latin America decreased from 48.4% to 29.2% between the early nineties and 2015, while extreme poverty decreased from 22.6% to 12.4% over the same period (ECLAC, 2015). Strong economic growth together with complementary social programs were responsible for this progress. The social policies implemented contributed to a third of the reduction in the number of poor people, while the remaining two thirds were the result of labour income during the boom years. However, while the number of poor people has been reduced by almost 70 million people in the last decade, in 2015 there are still 175 million poor people and 75 million homeless people in the region.

Educational progress in the region has also taken place. In 2013, 92% of the population aged 15 to 19 had completed primary education (ECLAC, 2015) while the percentage of the population with secondary education increased from 37% in 1997 to 58% in 2013. In 2013, 80% of young people between 20 and 24 years in the richest quintile had completed high school, while the rate was 34% for the poorest quintile. Expressing these rates in relative terms, all the young people in the poorest quintile who completed secondary education are equivalent to 42% of young people in the richest quintile who achieved a similar educational attainment. In 1997 this ratio was only 22%, indicating that significant progress has taken place in terms of educational parity.

There are concerns, however, that the slowdown in economic growth in the region may jeopardise these social gains. The economic situation in the LAC is highly dependent on the international context, and the weak growth prospects in advanced economies as well as the economic situation in China is likely to lead to a scenario where commodity prices will remain low. Falling commodity prices have exacerbated the persistent challenges of low levels of trade and low productivity growth in the region. The *Global Competitiveness Report 2015/ 2016* notes that the deceleration experienced in Latin America and the Caribbean since 2012 continued in 2015, with the IMF projecting growth of below 1 percent—down from 1.3 percent in 2014 and 2.9 percent in 2013. To create sustainable long-term growth, the *GCR 2015/ 2016* argues, the region must build resilience through strengthening fundamentals such as infrastructure, skills, and innovation—areas in which the region performs relatively poorly.

Despite this gloomy regional outlook, it must be noted that there is considerable heterogeneity in the region, particularly in terms of competitiveness. Some countries have managed to adjust successfully to external shocks thanks to stable economic policies, for example Chile, Peru and Colombia. In the case of Chile and Peru, the solid fiscal policies made it possible to apply countercyclical policies during the period 2014-2015. Brighter spots with respect to the LAC region also include economies in the north such as Mexico, Central America and the Caribbean, which have benefited from the recovery of the US economy and - in many cases - from lower oil prices. As the second biggest country in the region, Mexico has a large market and the strengthening of the domestic demand is another reason why there are favourable prospects for this economy. Countries in Central America and the Caribbean (Guatemala, Honduras, Costa Rica, Panama and the Dominican Republic) are benefiting from a number of factors. Many of these countries are oil importers, so the decline in international price has been good news for them. Moreover, they have benefited from the strengthening US economy - either from trade ties or tourism.

Other countries in the region have experienced a significant drop in their economic activity levels. The LAC region's growth average is negatively influenced by the slowdown in important economies such as Brazil and Venezuela. *The Global Competitiveness Report 2015/16* notes that Brazil has experienced a dramatic decline in its ranking (from 57th to 75th) with a large fiscal deficit, rising inflationary pressure and corruption scandals impacting negatively on its competitiveness. The result has been a contraction of 3.8 % in 2015 and a further forecast decline in 2016 of 3.5%. In the case of both Venezuela and Ecuador, the decline in oil prices has had a major impact on the economy. In the case of Venezuela, the problem was worsened by political problems and fiscal imbalances.

1.2 The youth employment challenge

In its *Outlook on the Global Agenda 2015*, the World Economic Forum identifies deepening income inequality and persistent jobless growth as two of the key challenges of our time. Income inequality is one of the most visible aspects of a broader and more complex issue, one that entails inequality of opportunity and extends to age, gender, ethnicity and disability, among others. A lack of inclusive growth, capable of providing decent jobs and livelihoods for all people within society, is seen as the second most critical issue. A shortage of employment opportunities in their countries is seen as a very big problem by more than two-thirds of the world's population (Asia 62%, North America 64%, Europe 71%, the MENA countries 70%, Latin America 79% and sub-Saharan Africa 88%)¹.

Unemployment rates for youth are invariably higher than those for adults. This reflects several factors, including the lack of experience of young people entering the labour market for the first time, and the lack of strong work-related networks that are often important for finding a job. However, the persistent impact of the global economic crisis has exacerbated the difficulty that new entrants into the labour market have in finding a job, and youth unemployment has become a significant concern worldwide. The International Labour Organisation (ILO), in its *World Economic and Social Outlook – Trends for Youth 2016*, paints a dismal picture of the youth employment outlook. It notes that the global youth unemployment rate is on the rise after a number of years of improvement, and is expected to reach 13.1 per cent in 2016 (from 12.9 in 2015). This is very close to its historic peak in 2013 (at 13.2 per cent) and where it is expected to remain in 2017. As a result, the number of unemployed youth globally will rise by half a million in 2016 to reach 71 million and will remain at this level in 2017. The ILO emphasises that even among the employed youth, job quality remains a pressing concern. Youth exhibit a higher incidence of working poverty than adults: 37.7% of working youth are living in extreme or moderate poverty in 2016, compared to 26% of working adults. In addition, significant gender gaps persist: in 2016, the labour force participation rate for young men stands at 53.9%, to 37.3% for young women – representing a gap of 16.6 percentage points. Altogether, available estimates suggest that, in 2016, over 40 per cent of the world's active youth population is expected to be either unemployed or living in poverty despite being employed.

What is of particular concern, in terms of the ambit of this report, is the ILO's finding that much of the increase in the 2016 global figures appears to be due to growing youth unemployment in Latin America and the Caribbean, Central and Western Asia and South-Eastern Asia and the Pacific. The region is expected to show the largest increase in the youth unemployment rate, which is estimated to reach 16.8 per cent in 2016, and is expected to climb further to 17.1 per cent in 2017. The impact of the uncertain economic situation in Brazil is a major factor in the overall regional estimates for 2016, together with growing youth unemployment rates in Argentina (which are only partially offset by declining rates in Chile and Mexico)². Another indicator of a lack of decent work options in a country/ region is the willingness to migrate. Facing the prospect of unemployment, working poverty and/or vulnerable forms of employment, young people tend to look abroad for better education and employment opportunities. At the regional level, the willingness to migrate among youth is highest in sub-Saharan Africa and Latin America and the Caribbean, at 38% in 2015.

Although youth unemployment levels in Northern, Southern and Western Europe are projected to decline (to 19.2% in 2016 and 18.4% in 2017, down from 20.3% in 2015), these figures are high enough to remain a pressing concern. The ILO Report also notes that in several developed countries, the large majority of young people (under the age of 25 years) take up part-time and temporary jobs because of the lack of full-time or permanent employment opportunities. Involuntary temporary employment accounts for 67.9% of youth with temporary jobs in Portugal while in Spain, the incidence of involuntary temporary employment around 80%. Youth in this form of employment are more likely to live in poverty despite having a job. The NEET rate (defined as the share of the youth population

¹ World Economic Forum (2014). *Outlook on the Global Agenda 2015*.pdf; <http://www.weforum.org>

² World Employment and Social Outlook 2016: Trends for youth. International Labour Office – Geneva: ILO, 2016

that are neither employed, nor in education or training) is another indicator of young people's difficulties in securing decent employment. For 20 – 24 year olds, the average NEET rate is over 18% while for the 25 -29-year-old age group it is almost 21%. The Southern European countries are those which report the highest NEET rates in both these age groups – in Spain, for example, NEET rates for both age groups are around 30%.

The economic and social costs of unemployment and widespread low-quality jobs for young people are considerable. A high level of unemployment among young people or young people who are underutilised represents a waste of potential human resources and talent, and will have a negative impact on the future growth prospects of a country or region. High levels of long-term unemployment among the youth are of particular concern. Young people who are unable to get a foothold in the world of work are prevented from accessing and developing transferable skills. Those skills and competencies that they do possess are rapidly eroded, which further reduces the likelihood of them entering the labour market.

The social costs of high youth unemployment are also significant. Young people that cannot find a way to improve their livelihood are at particular risk of high welfare dependence or becoming involved in crime and other anti-social behaviours, and it is thus imperative to find avenues for them to participate in the economy in a meaningful way. High un- and underemployment rates also make societies more vulnerable to civil disorder and political upheaval. Countries facing high or rapidly rising youth unemployment (particularly among the male youth) are especially vulnerable to social unrest. This is compounded in countries where educated young people cannot find satisfactory employment opportunities – as is the case in many Middle Eastern and North African countries. Similar developments have been observed in European countries where youth unemployment has increased substantially since the onset of the global economic crisis.

The situation is further complicated by the fact that that globalisation, technological advances and the digital economy have had a radical effect on the world of work. The traditional career path of a stable job with steady hours, a regular pay cheque and solid pension – a job for life – is no longer an option for many young people. Already, the number of career transitions experienced by individuals is on the increase, and technology is disrupting the traditional patterns in many industries. The mismatch between the supply and demand for skills is also recognised as a key reason driving the high youth unemployment rates. Although more young people are gaining tertiary qualifications, they are not providing themselves with skills and qualifications that are relevant to a changing labour market. Advances in technology act as a facilitator for new ideas and employment options, as do the burgeoning service industries in many emerging economies, but educational institutions are not providing young people with the skill set required to take advantage of these opportunities.

There is no simple solution to the youth un- and underemployment challenge, and it is critical to identify and explore factors which contribute to strategies that enable economies to benefit from the talents, energy and ideas that young people bring to the labour market. Important elements of such strategies include education and skills development as well as entrepreneurship development. Organisations and initiatives such as the ILO³, United Nations, World Bank and Youth Business Initiative highlight a number of advantages to stimulating youth entrepreneurship:

- youth entrepreneurship is an option to create employment for the youth;
- young entrepreneurs are more likely to hire fellow youths;
- young entrepreneurs are particularly responsive to new economic opportunities and trends;
- young people are active in high growth sectors;
- young people with entrepreneurial skills are better employees;
- young people are more innovative and often create new forms of independent work;
- young people who are self-employed have higher "life satisfaction"⁴;
- entrepreneurship offers unemployed or discouraged youth an opportunity to build sustainable livelihoods and a chance to integrate themselves into society⁵;
- entrepreneurial experience and/or education help youth develop new skills that can be applied to other challenges in life. Non-cognitive skills, such as opportunity recognition, innovation, critical thinking, resilience,

³ Simpson, J. and Christensen, J. *Youth Entrepreneurship & the ILO*

⁴ African Economic Outlook, 2013. *Who are the working youth in Africa?*

⁵ United Nations, 2013. *Opportunities and constraints to youth entrepreneurship*

decision making, teamwork, and leadership will benefit all youth, whether or not they intend to become or continue as entrepreneurs⁶.

1.3 Objectives and methodology of this report

Since its inception in 1997 by scholars at Babson College and London Business School, the Global Entrepreneurship Monitor (GEM) has developed into one of the world’s leading research consortia concerned with improving our understanding of the relationships between entrepreneurship and national development. In the seventeen years since its inception GEM has measured entrepreneurship in over 100 countries, covering all geographic regions and economic levels and comprising an estimated 74% of the world’s population and 90% of the world’s GDP, and has gained widespread recognition as the most informative and authoritative longitudinal study of entrepreneurship in the world. GEM provides a comprehensive view of entrepreneurship across the globe by measuring the attitudes of a population, and the activities and characteristics of individuals involved in various phases and types of entrepreneurial activity. It allows for comparisons with regard to the level and characteristics of entrepreneurial activity among different economies and helps to guide the formulation of effective and targeted policies aimed at stimulating entrepreneurship. (See Appendix 1 for details of the GEM model and methodology.)

In order to assist policy makers to make more informed decisions about how to increase entrepreneurship and enhance SME development among the youth, it is important that the current youth entrepreneurial landscape be defined and understood. The next two chapters analyse data collected in 2015 by GEM National Teams in the participating Ibero-American countries through the standard annual surveys, specifically disaggregated by age, in order to contribute to a deeper understanding of the nature, characteristics and dynamics of youth entrepreneurs and enterprise formation in these countries. The Ibero-American countries which participated in the 2015 GEM survey are shown in **Table 1.2**, grouped according to geographical region and phase of economic development.

Table 1.2: Ibero-American countries participating in the GEM 2015 survey, by geographical region and phase of economic development⁷

	Efficiency-driven economies	Innovation-driven economies
Latin America & Caribbean	Argentina, Brazil, Chile, Colombia, Ecuador, Guatemala, Mexico, Panama, Peru, Uruguay	
European Union		Portugal, Spain

The youth is a category of people that needs to be defined, in contrast to older people, to make analysis possible. The literature has no agreement on an age-bracket - typically, in studies of youth, the young denotes people from the teens up to somewhere around thirty years old. For the purpose of this report, and to enable the use of GEM data, the youth is defined as people between the ages of 18 – 34 years while the term ‘adults’ is used to refer to those aged 35 – 64 years. In addition, in the youth category this report distinguishes between the ‘young youth’ and the ‘older youth’, where the ‘young youth’ are those aged 18 to 24 years, and the ‘older youth’ are those aged 25 to 34 years.

The report addresses the following areas:

- How do the Ibero-American countries differ with respect to entrepreneurship ecosystems, and how do countries differ in their framework conditions for including the youth in entrepreneurship?
- What are the entrepreneurial attitudes, competencies and activity dynamics among the Ibero-American youth?
- What is the profile of youth entrepreneurs in Ibero-American countries?
- What are the characteristics of youth enterprises, as well as their economic impact?

⁶ World Bank, 2008. *Children and the youth*, Volume II, Number 6 June 2008

⁷ Classification of economies by economic development level is adapted from the World Economic Forum (WEF). According to WEF’s classification, the factor-driven phase is dominated by subsistence agriculture and extraction businesses, with a heavy reliance on (unskilled) labour and natural resources. In the efficiency-driven phase, an economy has become more competitive with further development accompanied by industrialisation and an increased reliance on economies of scale, with capital-intensive large organisations more dominant. As development advances into the innovation-driven phase, businesses are more knowledge-intensive, and the service sector expands (<http://weforum.org>).

CHAPTER 2: THE IBERO-AMERICAN NATIONAL ENTREPRENEURSHIP ECOSYSTEMS

2.1 An overview of the Ibero-American entrepreneurship ecosystems

The GEM model explicitly acknowledges that particular environmental factors (social, cultural, political and economic) are influential in creating unique business and entrepreneurial contexts. Annually, each economy participating in the GEM cycle surveys at least 36 key experts or informants. The National Experts Survey (NES) is similar to other surveys that capture expert judgments to evaluate specific national conditions. For example, the World Economic Forum's *Global Competitiveness Report* and the World Bank's *Ease of Doing Business Report* use similar surveys to build their indices. However, the NES focuses only on the environmental features that are expected to have a significant impact on the entrepreneurial sector, captured in the nine Entrepreneurial Framework Conditions (EFCs) rather than on general economic factors. The nine EFCs are described in **Table 2.1**. Although the EFCs can be addressed at any stage of development, these conditions function best in economies with an underlying foundation of basic requirements and efficiency enhancers. For example, it is unlikely that government entrepreneurship programmes will be effective if the country provides inadequate health care and primary education to its population

Table 2.1: The GEM Entrepreneurial Framework Conditions (EFCs)

Framework condition	Description
EFC1: Financial support	The availability of financial resources, equity, and debt, for new and growing firms, including grants and subsidies.
EFC2: Government policies	The extent to which government policies (such as taxes or regulations) are either size-neutral or encourage new and growing firms. There are two sub-divisions – the first covers the extent to which new and growing firms are prioritised in government policy generally; and the second is about the regulation of new and growing firms.
EFC3: Government programmes	The presence and quality of direct programmes to assist new and growing firms, at all levels of government (national, regional, municipal).
EFC4: Education and training	The extent to which each level of the education and training system incorporates training in creating/ managing new, small or growing business entities. There are two sub-divisions – primary and secondary school entrepreneurship education and training; and post-school entrepreneurship education and training.
EFC5: Research and development transfer	The extent to which national research and development will lead to new commercial opportunities, and whether or not these are available for new, small and growing firms.
EFC6: Commercial and professional infrastructure	The presence of commercial, accounting and other legal services and institutions that allow or promote the emergence of small, new and growing business entities.
EFC7: Internal market openness	The extent to which commercial arrangements undergo constant change and redeployment as new and growing firms compete with and replace existing suppliers, subcontractors and consultants. There are two sub-divisions – market dynamics, i.e. the extent to which markets change dramatically from year to year; and market openness, i.e. the extent to which new firms are free to enter existing markets.
EFC8: Access to physical infrastructure	Ease of access to available physical resources – communication, utilities, transportation, land or space – at a price that does not discriminate against new, small or growing firms.
EFC9: Cultural and social norms	The extent to which existing social and cultural norms encourage, or do not discourage, individual actions that might lead to new ways of conducting business or economic activities which might, in turn, lead to greater dispersion in personal wealth and income.

The NES questionnaire is standardised for all countries and was carefully designed and refined to capture informed judgments of national key informants in each country, who are specially selected on the basis of reputation and experience. Experts are asked to express their views about the most important conditions which can either foster or constrain entrepreneurial activity and development in their country. The experts are interviewed using both a semi-structured and structured questionnaire. The closed questionnaire consists of several statements relating to aspects of the nine Entrepreneurial Framework Conditions, and the responses are measured using a Likert scale of 1 (highly insufficient) to 9 (highly sufficient). The NES therefore provides insights into the ways in which the EFCs shape the national entrepreneurial climate.

Figure 2.1 provides an overall assessment of the entrepreneurship ecosystem for each of the Ibero-American countries which participated in the 2015 GEM survey. An entrepreneurship ecosystem represents the combination of conditions that shape the context in which entrepreneurial activities take place. Figure 2.1 thus indicates the mean score (on a scale of 1 to 9) across all nine of the EFCs.

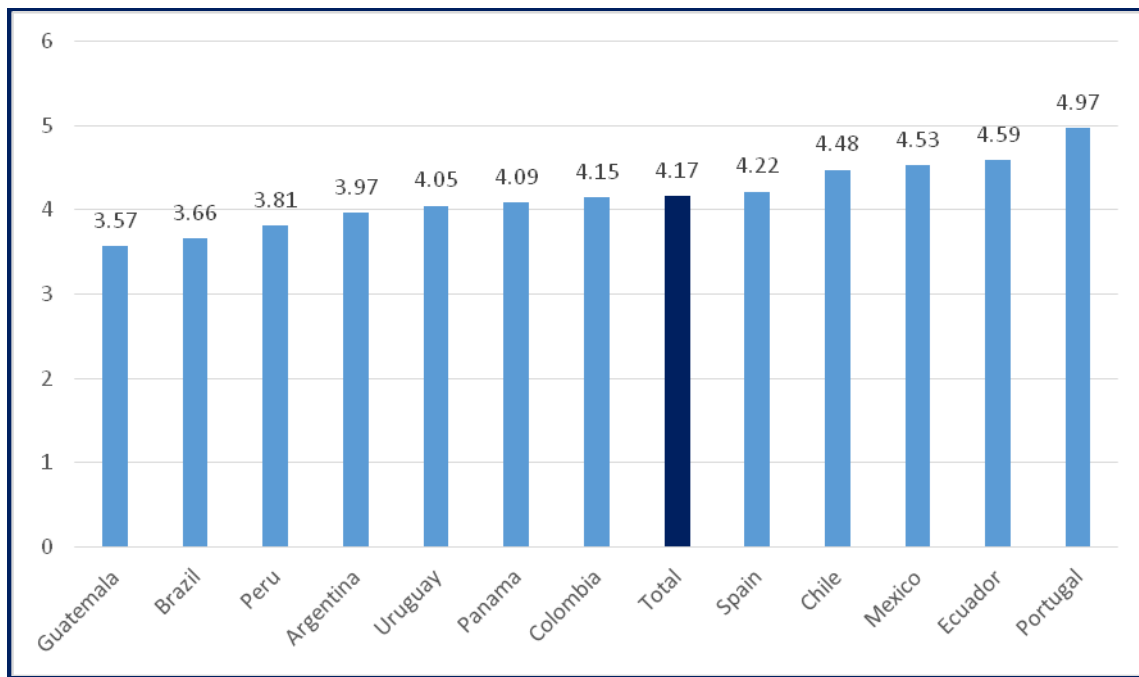


Figure 2.1: Mean score across all nine entrepreneurial framework conditions, by country, GEM 2015 (weighted average: 1 = highly insufficient. 9 = highly sufficient)

The countries with the weakest entrepreneurship ecosystems (i.e. with a mean score below four) are Guatemala, Brazil, Peru and Argentina. The country with the most enabling entrepreneurship ecosystem is Portugal, while Ecuador, Mexico and Chile also report fairly positive assessments of their entrepreneurial ecosystems.

Entrepreneurial activity is an output of the interaction of an individual's perception of an opportunity and capacity (motivation and skills) to act upon this AND the distinct conditions of the respective environment in which the individual is located. An economy cannot increase the quantity and quality of entrepreneurs without creating an enabling environment in which entrepreneurship can flourish. Informed policy decisions which help to create a nourishing entrepreneurial environment will be of benefit to entrepreneurs in all phases of their businesses, be it young start-ups, established or repeat entrepreneurs. An important focus of the NES, therefore, is helping to identify key weaknesses in the entrepreneurial environment, in order to provide policy makers and business leaders with information that enables them to put into place precise, practical and targeted recommendations. **Figures 2.2 to 2.13** summarise the experts' perceptions of each of the entrepreneurial framework conditions for the twelve Ibero-American countries

. The average score for the countries as a group is also indicated (designated 'total' on the figures). The most positive EFCs are considered to be those with a mean score of 6.0 and above, while those with a mean score below 4.0 indicate a negative perception on the part of the experts.

Access to finance is the worst ranked EFC, overall, among the Ibero-American countries. With the exception of Portugal, the rest of the countries all have mean scores below 4.0 (**Figure 2.2**). In Latin America & the Caribbean, personal savings are an important source of financing for three-quarters of entrepreneurs⁸. Portugal and Spain, the top-ranked countries in terms of this EFC, are innovation-driven economies in Europe – these types of economies tend to have more sources of available finance for entrepreneurs, including more sophisticated funding sources such as VC and crowdfunding. Government policy (taxes and bureaucracy) was also regarded as an impediment to developing a strong SME sector, with nine out of the twelve countries reporting mean scores below 4.0. Portugal, Panama and Chile, the three top ranked countries in terms of this EFC, all posted scores of over 5.0 (Figure 2.4). R&D

⁸ Caroline Daniels, Mike Herrington and Penny Kew. *Global Entrepreneurship Monitor 2015 – 2016: Special Report on Entrepreneurial Finance*. Global Entrepreneurship Research Association, 2016. www.gemconsortium.org.

transfer is also seen as a critical constraint, with only Portugal, Uruguay and Mexico achieving mean scores above 4.0 (Figure 2.8). Portugal's mean score of 5.28 is considerably higher than for the rest of the countries.

Physical infrastructure is the EFC which is ranked most positively, overall, among the Ibero-American countries. With the exception of Portugal (with a mean score of 3.5) and Brazil (4.72), the rest of the countries all rate physical infrastructure as good, with Panama, Chile and Ecuador rating it as very good (mean scores above 7.0). Commercial and professional infrastructure fosters entrepreneurship in most of the countries, with only Peru scoring below 4.0. Only two countries (Panama and Brazil) score below 4.0 in terms of post-school entrepreneurship education; Uruguay and Brazil report weak scores for cultural and social norms. For all three of these EFCs, Ecuador has the highest mean scores.

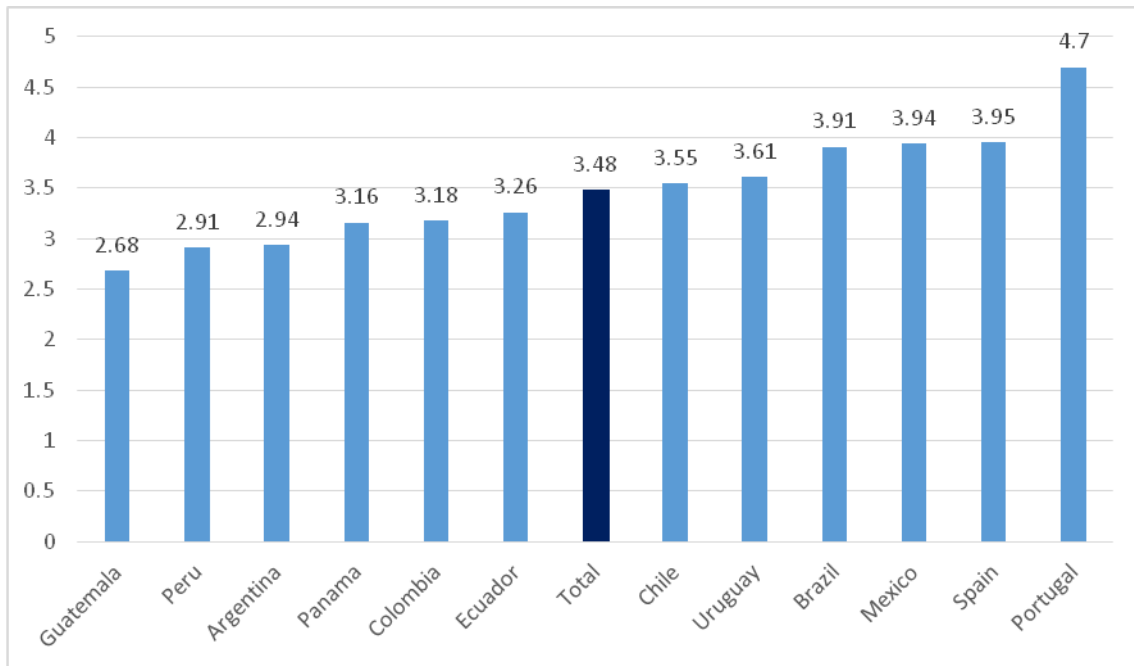


Figure 2.2: Average expert ratings for entrepreneurial finance, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

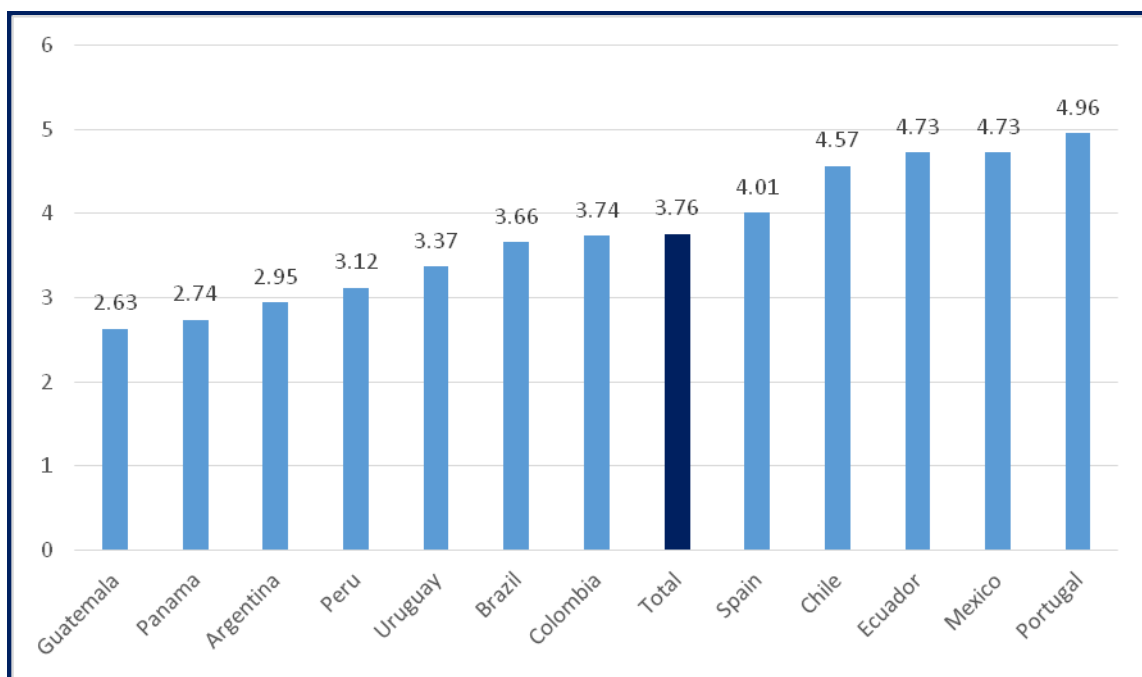


Figure 2.3: Average expert ratings for government policies: support and relevance, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

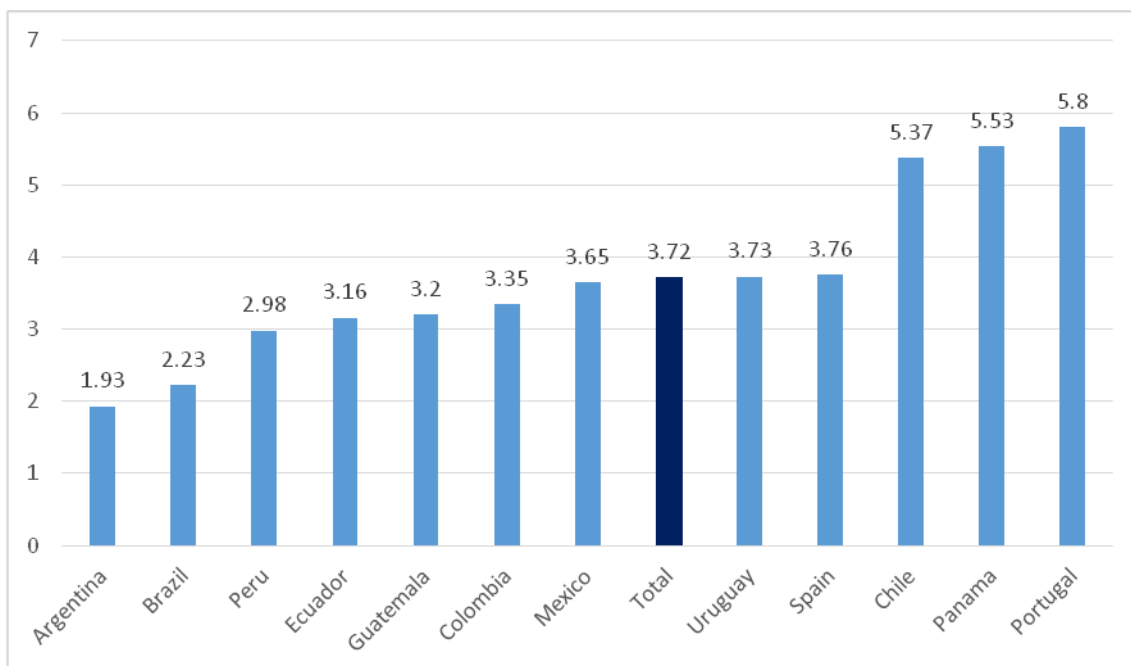


Figure 2.4: Average expert ratings for government policies: taxes and bureaucracy, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

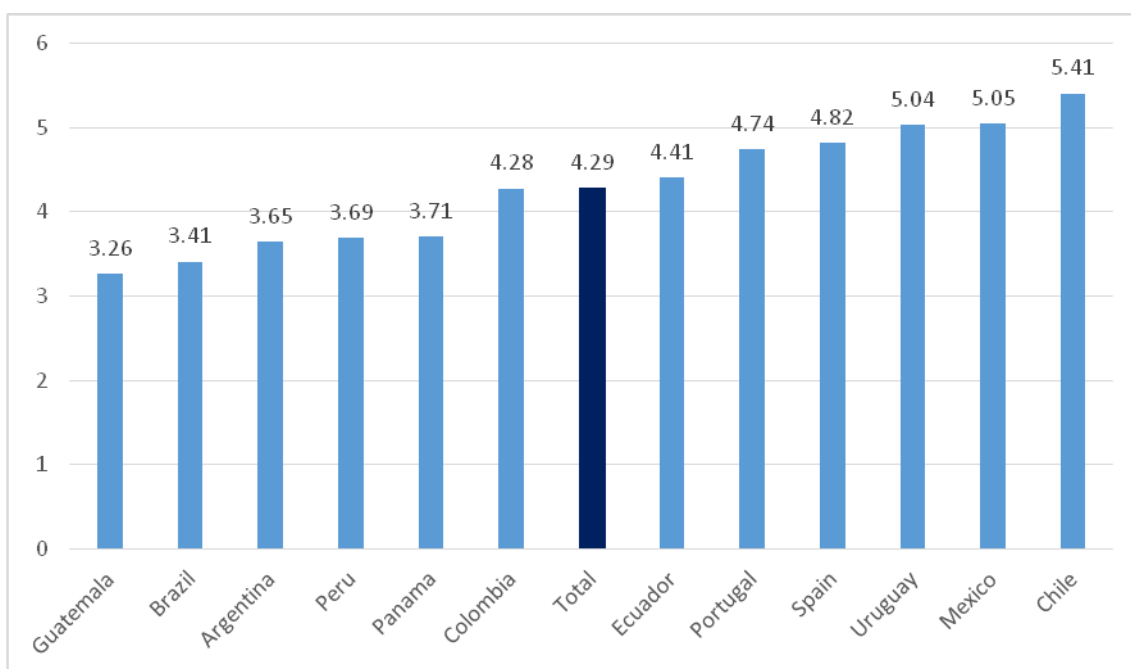


Figure 2.5: Average expert ratings for government entrepreneurship programmes, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

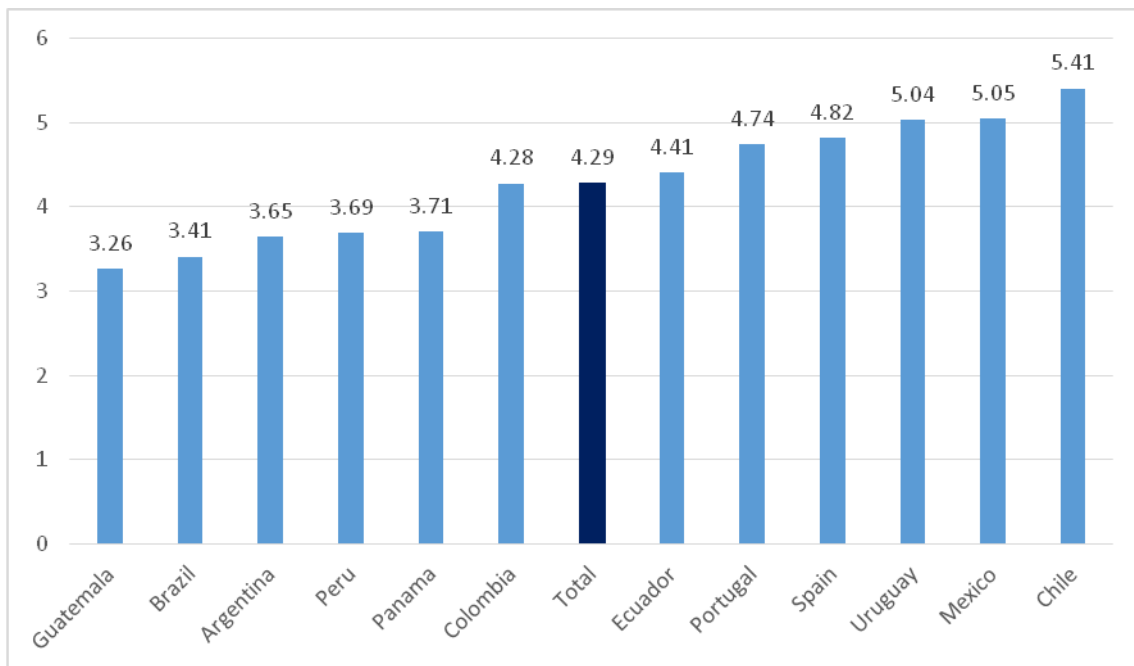


Figure 2.6: Average expert ratings for entrepreneurship education at the school stage, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

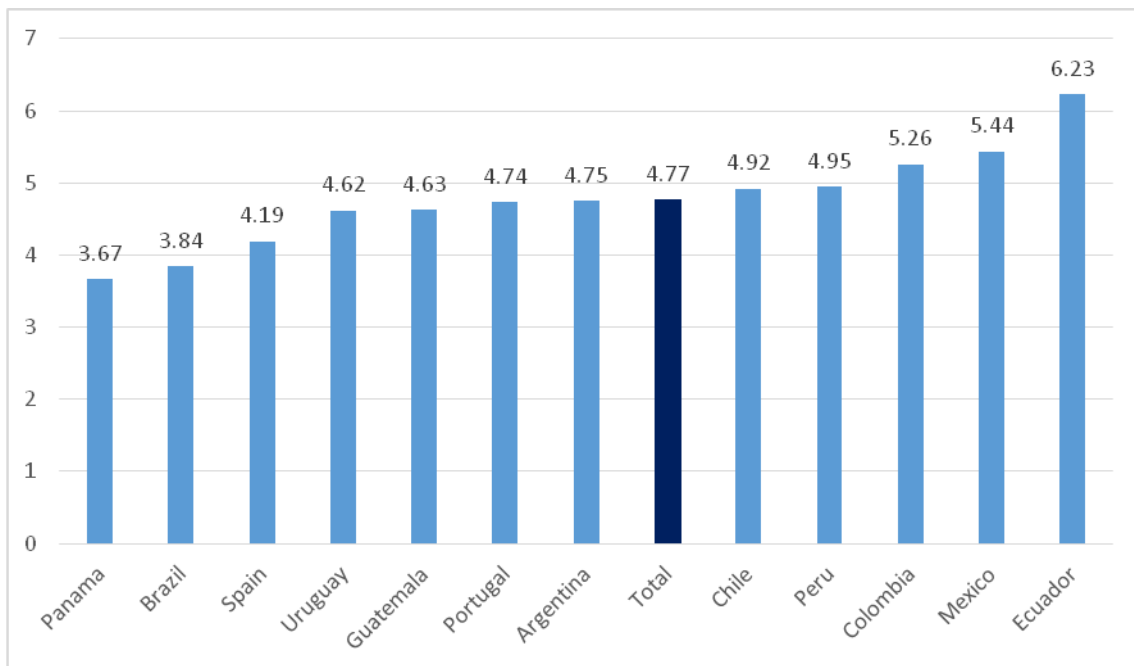


Figure 2.7: Average expert ratings for entrepreneurship education at the post-school stage, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

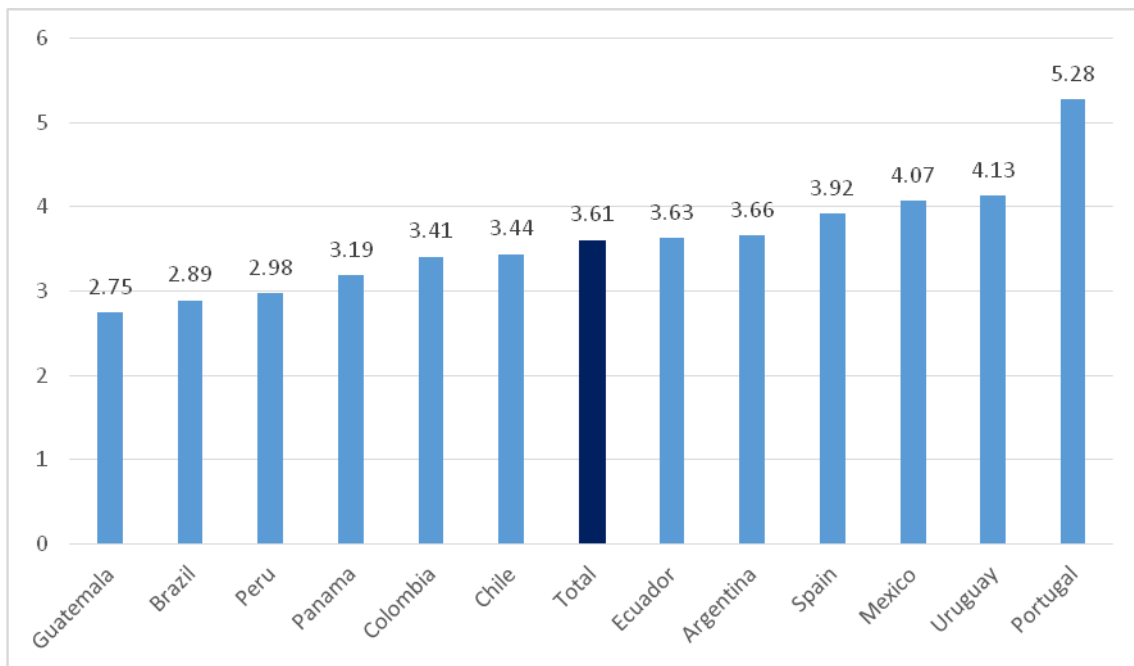


Figure 2.8: Average expert ratings for research and development transfer, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

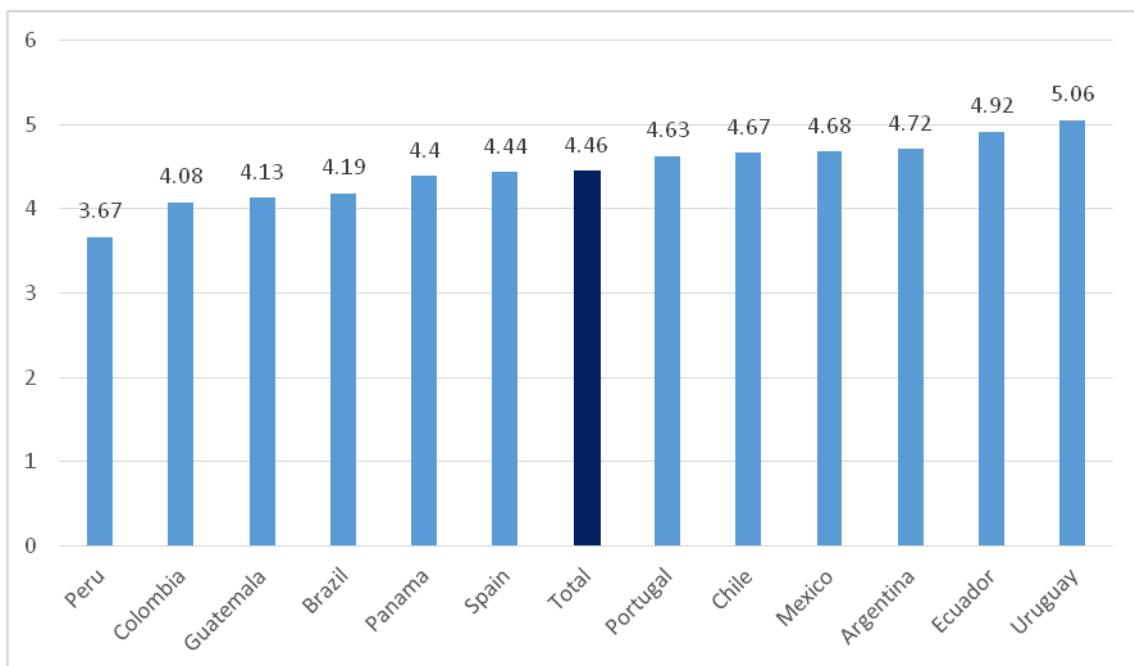


Figure 2.9: Average expert ratings for commercial and professional infrastructure, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

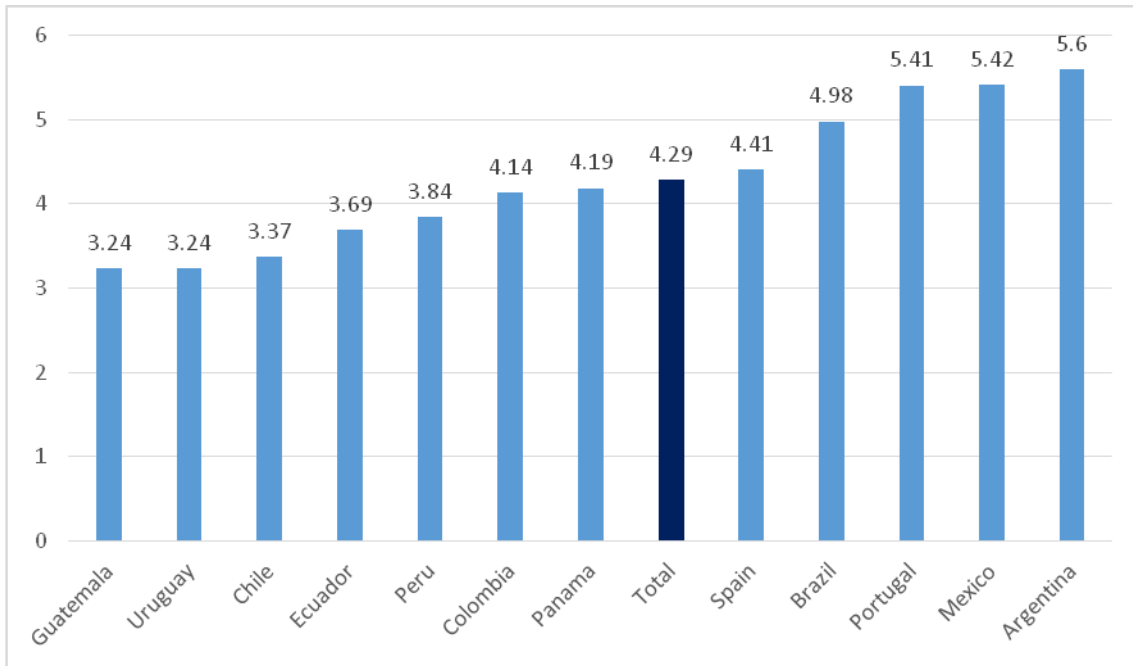


Figure 2.10: Average expert ratings for internal market dynamics, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

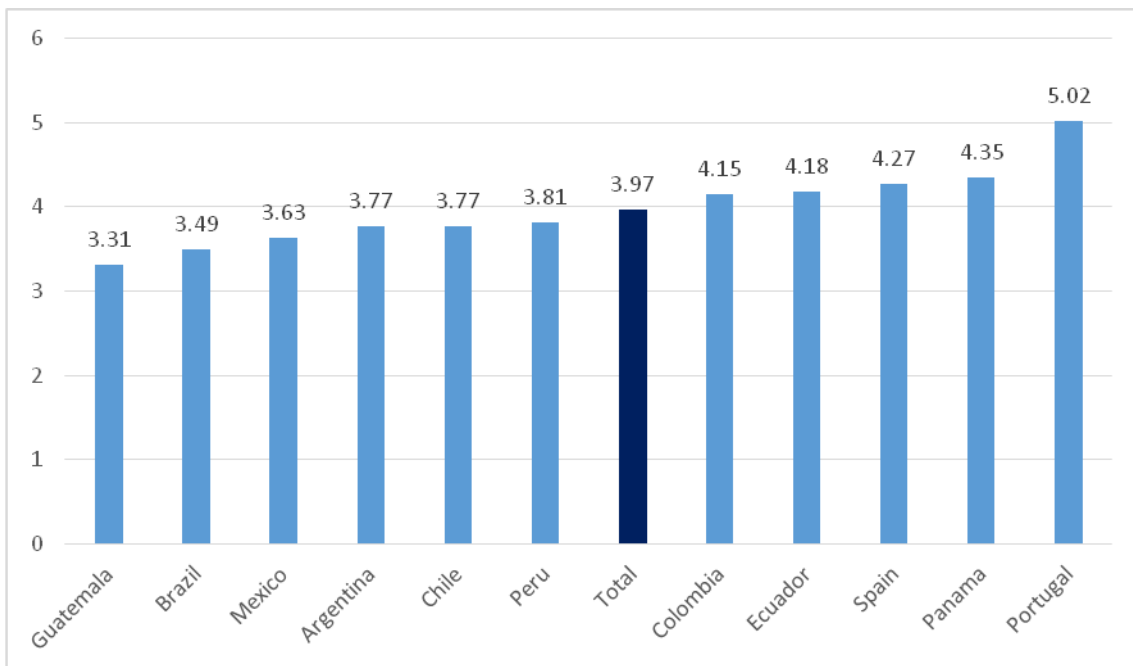


Figure 2.11: Average expert ratings for internal market burdens or entry regulations, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

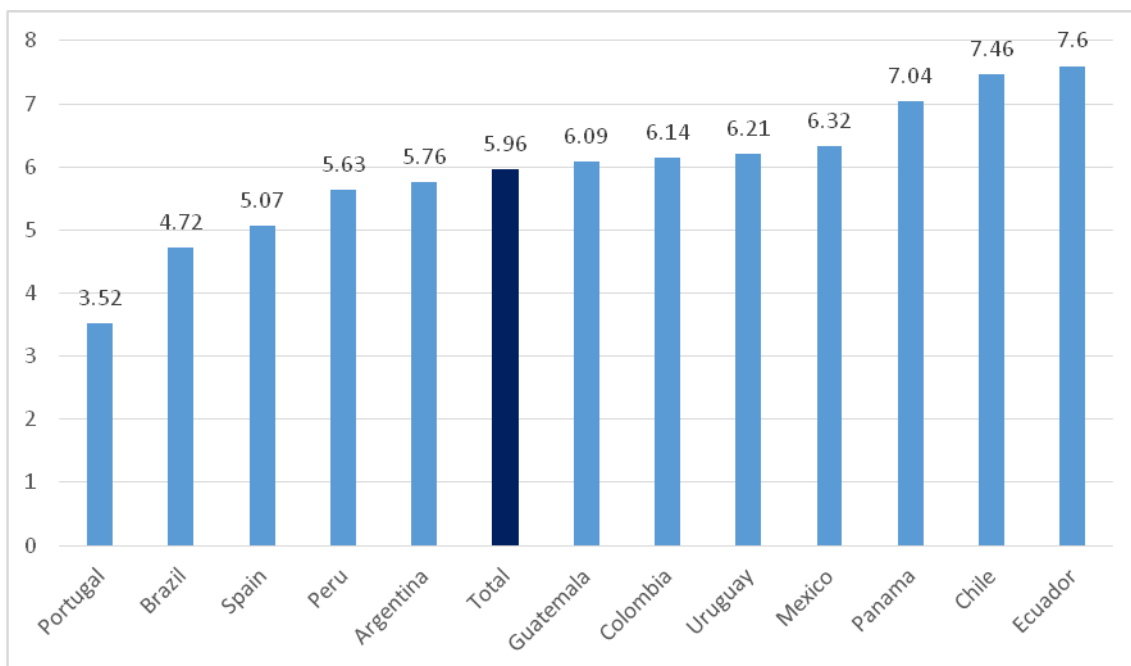


Figure 2.12: Average expert ratings for physical infrastructure, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

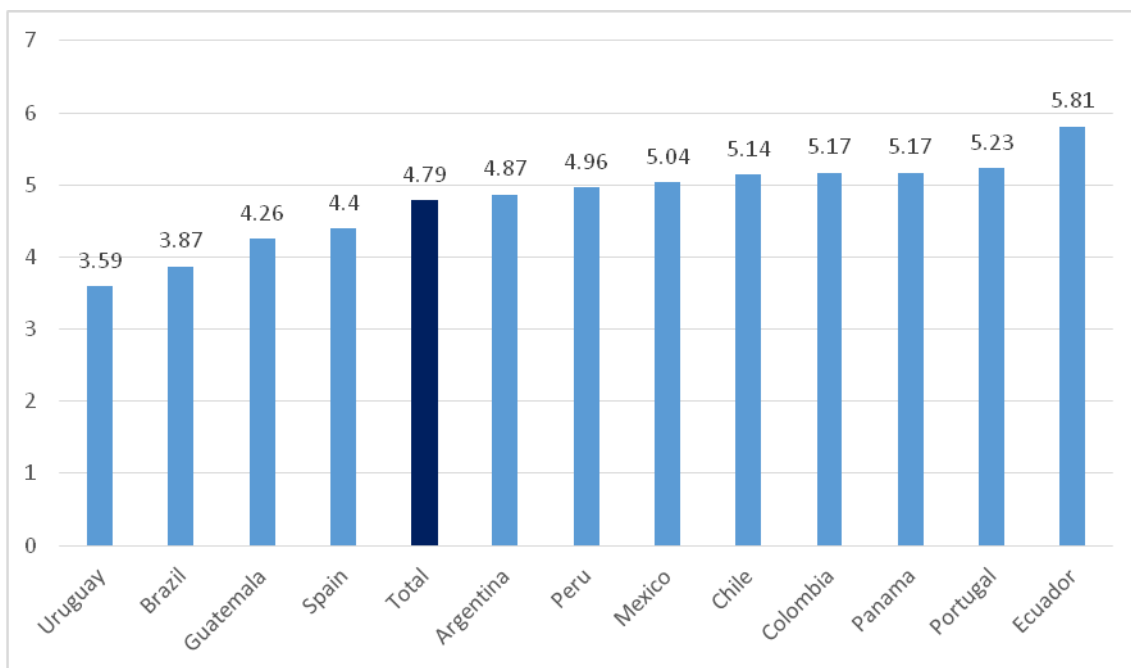


Figure 2.13: Average expert ratings for cultural and social norms, by country, GEM 2015 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

2.2 Promoting youth entrepreneurship through the national entrepreneurship ecosystem

Youth is a crucial time of life when young people start realising their aspirations, assuming their economic independence and finding their place in society. Employment is critical to the realisation of these ideals. The traditional job-for-life career path is no longer an option for many young people, and youth entrepreneurship is increasingly seen as a viable way of allowing young people to become active participants in the future economic activity of their countries.

Several obstacles that hinder youth entrepreneurial development have been identified by numerous researchers, including the lack of an enterprise culture in many countries; unfavourable legal, policy and regulatory frameworks for youth entrepreneurship; the lack of entrepreneurship education across formal and informal educational systems; the lack of access to affordable financing in the form of start-up, investment or working capital; a lack of management, technical and marketing skills; and lack of knowledge about and access to relevant business

development services and support schemes for youth already in business or for those interested in pursuing an entrepreneurial career⁹. While many of these obstacles could be regarded as generic issues that face all business owners, the youth are often more (or differently) disadvantaged due to their lack of asset accumulation, credit history and work experience.

In order to facilitate a deeper understanding of youth entrepreneurship development within the Ibero-American countries, GEM National Teams were asked to provide information about the entrepreneurial ecosystems in their countries relating specifically to the youth. They were asked, in particular, to focus on the way in which young people who want to be entrepreneur would perceive the national ecosystem, in terms of limitations and opportunities, as well as to highlight best policy practices or strategies that the government, NGOs and private sector have introduced to encourage youth entrepreneurship. Their insights are summarised below.

ARGENTINA

ENTREPRENEURSHIP AND YOUTH

The youth entrepreneurial ecosystem in Argentina has been growing and consolidating over the past five years and this is particularly apparent in the sphere of education. More and more universities have included entrepreneurship in their curricula and started organising and supporting different events among their students which focus on growing an entrepreneurial culture in the country.

ACHIEVEMENTS

Private universities such as Austral University, ITBA, and Saint Andrews started including entrepreneurship subjects in their graduate programs almost four years ago. These institutions are gradually integrating concepts that were previously reserved only for the graduate students in MBA programs into all their graduate offerings. Public universities such as UBA, UTN and others in Buenos Aires have become very active with respect to the promotion of youth entrepreneurship. They are forging their own path, participating actively in research studies such as GUESSS (Global Universities Students Survey) from St Gallen University and promoted in Argentina by IAE Entrepreneurship Centre, in order to understand what their students are expecting from them. They are also engaging with third sector organisations to promote an entrepreneurial spirit among their students, and innovating with new subjects and professors such as Emprending (a group of former alumni) in the engineering university of Buenos Aires. The public sector has also been encouraging and supporting youth entrepreneurship – chiefly through inviting young people to solve public challenges.

CHALLENGES

Access to resources is one of the main requests from students and young people when it comes to starting a business. Access to capital to start a venture is not abundant, while physical resources such as incubators, accelerators or co-working spaces to support start-ups are improving but still not sufficient to meet the need. This situation worsens when one moves away from the capital city into the rural areas. Inefficient bureaucracy affects all entrepreneurs – it takes many days to open a company in Argentina.

MAIN DEVELOPED INITIATIVES

A great initiative by the Buenos Aires city government over the past few years gave birth to programmes such as #Desafiate and #voslohaces to solve public challenges, and Impactec to find a tech start-up that impacts on 1 000 000 people, among others.

Public entrepreneurship training programmes have been initiated, for example Academia BA Emprende and Argentina Emprende. Local governments have, increasingly, included the promotion of youth entrepreneurship as one of their main public policy issues.

Third sector organisations, academia and private companies have also initiated a number of remarkable programmes. These include: FIIS (Festival de Innovación social); Entrepreneurship Day; Global Entrepreneurship Week; JWEF (Junior World Entrepreneurship Forum). Campus Party – an event promoting entrepreneurship and technology – will be coming to Argentina in 2016. Big companies are also developing different initiatives such as Wayra from Telefonica (which has invested in many youth start-ups), Eklos from Abimbev, and Banco Galicia.

⁹ 2010, *How to build an enabling environment for youth entrepreneurship and sustainable enterprises*, ILO

SOCIAL ENVIRONMENT

Argentina's society is still very conservative when it comes to experience and youth, so it is difficult for young students to become venture leaders, due to the preconceptions society has. It is often easy for them to talk to investors who are used to young entrepreneurs, but more difficult to sell their product to clients.

BRAZIL

ENTREPRENEURSHIP AND YOUTH

Young people in Brazil are strongly entrepreneurial, with a quarter of the population between 18 to 34 years old starting or running a new business in 2015 (the highest rate, when compared to the other age cohorts). Within this group the larger concentration is in the range from 25 to 34 years old. There are more males than females among the young entrepreneurs, and the great majority have completed a secondary degree. Most of young entrepreneurs run a micro or small business in the services or retail sector, and did not get start-up funds from formal sources.

ACHIEVEMENTS

Young people seem to be particularly adept at finding opportunities and demonstrate a strong impulse towards gaining financial independence. In order to overcome their lack of formal education, young people seek knowledge and information through communication technologies. The availability of different media options, combined with the talent and affinity of young people in the use of these tools, is likely to foster youth entrepreneurial activity. In addition, young people look for opportunities to improve their skills and obtain information through professional networks as well as by participating in events and organisations related to entrepreneurship.

CHALLENGES

According to GEM 2015 and corroborated by CONAJE research, the main conditions that would prevent young people from starting a new business are:

- The unfavourable economic scenario;
- Public policies don't prioritise entrepreneurial activity;
- The costs and bureaucracy associated with business start-up;
- Lack of financial support; and
- Lack of skills and appropriate qualifications, due to deficiencies at all level of education.

SOCIAL ENVIRONMENT

A general belief among young Brazilian entrepreneurs is that in order to succeed in their entrepreneurial activity, is necessary to present innovative products or services and to have a team with suitable skills and knowledge.

CHILE

ENTREPRENEURSHIP AND YOUTH

According to the National Youth Institute in Chile (INJUV), the Chilean youth population has a high willingness to become entrepreneurs. One out of three young Chileans reports an intention to engage in entrepreneurial activity; furthermore, 41% of them believe that there are good opportunities to start an entrepreneurial venture, taking into consideration their confidence in the economic situation, their own abilities and their support networks. According to the GEM 2015 data, 62% of the population aged 25 years or younger believe that in the next six months there will be good opportunities for starting a business in the area where they live while half say they want to start a business in the next three years. In terms of the social values towards entrepreneurship, 70% of this age group believe that starting a new business is a desirable career option in Chile.

ACHIEVEMENTS

A number of factors are creating new opportunities for youth entrepreneurship. In terms of education, universities are implementing entrepreneurship courses which encourage students to undertake initiatives such as contests and consulting services for small businesses. One example is Universidad de Desarrollo where there is the "Entrepreneurs Club", the main objective of which is to provide comprehensive support to business students or for those who want to get business advice. Further support is offered by the government to initiatives aimed at promoting local entrepreneurship for small entrepreneurs, such as " Development Initiative Market ", " Regional Programme to Support Entrepreneurship ", " Competition Supporting the Investment Opportunity Zones ", etc. In addition, there

are entrepreneurship courses (for example, those provided by SERCOTEC), as well as co-working spaces where young entrepreneurs can foster collaborative work together, create networks and contacts.

CHALLENGES

Although the numbers are encouraging in terms of youth entrepreneurship, there are still areas for improvement, especially on issues related to education and training for entrepreneurship. According to the GEM National Report Chile 2015, 90% of respondents to the NES believed that in primary and secondary education, creativity, self-sufficiency and personal initiative are not encouraged; 97% stated that in primary and secondary education adequate attention is not given to developing entrepreneurial spirit; and only half of respondents believed that training systems and continuing training provide an adequate and quality preparation for starting up and growing new firms.

The main constraints that face young entrepreneurs in Chile are the lack of own capital to start their business, lack of access to bank credit (for which they must submit to an analysis of individual financial risk; prove income, assets, debt levels and solvency; prove ability to generate funds; provide guarantees, etc.) and lack of investors willing to fund their projects. Young entrepreneurs are often unaware of advisory and support initiatives for new businesses, or do not have access to them. They therefore often make mistakes due to lack of business experience, lack of information about the procedures to be performed, lack of knowledge about the logistics of the company, uncertainty about the viability of the business, basic knowledge of market dynamics, among others.

MAIN DEVELOPED INITIATIVES

In Chile there are various state and private initiatives that help young entrepreneurs overcome the challenges associated with starting a new business at a young age. These include:

- **Jump Chile:** The largest entrepreneurship national competition at university level, its mission is to motivate students to launch and jump from an idea to a concrete business opportunity.
- **UDD Ventures:** Its mission is to support entrepreneurs in the early stages within Universidad del Desarrollo and throughout Chile, making it easier for entrepreneurs to reach the next stage of development of their projects.
- **Key Challenge INJUV:** This initiative aims to encourage young people to come up with innovative ideas, which will contribute to job creation and help to address poverty in the country.
- **Start-up Chile:** This programme was created by the Chilean Government and seeks to attract early-stage, high-potential entrepreneurs to bootstrap their start-ups, using Chile as a platform to go global. The end goal of this programme is to position Chile as the innovation and entrepreneurship hub of Latin America.
- **Programa Yo Emprendo:** This initiative provides funding for existing enterprises, to help them improve their income.
- **Programa Yo Emprendo en Comunidad:** These are group strengthening economic initiatives and provide training support, technical advice and financing.
- **Programa Yo Emprendo Semilla:** This programme provides opportunities for unemployed people seeking for work for the first time or those in vulnerable employment situations to develop a micro enterprise or self-employment.
- **Programme to Support Entrepreneurship and Innovation (PAE) of CORFO:** This initiative focuses on encouraging the development of an environment and/or culture that aims to improve the competitiveness of the Chilean economy.
- **Local Entrepreneurship Programme (PEL) of CORFO:** This support programme for entrepreneurs aims to assist entrepreneurs in improving their management capabilities and developing skills, as well helping them to access new business opportunities.

SOCIAL ENVIRONMENT

In terms of the social values towards entrepreneurship, 70% of young people believe that starting a new business is a desirable career option in Chile, while 64% believe that those who have started a new business have a high level of status and respect.

COLOMBIA

ENTREPRENEURSHIP AND YOUTH

Many young people in Colombia are seriously considering the opportunity to become entrepreneurs, but they face all the traditional limitations from their close social environment. Some young people feel that they do not have

enough experience to run their own business, but on the other hand, the proportion of young people interested in entrepreneurship is growing.

ACHIEVEMENTS

Colombia has been developing its entrepreneurial ecosystem over the past ten years, since the passing of Law 1014 (called, in Spanish, "Ley del Emprendimiento"). National as well as regional systems have been put in place to provide financial as well as non-financial support to new entrepreneurs. In terms of non-financial support, many organisations have developed programmes to support entrepreneurship, particularly among the youth. At the university level, there is a national network linking all the universities that have introduced activities aimed at helping new professionals to become entrepreneurs (named REUNE).

MAIN DEVELOPED INITIATIVES

Many universities offer courses on entrepreneurship - some are required courses while others are elective courses. A number of universities sustain small hatcheries to support new entrepreneurs (Start-up cafe de la Universidad Icesi; Campus Nova de la Universidad Javeriana), others have incubators (Universidad de Antioquia) or provide small-scale support systems for people who are interested in starting a new business or have already started one but are struggling to survive or to grow (Centro Alaya in Universidad Icesi; centres for entrepreneurship development at other institutions, based on the small business development centres model). Universidad Icesi has just launched a Masters Programme in Business Creation while many other universities are developing different academic programmes for different groups. In addition to the universities, several ministries (ICT, culture, education, industry, commerce foreign affairs and tourism) are promoting the development of programmes to develop new entrepreneurs. Chambers of Commerce, various NGOs as well as several municipalities and states have also committed resources to providing non-financial support to entrepreneurial activities.

From the financial side, there have been important initiatives put in place to provide seed capital to new young entrepreneurs: Fondo Emprender, Venture, and Destapa Futuro are three of the most prestigious entities that are providing seed capital to new entrepreneurs. Fondo Emprender, for example, provides up to about US\$40.000 as seed capital. More than 3 000 entrepreneurial ventures have received support from these entities. Innpulsa is a new fund that provide resources to finance the innovative developments necessary for new enterprises to grow and to become high-impact organisations. Some resources have been assigned by the government, through the financial system, to provide loans to new entrepreneurs. In the last three years, awareness of angel investors and venture capital has increased; however, these funding options are still mainly oriented towards high level projects (in terms of investments as well as potential).

Other best policy practices or strategies that the government, NGOs and the private sector have introduced to encourage youth entrepreneurship include:

- Some improvements have taken place in terms of the red tape involved with starting a new enterprise, while tax reductions have been introduced to take pressure off new entrepreneurs in the first few years of their business ventures.
- A programme called Apps.co provides training and mentorship to new tech initiatives which aim to develop Apps and digital content.
- Bancoldex provides resources to support loans to new and established small entrepreneurs.
- COLCIENCIAS supports technological development that could generate spin-offs.
- WWbcolombia provides resources, especially to women entrepreneurs.
- Education on entrepreneurship is required at all the elementary and high school levels.

An entrepreneurial culture is promoted through business plan contests, and media programmes to showcase stories about successful new entrepreneurs.

SOCIAL ENVIRONMENT

Young people parents want them to become employees in a good company or in the government; their peers insist on the advantages of the employee path while their families and, in some cases, teachers regard the entrepreneurial path as a risky one.

COSTA RICA

ENTREPRENEURSHIP AND YOUTH

The Costa Rican youth ecosystem is fairly nascent, and is based on the two public entrepreneurship policies that were introduced in 2010 and 2014, as well as a policy to promote SMEs and entrepreneurship presented in 2010. From the institutional point of view, the starting point of the ecosystem is set by the Ministry of Economy, Trade and Industry as the governing body of the policy of business development. There has been a concerted effort to promote a culture of entrepreneurship in the country - this is reflected in the diversity of stakeholders who are part of the entrepreneurial ecosystem of Costa Rica, where the base of organisations and institutions that focus on programmes promoting and encouraging entrepreneurship is quite broad.

ACHIEVEMENTS

Within the ecosystem, business incubators play a fundamental role. There is currently a National Network of Business Incubators and Accelerators, comprising more than 12 entities that assist, support and guide the initiatives of entrepreneurs in different sectors of the economy. Several NGOs and universities have also initiated programmes or projects aimed at strengthening the entrepreneurial capacities and skills of young people in order to promote entrepreneurship. Since 2010 the number of incubators and accelerators of companies, as well as the accompanying programmes, has increased.

CHALLENGES

There is still a lack of adequate infrastructure as well as a lack of financial and non-financial support structures to assist entrepreneurs in developing their business initiatives. In the financial sector there is a lack of instruments to support the nascent entrepreneur. Options such as seed capital or venture capital are still rare at the national level; in addition, credit provision is biased towards established rather than nascent enterprises. State bureaucracy, likewise, has not adapted its processes to suit the needs of nascent ventures.

MAIN DEVELOPED INITIATIVES

A number of best policy practices or strategies have been introduced by government, NGOs and the private sector to encourage youth entrepreneurship in Costa Rica. Government-initiated strategies include:

- Since 2008, the Ministry of Education has promoted competitions in technical and vocational colleges as well as some academic level secondary schools. "ExpoJovem" and "ExpoIngeniería" encourage students to work in collaborative groups to prepare a business plan and present their project in front of a jury in order to progress through collegial, regional and national levels of participation.
- As part of the framework of the National Policy on Entrepreneurship ("Costa Rica Emprende") presented in 2010, the "Know About Business" (CODE) methodology developed by the ILO was incorporated into technical education. Secondary teachers have been accredited as facilitators of this methodology and have trained students, especially in Brunca, North and Caribbean regions.
- In 2009, the Ministry of Education initiated the idea of implementing business incubators in professional technical schools. The intention was for these incubators to take the best projects identified through ExpoJoven and develop them further. With the support of a Spanish expert in 2012, the methodology was developed in a partnership between the Ministry of Economy, Trade and Industry and the Ministry of Education. This led in 2013 to the opening of the first business incubator. There are currently three incubators in operation: Region Brunca at the Technical College of Golfito with 5 ventures; Huetar Norte region at the Professional Technical College of San Carlos (Cotai) with 6 projects; and the Caribbean region Huetar in Professional Technical College Liverpool with 5 ventures.

NGO and university initiatives include:

- The organisation Junior Achievement promotes an entrepreneurial culture in schools and colleges. This is achieved through a variety of practical and participatory economy activities, through which students learn concepts and economic and business skills and how education has an important role in the workplace. Fundamentally, they learn to discover the value of work and effort as a means for the growth of the individual and the community.
- "Start-upWeekend Costa Rica" facilitates the meeting of young entrepreneurs to promote business initiatives through activities that span 56 consecutive hours. The aim is to encourage interdisciplinary work and create the opportunity for young people to generate innovative products or services that contribute to solving a societal problem.
- Competitive business plan initiatives are driven by organisations such as "Yo EMPRENDEDOR", or promoted by public universities – for example the annual call made by the Centre for Business Incubation Tecnológico de Costa Rica (CIETEC).

- In the field of social entrepreneurship, the Latina University of Costa Rica annually promotes the award "I Believe" which recognises community initiatives or national impact promoted mainly by young Costa Ricans.

ECUADOR

ENTREPRENEURSHIP AND YOUTH

In Ecuador the entrepreneurial ecosystem has been flourishing over the past few years, with an increase in organisations and programmes aiming to foster entrepreneurship. Incubators and co-working / innovation platforms such as Kruger Labs, Invernadero, Buentrip Hub, i3lab, Impaqto Quito, Conecta Guayaquil, SEMgroup, ConQuito and Emprende Guayaquil (the last two are initiatives from Quito and Guayaquil's municipalities) serve as catalysts for entrepreneurship in the country and help to spread success stories.

ACHIEVEMENTS

Alternative sources of entrepreneurial financing, seed funds and angel investor networks have emerged, such as Start-up Ventures and Ángeles EC which are gathering and preparing investors, mainly in Quito and Guayaquil, to capitalise enterprises with growth potential and internationalisation capacity.

The emergence of other entrepreneurial networks, such as the Association for Entrepreneurship and Innovation (AEI) and the Association of Young Entrepreneurs (AJE) are also having an impact on the ecosystem. Events in the main cities of the country (Quito, Guayaquil, Cuenca and Manta) such as Start-up Weekend, Girls in Tech, and Espiral, among others, are looking to improve the skills and know-how of potential entrepreneurs through networking and collaborative work.

Finally, the government, through the Secretary of Higher Education, Science, Technology and Innovation (SENESCYT), has also contributed with support for higher education in science and accreditation of incubators and programmes for promoting entrepreneurship and innovation.

CHALLENGES

Among the main obstacles facing Ecuador's young entrepreneurs are rigid government policies and too few financing options. To apply for a private loan or seed funding, an entrepreneur has to start a formal company first, which takes time and money that a young entrepreneur usually doesn't have.

MAIN DEVELOPED INITIATIVES

One of the programmes of the government is Banco de Ideas, which provides seed capital to entrepreneurs for development or validation of prototypes with accompanying incubators. Another of SENESCYT initiatives is Código Ingenios, a legal bill whose main objective is to establish the National System of Science, Technology, Innovation and Ancestral Knowledge.

A number of best policy practices or strategies have been introduced by government, NGOs and the private sector to encourage innovation and youth entrepreneurship in Ecuador. These include:

- Banco de Ideas - SENESCYT, governmental incubation programme, <http://bancodeideas.gob.ec/>
- Emprende Guayaquil, Guayaquil's municipality contest for seed capital http://emprendefe.org/wr-resource/ent10i/1/BasesConvocatoriaEmprendefe_OyeGuayaquil2015%20V2%20CORRECCIONES%20FINALES%20VF.pdf
- ConQuito, Quito's municipality agency for economic development, <http://www.conquito.org.ec/>
- Buentrip Hub, private accelerator and angel investment, based in Quito, <http://buentriphub.com/>
- Angeles EC, angel investment, based in Guayaquil, <http://angeles-ec.com/>
- Kruger Labs, a private organisation based in Quito that supports the entrepreneurial ecosystem through seed capital, mentoring, networking, among others, <http://www.krugerlabs.com.ec/>
- Impaqto Quito, entrepreneurship laboratory and co-working space, <http://www.impaqto.net/>
- Invernadero co-working space, based in Guayaquil, <http://www.invernadero.ec/>
- Panal co-working space, based in Guayaquil, <http://www.panalcoworking.com/>
- i3lab, innovation laboratory, based in Guayaquil, <http://www.i3lab.org/>
- Innobis, private initiative that fosters entrepreneurship and innovation, based in Guayaquil, <http://www.innobis.ec/>
- SEMgroup MediaLab, innovation circles, based in Guayaquil, <http://www.semgroup.ec/MediaLab>

- Centro de emprendedores de la ESPOL - CEEMP, entrepreneurship centre based in Guayaquil, <http://ceemp.org/>
- Prendho – UTPL, entrepreneurship centre based in Loja, <http://prendho.com/>
- Espiral, innovation lab, based in Guayaquil, webpage not available
- Conecta Guayaquil, entrepreneurial community, based in Guayaquil, <http://www.conectagye.com/>
- Start-up Weekend, Start-ups contest, with events in major cities, <https://startupweekend.org/>
- Girls in Tech, women entrepreneurs in technology community, <https://ecuador.girlsintech.org/#about>
- CADE – Club de Emprendimiento USFQ, entrepreneurship centre based in Quito, https://www.usfq.edu.ec/programas_academicos/colegios/cad/clubs_estudiantes/club_de_emprendimiento/Paginas/club_de_emprendimiento.aspx
- Club de Emprendedores UPS, entrepreneurship club based in Guayaquil <https://www.facebook.com/ClubemprendedoresUPS/>
- Club de Emprendedores de la ESPOL, entrepreneurship club based in Guayaquil, webpage not available
- AEI - Entrepreneurship and Innovation Association, fosters the entrepreneurial ecosystem through activities, mentoring, seed capital, acceleration, among others, based in Quito, <http://aei.ec/>
- AJE – Young Entrepreneurs Association, based in Guayaquil, webpage not available
- Fundación Emprender, NGO that fosters the entrepreneurial ecosystem through activities and mentoring, based in Manta, webpage not available

SOCIAL ENVIRONMENT

The national culture does not encourage young people to “break the mould” and pursue innovative and entrepreneurial career paths.

EL SALVADOR

ENTREPRENEURSHIP AND YOUTH

Entrepreneurship remains a mostly unfulfilled promise for young Salvadorans who must face a tight labour market and are endowed with few tools from formal education. Economic growth has been sluggish for more than a decade and employers have become reluctant to hire young men whom they suspect might have an association with criminal groups (gangs or “maras”) that control large areas of the major cities. As more than half of young people fail to finish high school—the minimum requirement for a formal job, i.e. one that provides a fixed wage, health and pension insurance benefits—starting a business should become an attractive income-generating strategy for the young. Yet the lack of experience, skills and capital play a big role in restricting the rate of entrepreneurship among the young. In 2014, only 13.4% of young people (18-24) were involved in early-stage entrepreneurial activity, compared to 21.6% among the rest of the adult population.

GEM data from 2014, indicates that young people have a moderately less positive opinion of entrepreneurship (72%) than the rest of the adult population (79%). In a country where between a quarter and a third of the population has emigrated in the last 35 years, the preferred alternative for young people is still migrating to the US or another country in the region, an expectation shared by youth at all socio-economic levels.

ACHIEVEMENTS

Opportunities do exist, both on the lower end of the scale where many subsistence businesses may be started as a means to generate income in the large informal sector, and at the higher end where information technologies open new avenues to do business with the rest of the world. The lack of regulation of informal businesses means that it is relatively easy to mount a food stall or become a street vendor. Capital required is small and might be available either from family members—the most common source of funding—or informal lenders who charge interest rates from 10% a day. The challenge remains to be able to operate and avoid being subject to violence while limiting extortion payments.

CHALLENGES

One issue that particularly affects young people is gang-related violence, which limits the scope of mobility for both gang-members and non-affiliates. This phenomenon, most prevalent in low and lower-middle income sectors of urban areas, but recently extending to rural areas as well, means that young men—and to a lesser degree, young women—are at high risk of being murdered or subject to kidnapping and violence. Starting a business may be a dangerous strategy for young people, who remain unemployed but already out of school. Those who choose to work or have a business must respect gang territories and pay bribes to guarantee their security.

Furthermore, the lack of capital and skills, the climate of crime and violence, and the sluggish economy create a difficult environment for new businesses.

MAIN DEVELOPED INITIATIVES

Few policies or programmes, both from governments and private organisations, focus on promoting youth entrepreneurship. Yet, young people may apply to several programmes aimed at promoting entrepreneurship in general. Some of those policies are:

- Entrepreneurship fairs and contests: private universities, NGOs and government institutions have established a number of fairs and meeting spaces, as well as contests where business ideas may attract funding or obtain clients for their products. These events tend to attract the young and promote the formalisation of their business models.
- Cedemytes: the centres for the development of medium and small business are funded by the government and run by private organisations such as universities and NGOs, with the aim of providing consulting services and technical advice to businesses, which include a few that are led by young men and women.
- Specialised contests such as PIXELS, a computer-based animation startup competition funded by the Ministry of Economics, focus on attracting business proposals in fields where technology is applied in innovative ways. Winners receive funds to develop their projects.
- In impoverished regions, NGOs provide training and funding for young people who want to start a business that serves the community. A common intervention is donating equipment such as bakery and cooking equipment, sewing machines etc. to new start-ups.
- As a means to reduce the country's extremely high indicators of crime and violence, the government and NGOs fund programmes to train young people in several trades, with the goal of promoting the creation of small businesses.

SOCIAL ENVIRONMENT

Culture is in general favorable to becoming an entrepreneur, and personal contacts and family matter significantly in securing clients, contracts and obtaining credit.

PORTUGAL

ENTREPRENEURSHIP AND YOUTH

The country has one of the highest rates of youth unemployment in Europe, and entrepreneurship is gaining significant interest among Portuguese young people as an alternative to traditional employment. The total early-stage entrepreneurial activity (TEA) of the 18-24 age group reached 10.7% in 2014, an increase from 7% in 2013. (GEM Portugal, 2014). There is also a growing number of available mechanisms and support instruments to aid the development of entrepreneurial skills, as well as an increasing number of initiatives led by private associations.

ACHIEVEMENTS

The Portuguese government has developed several measures in recent years to encourage inclusive entrepreneurship for youth groups. In particular, the new Start-up Portugal programme that is being launched by the new government is fully in line with the strategy to support different target groups and implement a new national strategy for entrepreneurship in the country.

CHALLENGES

Although the importance and acceptance of entrepreneurship in Portugal has improved over the recent years, the most recent Global Entrepreneurship Monitor (GEM) points to the existence of excessive bureaucracy and tax burden and the low focus on entrepreneurship at the education side serves as hindering entrepreneurial activity in the country. Although several institutions have already integrated the entrepreneurial approach into their educational curriculum, there is still much progress required in terms of emphasising entrepreneurship as essential for the country's economic progress. The main barriers to youth entrepreneurship in Portugal concern the lack of available

funds, little previous professional experience and lack of clear information on the available programmes supporting start-up initiatives. One of the most significant barriers to self-employment faced by the youth is their fear of failure.

MAIN DEVELOPED INITIATIVES

A list of some business networks and communities that support youth entrepreneurship in Portugal follows:

- Associação Nacional de Jovens Empresários - <http://www.anje.pt/>
- Junior Achievement - <http://www.japortugal.org/>
- Start-up Buzz - <http://startupbuzz.up.pt/en/>
- Start-up Pirates - <http://www.startuppirates.org/>

There are also several private initiatives focused on the youth target group.

A number of best policy practices or strategies are to be implemented by the Portuguese government in order to support and encourage youth entrepreneurship in the country:

- Creation of new incentives to support entrepreneurship, assuring better conditions for capital flows;
- Creation of incentives to entrepreneurial projects of high growth potential in incubators, associated with technical assistance services;
- New structural investments, in particular for human-resources qualifications, territorial support, innovation and support for government modernisation;
- Reinforcement of existing incentives to promote entrepreneurship at the different phases of the business cycle (from idea to market entry);
- Creation of a special visa status which allows foreign entrepreneurs to reside in Portugal, stimulating the entry into the country of talented people and providing incentives for entrepreneurial projects with an international dimension and strong growth opportunities;
- Implementation of the National Network of Mentors, a measure implemented under the programme +E+, through which mentors (successful and experienced entrepreneurs) are available to accompany specific entrepreneurial projects with high potential;
- Creation of short duration entrepreneurship training courses, available at a national level;
- Integration of entrepreneurial competences in educational and teaching programmes, aiming to contribute to the qualification of future entrepreneurs.

Other policy practices and/or strategies which create opportunities for youth entrepreneurship include:

- Youth entrepreneurship is a strategic priority for the Portuguese government, as well as a priority for the EU and other international organizations.
- These are a series of recent and/or ongoing relevant support programmes for youth entrepreneurship in Portugal. These programmes provide support to the development of entrepreneurial skills, access to funding, as well as mentoring/coaching (Passport for Entrepreneurship, Ignition Program, Youth Invest, Empreende Jovem, etc.)
- Lisbon has been seen as the new hotspot for entrepreneurship, for example, with the Web Summit (largest technological event) changing its location from Dublin to Lisbon in 2016.
- The economy is now slowly growing after the crisis, providing new opportunities for young entrepreneurs.

The information provided in the IFDEP study identifies the following constraints to youth entrepreneurship:

- Lack of diversity – Youth entrepreneurs are more likely to enter industries where barriers to entry are low, but competition is very strong.
- Economic and financial issues – the lack of money to start (and maintain) the business. Although there are programmes providing access to funding, it is emphasised that most of the programmes provide support only in the beginning of the idea development and not for the later phases of the business.
- Lack of experience/ knowledge – youth are less likely to have managerial or specialised industrial knowledge. Mentors thus play a crucial role for the youth. However, it is important to evaluate the quality of mentors and assure that there is diversity for the different needs.
- High tax levels – the high tax levels implemented by the government are also seen as a major constraint to youth entrepreneurship.
- Lack of coordination – coordination between all stakeholders and entities is crucial and highlighted as a priority, but is still considered low.

SOCIAL ENVIRONMENT

Portugal has a high focus on entrepreneurship, which is increasingly socially accepted with more than 63% of the adult population now considering entrepreneurship as a good career choice (2015).

SPAIN

ENTREPRENEURSHIP AND YOUTH

The structural unemployment has a marked effect on groups for which it is especially difficult to enter the labour market, such as young people. This explains why, even in the years of greatest economic growth, the rate of unemployment among young people never dropped below 18%.

Young people aged under 25 form one of the population groups that have been most affected by the process of job destruction that began in 2007. In 2012, out of a total of 4,156,100 young people aged between 16 and 24 in Spain, 945,000 were unemployed and 858,000 were not in education, employment or training, the so-called "NEETs". This category covers inactive young people but most of them are young people who are actively searching for employment. Spain, despite having improved since 2012 when the rate was 18.6%, still has one of the highest rates of young people aged under 25 NEETs in the European Union (15,6% Spain vs 12% EU-27 in 2015).

ACHIEVEMENTS

The *Strategy for Entrepreneurship and Youth Employment 2013-2016* covers both the structural problems of youth unemployment and those that have arisen as a consequence of the current economic situation. Its aims are to improve the employability of young people as well as the quality and stability of employment, to promote equal opportunities for access to the labour market and to foster entrepreneurship.

CHALLENGES

The structural unemployment has serious consequences for the present and future of young Spaniards and limits the Spanish economy's potential for growth in the long term. It is for this reason that promoting the integration of young people in the world of work and improving their situation in the labour market are two of the main priorities of the government of Spain. These were the premises on which the Ministry of Employment and Social Security of Spain drew up the *Strategy for Entrepreneurship and Youth Employment 2013-2016*.

MAIN DEVELOPED INITIATIVES

The Strategy aims are to improve the employability of young people as well as the quality and stability of employment, to promote equal opportunities for access to the labour market and to foster entrepreneurship.

The Strategy covers 100 measures aiming to integrate young people into the labour market, either as employees or through entrepreneurship. The measures are classified according to their impact and their timing. Firstly, there are 15 early-impact measures, or 'emergency measures' for the short term to encourage employment and entrepreneurship and to improve education and training and mediation in the labour market. But there are also 85 medium to long-term measures which require a longer time to take effect and aim to correct the structural problems that affect employment for young people.

The Strategy follows four main strategic objectives for Entrepreneurship and Youth Employment, the fourth one being "to promote entrepreneurship: to strengthen the values of initiative, responsibility, innovation and enterprise in the education and training of children and young people and to support personal and collective entrepreneurial and self-employment initiatives". The actions covered by the Strategy address young people aged under 30, especially those who are unemployed. In the case of disabled persons having a recognized disability of 33% or more, the age range goes up to 34.

The 8 Early-impact or emergency measures to stimulate this objective are:

- **Flat rate for young self-employed workers.** Fixed contribution to Social Security. Young self-employed workers registering for the first time with the Special Regime for Self-Employed Workers (RETA) have an 80% reduction during the first six months in the minimum contribution for common contingencies. This amounts to a contribution of about 50 euros a month.

Subsequently and for the next six months, they receive a reduction on the minimum base amount of 50% and, after the first year, men up to age 30 and women up to 35 continue to enjoy a reduction and discount of about 30% in their contributions for the next 18 months.

- **Compatibility of unemployment benefits with the start of self-employed activity.** This allows receipt of unemployment benefit for a maximum of nine months while carrying out self-employed activity.
- **Greater possibilities of capitalisation of unemployment benefit.** It is now possible for those receiving unemployment benefit to capitalise it up to a lump sum of 100% in order to make a contribution to the share capital of any type of mercantile company, providing that an open-ended relationship is established with the company and that it is a newly-founded company. Moreover, the capitalisation of the unemployment benefit can be used by the new entrepreneur to acquire advisory services, training and information, and to cover the costs of setting up a new company.
- **Improved financing for self-employed workers and entrepreneurs.** This aims to promote funding, through different ministerial departments having competencies in this area, in the form of seed capital, microcredits, 'angel funding' and participating loans to facilitate the setting up of companies and to finance key activities in the processes of start-up and implementation.
- **Improved safety net for self-employed workers to allow for a second opportunity.** This allows workers to once again receive unemployment benefit after carrying out self-employed activity if, after a maximum of five years from the start of the self-employed activity, they drop out of the self-employed regime.
- **Creation of offices in the Public Employment Services specialising in advice and support for new entrepreneurs.** In collaboration with the Autonomous Communities the aim is to follow up and support entrepreneurs who opt for capitalisation of unemployment benefit using formulae for technical assistance and training to contribute as far as possible to the success of the project.
- **"GENERATIONS" Contract.** Incentives for hiring experienced people to work in new, young entrepreneurial projects. This is an incentive for open-ended employment which aims to encourage young self-employed workers to hire long-duration unemployed workers aged over 45 who can offer the experience they need to achieve business success.
- **Promotion of the Social Economy and of collective entrepreneurship.** The aim is to promote collective entrepreneurship and encourage the inclusion of young unemployed persons aged under 30 in Social Economy enterprises. The inclusion of under-30s will be encouraged in cooperatives and worker-owned companies as working partners and of unemployed young people at risk of social exclusion in social insertion enterprises by means of a discount in the employer's Social Security of 800 euros per year for a total of three years.

This Strategy is in line with the recommendations established by the Community with regard to the economy, employment and youth employment and, in particular, the following: (1) Framework for European cooperation in the field of youth 2010-2018, (2) Europe 2020 Strategy, (3) Emblematic Youth in Action Initiative and Opportunities for Youth Initiative and (4) Youth Guarantee.

On 8 February 2013, the European Council decided to set up a *Youth Employment Initiative* for a total of 6 billion euros for the period 2014-2020 to support the measures established in the *Youth Employment Package* of December 2012, and especially to support the *Youth Guarantee*. This fund was created with an additional provision of 3 billion euros, of which approximately 918 million were assigned to Spain.

The purpose of the Youth Guarantee is to guarantee that all young people aged under 25 receive a good offer of employment, further education, apprenticeship or training within four months after they complete their formal education or find themselves unemployed. Application can be gradual for countries with greater budgetary constraints and a greater number of unemployed people not in training and a higher rate of youth unemployment.

Special attention is paid to access to training programmes and employment for young people with a disability and/or at risk of social exclusion, either through ordinary employment or sheltered employment (special employment centres and social businesses). One example is the Integral Program of Qualification and Employment (PICE) organised by the House of Commerce which increases the employability of young Spaniards, 20 598 during 2015 and more than 15 000 up until August 2016.

SOCIAL ENVIRONMENT

Of all the effects of the economic crisis, youth unemployment is without any doubt one of the most worrying. During 2015, Spain recorded an unemployment rate of 48.1% for young people aged under 25, as opposed to 19.5% for the EU-27. One of the characteristics of the labour market in Spain is that, in comparison with GDP trends, unemployment increases in a disproportionate way in recessions and tends to remain low in times of economic growth, in comparison with the other EU-27 countries.

YOUNG ENTREPRENEURS' STORIES

JUAN IGNACIO OJEDA – CHILE

Juan Ignacio Ojeda is an Engineering student at Universidad Técnica Federico Santa María in Viña del Mar, Chile. He is the Executive Director and co-founder of VaCuCh, a company focused on creating innovative and efficient products and services through the development of technological solutions related to the antibacterial properties of copper and its benefits in the food industry.

Juan Ignacio's family raises cattle for the dairy business in the south of Chile. In 2013, ten cows died because of the presence of bacterial agents in the water containers, which became the trigger event that led to the creation of VaCuCh. "While I was at university I started to feel the need to work in my own business," says Juan. "I started searching for opportunities everywhere and making decisions in a more analytical way." One night, while talking to his friend Nicolás about the family business tragedy, the idea of creating water containers impregnated with bacteriocidal copper particles that clean the water in the container was born.



Today one of their main products is Pezanbac, an antibacterial liner whose main function is decreasing bacterial colonies in the production processes of the dairy industry. This technology has helped to save the dairy industry more than MMUDD\$30.000, and is also being used to minimize losses in other production processes in agroindustry.

The biggest obstacle Juan Ignacio faces as a young entrepreneur is credibility. "You have to be proving constantly to whoever is in front of you that you have a 100% personal commitment to the business," he says. He also believes that young entrepreneurs often fail because they are not able to make the right decisions, a situation he thinks is related to the low levels of education in innovation and entrepreneurship in Chile.

Juan Ignacio acknowledges that the Chilean government programs and policies are focused on enhancing youth entrepreneurship, in order to lower the average start-up age. "The support from the government exists," he notes. "We just have to search for it."

ALFREDO ATANACIO – EL SALVADOR

Alfredo Atanacio graduated from a prestigious local business school with a Bachelor's degree in Economics and Business at the age of 23 and started working, as did many of his classmates, at an above-market wage in a large local firm. Yet he never felt at ease being a salaried worker. "Coming from a family of entrepreneurs," he says, "I felt the need to explore a path to personal independence and to generate greater income." While retaining his job, he explored the service sector and the idea of outsourcing.



Though outsourcing administrative tasks has been carried out systematically by large firms, with countries such as India taking a global lead in this sector, Alfredo recognised the considerable cultural and linguistic barriers between countries halfway across the world. He and two partners then developed the business model of *uassist.me*, an outsourcing firm directed at small-scale clients who might require the services of a personal assistant but might not be able to pay for a full-time employee in the U.S. or have limited requirements from such a position. Taking advantage of the large Spanish-speaking population in the U.S. and the pool of English-speakers in El Salvador, his start-up grew rapidly, attracting clients who obtained the services of a personal assistant—organising agendas and meetings, searching for information, etc.—for a fraction of the cost of a local assistant in the U.S. The impressive growth of his firm led Alfredo and his remaining partner, Rodolfo Schildknecht, to be named among the "30 under 30" outstanding entrepreneurs in 2012.

"At first, lack of capital was the main hindrance to starting the business," notes Alfredo. "Fortunately, my family had a few assets which could be used to provide the starting capital, and the service sector requires a smaller investment in fixed assets." The founding partners initially struggled to accumulate the required resources, but once they got on track they took advantage of a still undeveloped niche and the magic of modern communications to do business in a completely new way compared to their fellow entrepreneurs and grew at a rapid rate. Based on the success of his first venture, Alfredo is now involved in two new initiatives: *Point*, a shared space for new entrepreneurs; and a new student dorm development in central San Salvador, which aims to revive a decaying area of the city.

DOUGLAS THOMPSON – PORTUGAL

Douglas Thompson is the founder of HealthyRoad, a tech-based company. “Since 2013, when we initiated this adventure of creating the start-up HealthyRoad, Portugal has made huge advances in entrepreneurship,” says Douglas. “Nowadays, at a national level, the ideas for start-ups, accelerators and investors, even our state government, are more evolved, but there is still a long way to go.”

From his point of view, Portugal is one of the world’s best places to create technological start-ups for three main reasons. The first is the quality of human capital – people are highly qualified and come at a competitive cost. Portugal allows for an excellent standard of living - the weather is wonderful, the geographical location is good and the country is safe and stable - enabling the hiring of international human resources. “The majority of people who visit Portugal become fascinated by the country,” he enthuses. “This makes it easier to motivate them to come and work together with us in Portugal.” He also believes that networking between entrepreneurs is strong. “The exchange of ideas, contacts and opportunities amongst other entrepreneurs is very common. In UPTEC this exchange is frequent, with makes our task less complex,” he adds.



HealthyRoad’s presence in Portugal is key for Douglas. In the future, he hopes to invest in the creation of two new offices overseas, but will always use Portugal as the company’s headquarters for technological development.

Douglas feels that there are still a number of areas of challenge in Portugal’s entrepreneurship ecosystem. A critical issue, in his opinion, is low fiscal policies for start-ups in the first years. “I am not a bakery shop who has a product ready to sell from one day to another; I need years to develop the technology and a few months to create the first product to generate revenue,” he says. Access to investment options, in his opinion, is one of the most important factors impacting on the creation of start-ups. It is growing fast but from his point of view it is not easy to obtain national funding for the development of start-ups, maybe because of the nature of his venture (too technological). “Maybe within six months my opinion might have changed,” he says, “but for now I feel that accessing 250k€ in the seed phase is quite good for Portugal. In the USA, the seed phase investment ranges from 50k€ to 2M€, which means that I am competing with start-ups with much more money than I have access to.”

His final comment: “HealthyRoad and I are still learning what entrepreneurship really is, despite the fact that we have almost three years of experience!”

CHAPTER 3: YOUTH ENTREPRENEURSHIP DYNAMICS IN THE IBERO-AMERICAN COUNTRIES

GEM's focus on individual-level participation enables the examination of a range of demographic and other characteristics about entrepreneurs. With this information, it is possible to assess the level of inclusiveness in an economy—in other words, the extent to which various groups (for example, those categorized by age, gender or education) engage in entrepreneurial activity. Fostering effective entrepreneurial activity among the youth is regarded as a critical development strategy in order to integrate them into the labour market, as well as harness their potential to contribute in a meaningful way to sustainable economic development in their regions. This chapter analyses data collected during 2015 by GEM National Teams through the standard annual surveys, in order to contribute to a deeper understanding of the nature, characteristics and dynamics of youth entrepreneurs and enterprise formation in the Ibero-American countries. With regard to the focus of this report, assessment of such characteristics may enhance knowledge and identify gaps in youth entrepreneurship. This information can help policy-makers target effective interventions to increase the youth's participation and productivity in the economy. To enable the use of GEM data, the youth is defined as people between the ages of 18 – 34 years. Where appropriate, the report distinguishes between the 'young youth' (18 – 24 years) and the 'older youth' (25 – 34 years).

3.1 Societal attitudes and perceptions

The GEM model recognises entrepreneurial attitudes, activity and aspiration as dynamic, interactive components of national entrepreneurial environments. Entrepreneurship activity does not take place in a vacuum, and entrepreneurial attitudes and perceptions play an important part in creating an entrepreneurial culture. People with positive attitudes may become future entrepreneurs. Existing entrepreneurs rely on encouragement and support from people in their societies who regard their efforts positively, and who will participate in making their activities successful.

“The entrepreneurship process is a complex endeavour carried out by people living in specific cultural and social conditions. For this reason, the positive or negative perceptions that society has about entrepreneurship can strongly influence the motivations of people to enter entrepreneurship. If the economy in general has a positive attitude towards entrepreneurship, this can generate cultural and social support, financial and business assistance, and networking benefits that will encourage and facilitate potential and existing entrepreneurs.” (*GEM 2012 Global Report*).

In order to assess societal perceptions regarding entrepreneurship, the following three questions are included in the Adult Population Survey (APS):

- Do people consider starting a new business a good career choice?
- Do people consider successful entrepreneurs to have a high level of status?
- Do successful entrepreneurs garner significant media attention?

Table 3.1 summarises the responses to these questions for the youth in the Ibero-American countries.

Table 3.1: Societal attitudes among the youth in Ibero-American countries, GEM 2015

Country	18 – 24 years old			25 – 34 years old		
	Entrepreneurship as a good career choice	High status to successful entrepreneurs	Media attention for entrepreneurs	Entrepreneurship as a good career choice	High status to successful entrepreneurs	Media attention for entrepreneurs
Argentina	64.5	58.7	67.4	63.4	51.1	64.4
Brazil	80.0	82.8	69.5	80.6	82.6	70.0
Chile	69.5	64.3	57.7	67.5	64.5	52.6
Colombia	74.8	66.1	67.5	69.5	64.2	65.4
Ecuador	62.1	66.0	77.0	58.3	67.9	78.7
Guatemala	96.6	80.5	61.3	95.9	77.4	56.3
Mexico	49.1	49.1	38.1	50.6	51.4	40.3
Panama	-	-	-	-	-	-
Peru	75.0	68.4	69.2	72.0	70.0	67.7
Portugal	66.1	72.1	69.8	64.5	63.4	73.7

Spain	54.3	51.9	40.6	51.2	47.3	42.2
Uruguay	67.9	60.3	52.9	58.2	57.6	59.6
TOTAL (unweighted average)	69.0	65.4	61	66.5	63.4	61.0

Overall, entrepreneurship is regarded relatively positively by the Ibero-American youth. On average, around two-thirds of individuals aged 18 - 24 see entrepreneurship as a good career choice and believe that entrepreneurs have high status. This is marginally higher than for the 25 – 34 year old cohort.

At the individual country level, Brazil shows consistently high levels of societal attitudes across all three measures. Ecuador stands out in terms of its high level of media attention, with more than three-quarters of the youth believing that there is high media visibility for successful entrepreneurs. Mexico and Spain show the lowest scores for media attention to successful entrepreneurs.

3.2 Entrepreneurial propensity

GEM research has confirmed the importance of individuals' perceptions of their entrepreneurial ability, their recognition of start-up opportunities, and how risk-averse they are as being instrumental in whether or not they become involved in starting new businesses. To get an estimate of the size of the pool of potential entrepreneurs, the APS asks two questions:

- In the next six months, will there be good opportunities for starting a business in the area where you live?
- Do you have the knowledge, skills and experience required to start a new venture?

Risk-averseness is assessed by measuring the percentage of those perceiving entrepreneurial opportunities who indicate that fear of failure would prevent them from setting up a business. If fear of failure is low, it is expected that individuals will be less inhibited by the risks inherent in doing business. Fear of failure can be influenced by intrinsic personality traits, as well as by societal norms and regulations.

GEM considers those who perceive good opportunities for starting a business, as well as believe they have the required skills, the potential entrepreneurs in a society. However, perceiving a good opportunity and having the skills to pursue it will not necessarily lead to the intent to start a business. Individuals will assess the opportunity costs, and risks and rewards, of starting a business versus other employment preferences and options, if these are available. In addition, the environment in which potential, intentional and active entrepreneurs exist needs to be sufficiently enabling and supportive. GEM defines entrepreneurial intention as the percentage of the 18 – 64 year old population (individuals already engaged in any stage of entrepreneurial activity excluded) who intend to start a business within the next three years.

Table 3.2: Self-perceived entrepreneurial attributes among the Ibero-American youth, GEM 2015

Country	18 – 24 years old				25 – 34 years old			
	Perceived opportunities	Perceived capabilities	Fear of failure	Entrepreneurial intentions	Perceived opportunities	Perceived capabilities	Fear of failure	Entrepreneurial intentions
Argentina	53.7	47.6	25.9	33.5	48.2	67.6	27.8	35.0
Brazil	40.3	48.7	42.6	28.3	44.4	58.8	50.5	31.9
Chile	62.6	52.0	25.0	52.9	60.7	66.4	26.8	57.2
Colombia	64.0	52.8	35.1	54.6	54.3	60.7	28.6	53.0
Ecuador	54.1	67.8	28.1	46.8	55.3	72.5	29.5	49.8
Guatemala	50.2	56.3	28.3	48.1	48.5	62.0	29.8	35.9
Mexico	41.8	38.9	40.4	13.9	45.4	46.2	35.6	14.0
Panama	41.0	38.7	16.2	16.5	47.3	49.4	26.3	13.7
Peru	57.8	65.1	23.7	41.3	50.6	67.7	28.8	44.3
Portugal	30.8	30.7	47.0	28.7	36.2	55.4	41.5	22.0
Spain	30.5	26.7	43.0	9.6	26.8	45.8	45.8	5.5
Uruguay	47.2	45.1	33.2	31.3	40.9	65.5	26.6	30.3
TOTAL (unweighted average)	47.8	47.5	32.4	33.8	46.5	59.8	33.1	32.7

Table 3.2 indicates that in the Ibero-American block, there is very little difference between the two age cohorts in terms of opportunity perception, fear of failure and entrepreneurial intention. Close to half of young people, on average, perceive good entrepreneurial opportunities in the areas where they live. A third of the young people who perceive opportunities report that fear of failure would constrain them from pursuing these opportunities. A third of the youth also express an intention to start a business within the next three years.

The biggest discrepancy between the young youth (18 -24 years) and the older youth (25 – 34 years) is in terms of their confidence in their own ability to run a business. Less than half of 18 – 24 year olds believe they have the capabilities to successfully pursue entrepreneurial opportunities, compared to 60% of 25 – 34 year olds. This could be linked to the fact that individuals in the latter age group have had time as well as opportunity to develop their skills and knowledge through education as well as through work experience. The young youth's low confidence in their abilities is understandable, given their relative lack of work experience. However, this does highlight the importance of integrating high quality business and entrepreneurship training into the formal school curricula.

At the individual country level, the Ibero-American countries show divergent results. Chile reports the highest level of opportunity perception, at over 60%, while Spain and Portugal show the lowest (with around 30% of the youth perceiving good opportunities). Youth in Spain and Portugal – the innovation-driven economies – are least likely to report that they perceive opportunities in the areas in which they live. However, it must be noted that individuals in economies at different stages of development are likely to have different kinds of businesses in mind. This would suggest that the perception of what is considered an opportunity and the capabilities required to create and manage this entrepreneurial opportunity in factor or efficiency-driven economies could differ substantially from these perceptions in innovation-driven economies. Furthermore, the *2015 GEM Global Report* notes that Spain and Portugal are two of the economies where substantial year-on-year improvements can be seen with respect to opportunity perceptions – an encouraging trend.

Ecuador has the highest scores for capability perception, with more than two-thirds of the young youth and over 70% of the older youth expressing confidence in their entrepreneurial skills. Portugal, Spain and Brazil report the highest fear of failure rates. In the case of Portugal and Spain, this is less of a concern - fear of failure tends to be more common in developed economies, where the greater prevalence of alternative career options can create the impression that people have more to lose by forgoing these other opportunities. In the light of Brazil's strongly positive societal attitudes towards entrepreneurship, the high fear of failure rate is cause for concern, particularly among the older youth where half of those who perceive opportunities are constrained by fear of failure.

Spain is a definite outlier in terms of entrepreneurial intentions - its scores for this indicator are considerably lower than the average for the Ibero-American countries. Portugal, on the other hand, reports robust rates of entrepreneurial intention which are in line with the Ibero-American average and double the average of 12.0 for all the innovation-driven economies which participated in GEM 2015. A likely contributing factor in this regard is that Portugal has the most enabling entrepreneurial ecosystem of all the Ibero-American countries (as noted in Chapter 2). Chile and Colombia report the highest levels of entrepreneurial intention, with over half of the youth expressing an intention to start a business within the next three years. Both of these countries have numerous initiatives and programmes, run by a variety of stakeholders, focused on encouraging entrepreneurship among the youth.

3.3 Entrepreneurial activity

3.3.1 Early-stage entrepreneurial activity

Entrepreneurial activities are presented by using the organisational life-cycle approach (nascent and new businesses, established businesses and business discontinuation). The central indicator of GEM is the Total Early-stage Entrepreneurial Activity (TEA) rate, which measures the percentage of the population that are in the process of starting or who have just started a business. This indicator measures individuals who are participating in either of the two initial processes of the entrepreneurial process:

- Nascent entrepreneurs – those who have committed resources to starting a business, but have not paid salaries or wages for more than three months, and

- New business owners - those who have moved beyond the nascent stage and have paid salaries and wages for more than three months but less than 42 months.

Measuring these two types of entrepreneurs is important as it provides the level of early-stage activity that will hopefully be transformed into established businesses— i.e. mature businesses, in operation for more than 42 months.

Figure 3.1 indicates that the youth as a whole (i.e. 18 – 34 years of age) are significantly more entrepreneurial than the adults (35 years+) in all of the Ibero-American countries. The difference is most marked in Panama, where the youth is twelve times more likely to be engaged in early-stage entrepreneurial activity than adults, and in Uruguay and Chile (around nine times more likely). In Spain and Brazil, on the other hand, the youth is 2.6 times more likely to be engaged in early-stage entrepreneurial activity, compared to individuals 35 years and older.

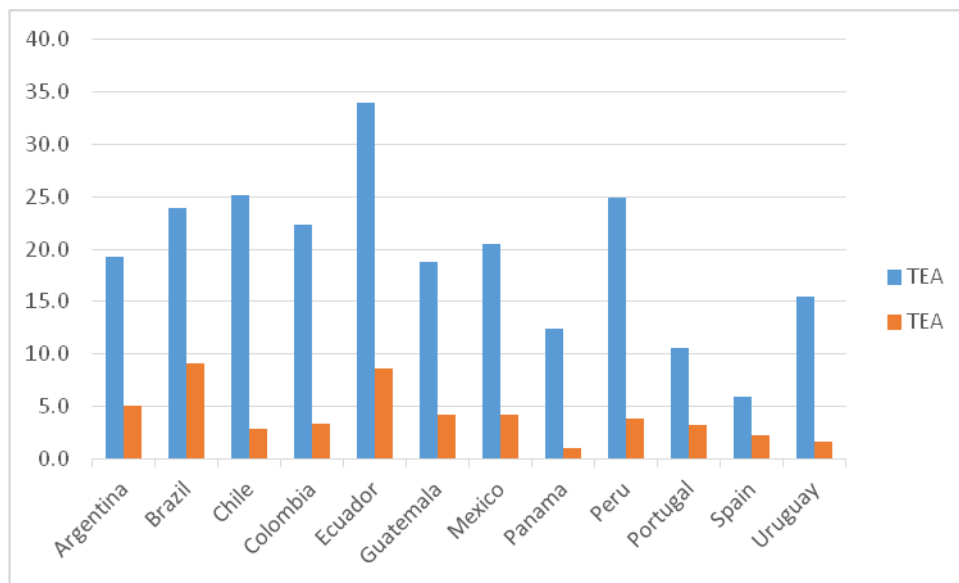


Figure 3.1: Total early-stage entrepreneurial activity, youth versus adults, for Ibero-American countries, GEM 2015

Table 3.3 indicates that for the Ibero-American countries as a whole, the older youth are more likely to be engaged in early-stage entrepreneurial activity than are the young youth. The older youth are around 1.4 times more likely to be involved in nascent as well as new firm activity, compared to the young youth. From an individual country perspective, the youth in Ecuador are the most entrepreneurial, while those in Spain are the least entrepreneurial. In three countries – Chile, Mexico and Panama – the older youth are noticeably more entrepreneurial than the young youth. In these countries, the older youth are more than twice as likely to be engaged in nascent entrepreneurial activity, compared to the young youth.

In the majority of the countries, the new business rate is lower than the nascent rate across both age categories. The poor sustainability of start-ups in the Ibero-American block therefore highlights the need for policy interventions aimed at supporting and mentoring entrepreneurs through the difficult process of firm birth. Brazil, Panama and Spain present anomalous behavior in this respect, in that the percentage of nascent entrepreneurs is lower than the percentage of new entrepreneurs. Brazil, in fact, has the highest new business ownership rate, more than double the average for the Ibero-American countries.

Table 3.3: Early-stage entrepreneurial activity (% of population), by age cohort, for Ibero-American countries, GEM 2015

Country	18 – 24 years old			25 – 34 years old		
	Nascent entrepreneurship rate	New business ownership rate	TEA	Nascent entrepreneurship rate	New business ownership rate	TEA
Argentina	10.6	3.9	14.6	14.8	8.9	23.3
Brazil	6.7	14.6	20.8	7.3	19.6	26.2
Chile	8.8	8.5	17.2	20.9	10.4	30.8
Colombia	13.6	7.2	20.3	16.9	7.7	23.9
Ecuador	23.2	6.3	27.9	31.8	10.6	38.9
Guatemala	11.2	5.8	16.4	12.6	9.3	21.0

Mexico	9.2	3.9	12.7	20.1	6.9	26.8
Panama	3.0	7.0	9.9	6.7	7.7	14.2
Peru	17.8	6.8	23.9	20.4	5.8	25.6
Portugal	5.7	2.1	7.5	8.5	4.0	12.2
Spain	1.3	2.1	3.4	2.6	4.6	7.1
Uruguay	7.8	3.8	11.6	13.2	5.2	18.4
TOTAL (unweighted average)	9.9	6.0	15.5	14.7	8.4	22.4

3.3.2 Established business activity

Figure 3.2 shows the percentage of the youth population that could be included in the established entrepreneur category (owners/managers of businesses that have been in operation for more than 42 months). Information on the level of established businesses is important as it provides some indication of the sustainability of entrepreneurship in an economy.

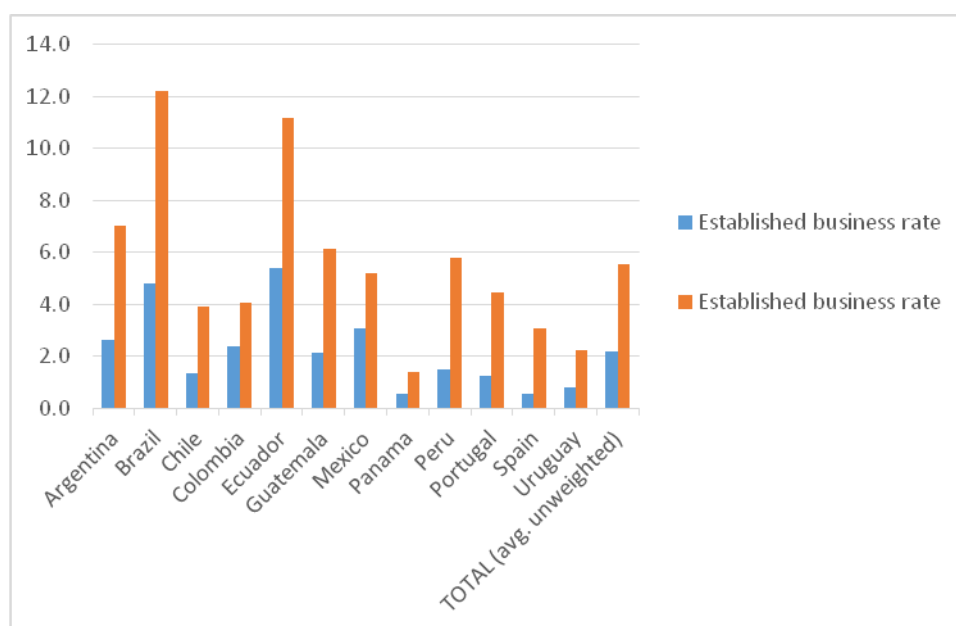


Figure 3.2: Established business activity (% of population), by age cohort, for Ibero-American countries, GEM 2015

For the Ibero-American countries as a whole, the older youth are considerably more likely to be owners/ managers of established businesses than are the young youth. The established business rate for the older youth is 2.7 times higher than that for the young youth (5.6 compared to 2.1). The young youth are about 7.5 times more likely, and the older youth around four times more likely, to be engaged in TEA than established business activity. The low established business rate among the young youth is less of a concern, as it is likely that individuals in this group may have engaged in post-school training and be recent entrants into the labour force. However, policies aimed at supporting promising early-stage entrepreneurs among the older youth are needed to improve the sustainability of their businesses, so that they can contribute more effectively to the economy through the on-going introduction of new products and processes and a more stable base of employment.

From an individual country perspective, youth in Brazil and Ecuador have the highest rates of established business ownership across both age categories (more than double the average for the Ibero-American countries), while Panama has the lowest established business rates. Argentina reports robust established business rates among the older youth.

3.3.3 Business discontinuance

Figure 3.3 shows the business discontinuance rates, defined as the percentage of adults who for any reason (personal, sale, financial, market, health, business failure, death, etc.) in the last 12 months decided to exit one or more entrepreneurial activities in which he/she was involved. Information on the rate of business discontinuance is

another potential indicator of the sustainability of entrepreneurship in an economy. Entrepreneurship is inherently risky, and a certain level of business closure is inevitable when there are numerous start-ups. However, an excessively high business closure rate could mean that few entrepreneurs are starting viable businesses, or that they are unable to sustain these businesses. In addition, the entrepreneurship environment may not be sufficiently supportive or enabling. However, it must be remembered that closure does not necessarily equate to failure.

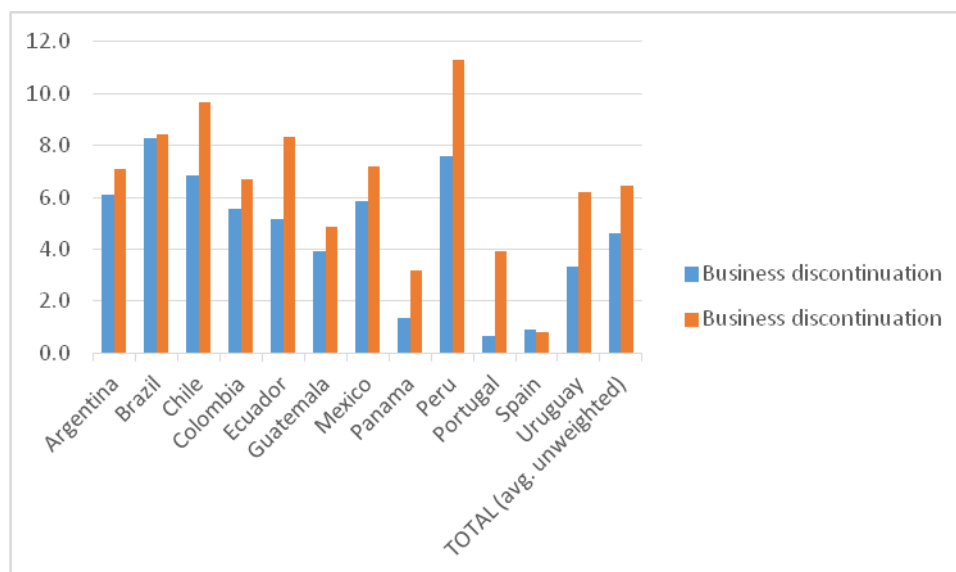


Figure 3.3: Business discontinuation, by age category, for Ibero-American countries, GEM 2015

Businesses started by the older youth have, in general, a higher discontinuance rate than those started by the young youth. To a large extent, this reflects the higher start-up rate among the older youth. In Brazil and Spain, the discontinuance rate is very much the same across both age categories. The Ibero-American countries have, however, a positive ratio of TEA to business discontinuance - for every person exiting a business in 2015, across both age categories, close to four were engaged in early-stage entrepreneurial activity. At the individual country level Peru, Chile and Brazil report the highest rates of business discontinuance.

Table 3.4: Reason for business exit (18-24 years old), in Ibero-American countries, GEM 2015

Country	Opportunity to sell	Unprofitable	Problem getting finance	Another job/opportunity	Exit planned	Family/personal reason	Govt/ tax/ bureaucracy	Other
Argentina	1.8	35.0	12.6	9.0	5.8	35.8	0.0	0.0
Brazil	2.9	31.2	12.2	27.3	0.0	26.4	0.0	0.0
Chile	9.9	20.2	16.4	16.5	1.8	34.1	0.0	1.1
Colombia	5.7	30.9	13.0	28.9	2.6	18.9	0.0	0.0
Ecuador	4.5	36.4	4.5	13.6	4.5	36.4	0.0	0.0
Guatemala	8.3	16.5	12.5	16.7	0.0	37.8	4.1	4.1
Mexico	21.0	44.7	12.6	13.2	0.0	8.6	0.0	0.0
Panama	0.0	80.0	0.0	0.0	0.0	20.0	0.0	0.0
Peru	0.0	35.0	13.2	20.9	0.0	30.9	0.0	0.0
Portugal	0.0	51.8	0.0	0.0	0.0	48.2	0.0	0.0
Spain	0.0	58.6	9.5	29.3	0.0	0.0	0.0	2.7
Uruguay	12.4	23.5	10.6	10.6	13.4	17.0	12.3	0.0
TOTAL (unweighted average)	5.6	38.6	9.8	15.5	2.3	26.2	1.4	0.4

Table 3.5: Reason for business exit (25-34 years old), in Ibero-American countries, GEM 2015

Country	Opportunity to sell	Unprofitable	Problem getting finance	Another job/opportunity	Exit planned	Family/personal reason	Govt/ tax/ bureaucracy	Other
Argentina	1.8	35.0	12.6	9.0	5.8	35.8	0.0	0.0
Brazil	2.9	31.2	12.2	27.3	0.0	26.4	0.0	0.0
Chile	9.9	20.2	16.4	16.5	1.8	34.1	0.0	1.1
Colombia	5.7	30.9	13.0	28.9	2.6	18.9	0.0	0.0
Ecuador	4.5	36.4	4.5	13.6	4.5	36.4	0.0	0.0
Guatemala	8.3	16.5	12.5	16.7	0.0	37.8	4.1	4.1
Mexico	21.0	44.7	12.6	13.2	0.0	8.6	0.0	0.0
Panama	0.0	80.0	0.0	0.0	0.0	20.0	0.0	0.0
Peru	0.0	35.0	13.2	20.9	0.0	30.9	0.0	0.0
Portugal	0.0	51.8	0.0	0.0	0.0	48.2	0.0	0.0
Spain	0.0	58.6	9.5	29.3	0.0	0.0	0.0	2.7
Uruguay	12.4	23.5	10.6	10.6	13.4	17.0	12.3	0.0
TOTAL (unweighted average)	5.6	38.6	9.8	15.5	2.3	26.2	1.4	0.4

Argentina	1.1	46.9	3.6	14.0	3.4	17.0	14.0	0.0
Brazil	3.9	43.4	15.4	10.0	2.2	25.0	0.0	0.0
Chile	4.0	15.4	5.7	23.4	4.5	40.6	5.5	0.9
Colombia	2.0	30.6	19.6	14.7	0.7	24.5	8.0	0.0
Ecuador	2.3	29.5	25.0	6.8	4.5	20.5	9.1	2.3
Guatemala	3.2	28.1	21.9	9.6	3.1	24.7	3.1	6.3
Mexico	27.1	27.9	16.5	8.0	0.0	14.4	0.5	5.6
Panama	6.3	50.0	6.3	0.0	0.0	37.5	0.0	0.0
Peru	3.9	33.1	7.2	13.0	1.0	41.7	0.0	0.0
Portugal	11.4	59.7	12.3	0.0	4.5	6.0	6.1	0.0
Spain	0.0	59.9	8.2	19.1	0.0	5.7	7.2	0.0
Uruguay	0.0	55.8	9.8	0.0	0.0	17.4	17.0	0.0
TOTAL (unweighte d average)	5.4	40.0	12.6	9.9	2.0	22.9	5.9	1.2

The reasons for business discontinuance are many and varied. Some reasons could be seen as positive, such as the opportunity to sell, pursuing another opportunity or planned retirement. On the other hand, exits may be due to lack of business profitability, problems with accessing finance and running out of working capital. **Tables 3.4 and 3.5** summarises the reasons for business exit for the Ibero-American countries. More than a third of businesses in both of the youth categories close because they are not profitable, while a fifth close for family or personal reasons. A number of youth entrepreneurs also encounter problems in accessing financing to sustain the business. On average, the young youth are more likely to exit because of a new job/ opportunity than the older youth.

Among the young youth, financial issues are a particularly pernicious problem in Panama, accounting for 80% of business discontinuances, while almost half of Portuguese entrepreneurs discontinue their businesses for personal reasons. Colombia, Mexico, Brazil and Spain, on the other hand, have the highest percentage (over 30%) of young entrepreneurs exiting for positive reasons – either an opportunity to sell or a new job/ opportunity.

Among the older youth, more than two-thirds of entrepreneurs in Portugal and Spain close their businesses for financial reasons (lack of profitability or problems in accessing finance). Mexico again has the highest percentage (35%) of entrepreneurs exiting for positive reasons, followed by Chile (27%).

3.4 Profile of the Ibero-American entrepreneurs

3.4.1 Gender

Although interest in female entrepreneurship is an increasing trend around the world, the rate of participation in entrepreneurship still varies considerably between countries and geographical regions. According to the OECD (2004), women tend to have lower participation rates in entrepreneurship as they face more social and cultural constraints than men. Many studies maintain that women face greater difficulties in becoming entrepreneurial. These obstacles include: higher levels of domestic responsibility; lower levels of education (particularly in developing countries); lack of female role models in the business sector; fewer business-orientated networks in their communities; lack of capital and assets; lower status in society and a culturally-induced lack of assertiveness and confidence in their ability to succeed in business. These factors may prevent women from perceiving as well as acting on entrepreneurial opportunities. Young women, in particular, may be doubly disadvantaged in their attempts to integrate into the work force – by their age as well as their gender.

Table 3.6: Entrepreneurial activity, by gender and age cohort, for Ibero-American countries, GEM 2015

Country	18 – 24 years old				25 – 34 years old			
	Male TEA rate	Female TEA rate	Male established business rate	Female established business rate	Male TEA rate	Female TEA rate	Male established business rate	Female established business rate
Argentina	13.8	15.3	2.7	2.5	24.6	22.1	8.7	5.4
Brazil	19.4	22.3	4.7	4.9	29.0	23.4	10.8	13.6
Chile	20.4	13.9	1.4	1.3	36.1	25.3	3.8	4.0
Colombia	26.5	13.9	3.5	1.2	27.1	20.8	4.5	3.7

Ecuador	28.6	27.2	4.9	5.9	39.8	38.0	13.9	8.4
Guatemala	19.8	12.9	2.9	1.3	26.8	15.7	7.7	4.7
Mexico	15.4	10.2	4.7	1.5	28.2	25.5	7.1	3.5
Panama	9.6	10.3	1.1	0.0	15.4	13.0	2.8	0.0
Peru	24.6	23.2	1.3	1.6	22.9	28.3	8.5	3.2
Portugal	12.5	2.5	1.6	0.9	15.4	9.2	4.5	4.3
Spain	3.6	3.1	0.8	0.3	8.1	6.2	3.6	2.6
Uruguay	15.6	7.6	1.6	0.0	25.0	12.4	2.7	1.7
TOTAL (unweighted average)	17.5	13.5	2.6	1.8	24.9	20.0	6.6	4.6

An encouraging finding (**Table 3.6**) is that, overall, gender parity among the youth is relatively positive across the Ibero-American countries. On average, across both age cohorts, eight women were engaged in early-stage entrepreneurship for every ten male entrepreneurs in 2015. In terms of established business activity, the ratios are slightly lower. Six women in the young youth category and seven in the older youth category are engaged in established business activity for every ten male entrepreneurs of similar age.

There are a number of countries where women aged 18 – 24 report higher TEA rates than men: Argentina, Brazil and Panama. Portugal has the widest gap in terms of early-stage entrepreneurial activity in this age category, with only two women engaged in TEA for every ten male entrepreneurs. Colombia and Uruguay also show significant gender gaps (young men are twice as likely to be engaged in TEA in these countries, compared to young women).

Among the older youth, Peru is the only country where women report higher TEA rates than men – in Peru, twelve women in this age category are engaged in early-stage entrepreneurial activity for every ten men. However, Argentina, Ecuador and Mexico all show an encouraging level of gender parity in terms of early-stage entrepreneurial activity among the older youth. Uruguay's gender gap remains wide, with five women engaged in TEA for every ten male entrepreneurs. However, Colombia and Portugal show considerable improvement in gender parity among the older youth – for every ten male entrepreneurs in their respective countries, eight Colombian and six Portuguese women are engaged in TEA.

Brazil shows the best gender parity in terms of established business activity, with young women in both age categories outperforming their male counterparts in terms of established business rates. Among the young youth, Ecuador and Peru report higher rates of female engagement in established business activity (twelve women for every ten men). However, the ratio in these two countries drops significantly among the older youth – for every ten male entrepreneurs in their respective countries, four Peruvians and six Ecuadorians are involved in established business activity.

3.4.2 Motivation for starting a business

The relative prevalence of opportunity-motivated versus necessity-motivated entrepreneurial activity provides useful insights into the quality of early-stage entrepreneurial activity in a given country. The motivation that drives entrepreneurs to start businesses is as important as the level of entrepreneurial activity in countries. It is much more desirable that they are driven by opportunity than by necessity, since opportunity-driven entrepreneurs usually flourish in a more enabling environment characterized by favourable entrepreneurial framework conditions.

Necessity based early-stage entrepreneurial activity: This is defined as the percentage of those involved in early-stage entrepreneurial activity that claim to be driven by necessity (having no better choice for work) as opposed to opportunity. This is also described as survivalist-driven motivation.

Opportunity based early-stage entrepreneurial activity: This is the percentage of those involved in early-stage entrepreneurial activity driven purely or partly by opportunity, as opposed to finding no other option for work. This includes taking advantage of a business opportunity or having a job but seeking a better opportunity.

According to the *GEM Global Report 2015*, most entrepreneurs around the world are opportunity-motivated. Even in the factor- and efficiency-driven economies, 69% of entrepreneurs stated they chose to pursue an opportunity as a basis for their entrepreneurial motivations, rather than starting out of necessity, because they had no better options

for work. The innovation-driven economies show a higher proportion of opportunity-motivated entrepreneurs, at 78%. At a regional level, necessity-driven entrepreneurship was highest in Africa and Latin America and the Caribbean, with 30% of entrepreneurs, on average, citing this motive (Kelley et al, 2016).

Table 3.7: Reason for starting a business (as % of TEA), by age cohort, for Ibero-American countries, GEM 2015

Country	18 – 24 years old			25 – 34 years old		
	Opportunity-driven	Necessity-driven	Opportunity/necessity ratio	Opportunity-driven	Necessity-driven	Opportunity/necessity ratio
Argentina	69.4	27.2	2.5	59.7	37.0	1.6
Brazil	53.9	46.1	1.2	63.6	36.4	1.7
Chile	82.7	14.9	5.6	71.4	21.7	3.3
Colombia	70.7	24.2	2.9	69.0	31.0	2.2
Ecuador	79.0	20.2	3.9	72.3	27.2	2.7
Guatemala	53.4	44.6	1.2	60.1	39.9	1.5
Mexico	76.3	21.1	3.6	79.3	18.8	4.2
Panama	78.4	21.6	3.6	50.0	47.2	1.1
Peru	70.7	25.3	2.8	75.4	24.6	3.1
Portugal	88.8	4.3	20.6	74.2	25.8	2.9
Spain	79.5	17.8	4.5	82.5	15.4	5.3
Uruguay	83.0	17.0	4.9	83.3	14.9	5.6
TOTAL (unweighted average)	73.8	23.7	3.1	70.1	28.3	2.5

Table 3.7 indicates that overall, the youth in the Ibero-American countries show high levels of opportunity motivation – close to three-quarters of young entrepreneurs in these countries are opportunity-driven. Among the young youth, Portugal has the highest rate of opportunity-driven motivation – young entrepreneurs in this country are more than 20 times more likely to be driven by opportunity than by necessity. Uruguay, Chile and Ecuador all have high rates of opportunity-driven motivation, in line with the average for innovation-driven economies. Among the older youth, Uruguay and Spain have the highest rates of opportunity-driven TEA. These findings are particularly encouraging in Ecuador, with its robust levels of TEA activity among the young youth.

Guatemala and Brazil have the highest proportion of necessity-driven entrepreneurs among the younger youth, while among the older youth Panama and Guatemala have the highest necessity rates. In these three countries, entrepreneurs are only marginally more likely to be motivated by opportunity rather than necessity. It is clear that poor economic growth in the Latin American & Caribbean region over the past few years is starting to take its toll. Brazil, in particular, has been hard hit by recession and rising unemployment. High competition for low levels of job opportunities in the formal sector means that young people, especially in poorer communities, will be forced into necessity-entrepreneurship because of lack of other options for sustainable livelihoods. Given that GEM has shown that businesses started by opportunity-driven entrepreneurs are much more likely to survive and employ people than those started by necessity-driven entrepreneurs, these figures are discouraging in terms of maintaining social gains such as poverty alleviation.

Table 3.8: Reason for starting a business (as % of TEA), by gender and age cohort, for Ibero-American countries, GEM 2015

Country	18 – 24 years old				25 – 34 years old			
	Male opportunity	Male necessity	Female opportunity	Female necessity	Male opportunity	Male necessity	Female opportunity	Female necessity
Argentina	69.4	26.6	69.3	27.8	65.6	28.5	53.2	46.1
Brazil	71.6	28.4	38.0	62.0	75.9	24.1	48.3	51.7
Chile	91.4	5.1	69.3	30.0	77.5	17.5	62.5	27.7
Colombia	74.1	18.7	64.1	35.1	70.1	29.9	67.5	32.5
Ecuador	84.4	14.1	72.7	27.3	73.6	26.4	71.0	28.0

Guatemala	56.5	40.3	48.7	51.3	69.9	30.1	44.4	55.6
Mexico	78.2	20.4	73.4	22.2	83.3	16.6	75.3	21.1
Panama	66.7	33.3	89.5	10.5	51.3	46.2	48.5	48.5
Peru	81.8	17.4	59.0	33.5	79.8	20.2	71.9	28.1
Portugal	86.6	5.2	100.0	0.0	73.6	26.4	75.1	24.9
Spain	74.6	22.1	85.5	12.4	85.9	13.1	78.0	18.4
Uruguay	86.4	13.6	76.3	23.7	87.3	10.0	76.0	24.0
TOTAL (unweighted average)	76.8	20.4	70.5	28.0	74.5	24.1	64.3	33.9

Table 3.8 shows that young women in both age categories are more likely to be pushed into entrepreneurship out of necessity than are young men. Among the young youth, men are 3.9 times more likely to be motivated by opportunity than by necessity, while young women are 2.6 times more likely to be opportunity- rather than necessity-driven. Among the older youth, necessity motivation is higher for both genders. In this age cohort, men are 3.3 times more likely to be motivated by opportunity than by necessity, while young women are twice as likely to be opportunity- rather than necessity-driven.

Among the young youth, women are more likely than men to be opportunity-motivated in Portugal (the top scorer at 100%), Panama and Spain. The highest opportunity rates for young men are in Chile, Portugal and Uruguay. Among the older youth, the highest opportunity rates for women are seen in Spain. Portugal is the only country in this age cohort where women are more likely than men to be opportunity-motivated. The highest opportunity rates for young men are in Uruguay, Spain and Mexico.

Male necessity-driven entrepreneurship is highest in Guatemala and Panama, across both age cohorts. More than half of young female entrepreneurs in Brazil and Guatemala are pushed into entrepreneurship by necessity. The rate is particularly high among Brazilian women aged 18 – 24 years at 62%, more than double the average for the Ibero-American countries).

3.4.3 Sources of finance

Securing sufficient funding is an important resource for every business, especially for start-ups and for growing firms. New entrepreneurs generally rely on personal funding as well as funding from family and friends, and pursue bank and investor funding at more advanced stages of the start-up process.

Table 3.9: Funding requirements of youth businesses, Ibero-American countries, GEM 2015

Country	18 – 24 years old		25 – 34 years old	
	Median amount of money needed to start a business (USD)	% of total money needed which comes from entrepreneur's own funds	Median amount of money needed to start a business (USD)	% of total money needed which comes from entrepreneur's own funds
Argentina	2751.0	79.7	3301.2	86.9
Brazil	312.2	89.6	624.4	86.9
Chile	1560.0	74.4	4368.0	77.4
Colombia	5662.5	49.4	5662.5	60.4
Ecuador	2000.0	73.0	2000.0	72.9
Guatemala	1305.5	64.1	1958.2	70.3
Mexico	1590.6	68.7	1590.6	75.0
Panama	500.0	92.1	1000.0	92.9
Peru	1576.7	61.1	1261.3	73.5
Portugal	5551.1	54.0	22204.6	71.0
Spain	11102.3	77.5	16653.4	65.9
Uruguay	137.4	92.5	329.9	74.9
TOTAL (unweighted average)	2837.4	73.0	5079.5	75.7

Table 3.9 indicates that overall, entrepreneurs in the older youth cohort require more funds to start their businesses – on average, two-thirds more money than entrepreneurs in the young youth group. The median initial funding requirements vary considerably across the countries - from modest amounts in Uruguay, Brazil and Panama to substantial amounts in the innovation-driven economies (in particular Spain and Portugal). The low start-up costs are probably a reflection of the type of ventures started by these youth entrepreneurs. Many of these entrepreneurs are likely to be in the retail/ wholesale and services sectors where barriers to entry, in terms of both skills and capital required, are low. On the other hand, funding requirements tend to be highest in innovation-driven economies where entrepreneurs are creating new products and services.

The finding that access to finance is a key problem is a common feature of research on problems facing all entrepreneurs. This is confirmed by the GEM data, which indicates that entrepreneurs rely to a great extent on their personal savings to fund their entrepreneurial ventures in all areas of the globe.¹⁰ **Table 3.9** indicates that on average, young entrepreneurs in the Ibero-American countries rely heavily on their own savings, with three-quarters of the total money needed for the venture coming from the entrepreneurs' own funds. The share of own investment is highest in Brazil, Panama and Uruguay and lowest in Colombia.

Tables 3.10 and 3.11 indicate a similar pattern overall across both age cohorts. A significant majority of young entrepreneurs (over 90%) use their own savings to fund their ventures, while a third rely on family for funding. Banks are an important source of entrepreneurship finance, with just under 30% of entrepreneurs in both age cohorts obtaining funds from these institutions.

Table 3.10: Sources of funding for youth entrepreneurs (18-24 years old) in Ibero-American countries, GEM 2015

Country	Own money	Family	Friends	Employers	Banks	Private/ VC sources	Government	Crowd-funding
Argentina	94.0	34.6	8.2	11.0	22.0	5.2	19.1	-
Brazil	93.9	24.6	12.9	4.2	7.0	4.8	7.5	0.9
Chile	99.6	30.0	7.1	20.1	30.6	14.1	31.8	8.5
Colombia	100.0	50.4	17.4	40.6	52.9	26.7	33.4	13.3
Ecuador	98.1	36.7	2.8	3.7	43.1	4.6	3.7	0.8
Guatemala	100.0	30.8	7.4	18.1	26.5	8.4	0.0	18.4
Mexico	90.6	48.6	6.4	6.5	27.1	3.6	6.0	-
Panama	93.3	39.4	8.8	0.0	11.8	0.0	0.0	0.0
Peru	100.0	46.3	4.9	0.9	48.7	1.8	0.9	0.3
Portugal	83.0	25.2	11.5	13.2	20.0	10.1	20.2	2.4
Spain	81.2	36.7	3.2	4.0	17.2	4.6	10.2	2.4
Uruguay	100.0	33.1	21.6	30.1	38.5	4.4	12.1	11.9
TOTAL (unweighted average)	94.5	36.4	9.3	12.7	28.8	7.4	12.1	5.9

Table 3.11: Sources of funding for youth entrepreneurs (25-34 years old) in Ibero-American countries, GEM 2015

Country	Own money	Family	Friends	Employers	Banks	Private/ VC sources	Government	Crowd-funding
Argentina	92.6	31.8	5.6	4.7	15.4	3.5	12.8	-
Brazil	97.7	18.2	2.1	1.1	13.7	0.0	0.0	0.9
Chile	97.4	23.0	7.6	17.6	27.4	11.9	30.7	8.5
Colombia	98.1	36.1	13.3	27.7	44.6	26.8	24.2	13.3
Ecuador	96.2	29.2	4.2	2.6	45.8	4.7	2.1	0.8
Guatemala	99.2	23.8	8.5	8.5	25.5	7.7	0.8	18.4
Mexico	94.1	54.9	10.3	3.6	22.9	4.5	9.2	-
Panama	100.0	52.2	18.6	1.4	7.1	0.0	0.0	0.0
Peru	100.0	39.4	3.0	2.6	51.2	2.1	0.4	0.3

¹⁰ Caroline Daniels, Mike Herrington and Penny Kew. *Global Entrepreneurship Monitor 2015 – 2016: Special Report on Entrepreneurial Finance*. Global Entrepreneurship Research Association, 2016. www.gemconsortium.org

Portugal	96.8	41.4	16.2	2.5	26.0	15.1	28.2	2.4
Spain	77.2	28.7	3.3	19.2	29.0	9.0	15.3	2.4
Uruguay	100.0	24.2	6.8	9.1	19.0	5.0	10.5	11.9
TOTAL (unweighted average)	95.8	33.6	8.3	8.4	27.3	7.5	11.2	5.9

From an individual country perspective, there is considerable variation with respect to primary sources of funding. Although Colombians rely heavily on own funds (100%), they also make substantial use of a variety of other funding options. Half access funds from family and from banks, while employers and the government play an active role in supporting entrepreneurs financially (40% and 33%, respectively). Colombians make the most use of more sophisticated funding options – a quarter use private/ venture capital sources and 13% use crowd-funding. Guatemalan entrepreneurs are the most likely to use crowd-funding. Students from Guatemala frequently complete higher education in the US, Europe and Canada, where many would be introduced to the idea of crowdfunding and would be educated on how to use these platforms. Mexico and Peru report a high level of family support, government funds a third of Chilean entrepreneurs and banks provide significant lending in Peru and Ecuador. Aside from Colombia, only Chile and Portugal report more than 10% of young entrepreneurs accessing venture capital.

Among the older youth (24 – 35 years), entrepreneurs in Spain (77%) are least likely to use own funds – over 90% of entrepreneurs in all the other countries report using their own savings. Entrepreneurs in Panama make extensive use of networks of family and friends, with more than two-thirds accessing financial support from these sources. Mexico and Portugal also rely heavily on funding from family. As with the younger age cohort, employers and government in Colombia are particularly active providers of financial support to young entrepreneurs. In terms of institutionally-supported finance, banks provided significant lending to entrepreneurs in Peru, Ecuador and Colombia while Chile and Portugal have the highest level of government support with respect to funding. The use of venture capital and crowd-funding follows the same pattern as for the younger age cohort.

3.5 Entrepreneurship impact characteristics

In studying the impact of entrepreneurs, GEM recognises that while all entrepreneurs are important, they have differing impacts on their societies. Key to economic development and growth are job creation, mix of industries and level of innovation. This section focuses on these factors with respect to the Ibero-American countries.

3.5.1 Industry sector participation

Table 3.12 shows the distribution of early-stage entrepreneurial activity according to industry sector participation. The extractive sector is based on natural resources and includes agriculture, forestry, fishing and mining; the transforming sector involves the manufacturing of goods and is generally capital-intensive, but it may also be labour-intensive, including construction, manufacturing, transportation, communication, utilities and wholesale distribution; business services target the business customer and generally rely on greater knowledge intensity, which includes finance, insurance and real estate; and the consumer sector serves customers directly through products and services that include retail, motor vehicles, lodging and restaurants, personal services, education and recreational services.

Table 3.12: Industry sector participation by youth entrepreneurs (% of TEA) in Ibero-American countries, GEM 2015

Country	18 – 24 years old				25 – 34 years old			
	Extractive	Transformative	Business services	Consumer-oriented services	Extractive	Transformative	Business services	Consumer-oriented services
Argentina	1.6	16.9	13.1	67.8	0.3	16.5	18.2	63.6
Brazil	1.2	24.2	7.1	67.5	0.0	35.4	6.9	57.7
Chile	2.3	11.5	11.8	74.0	1.0	24.4	19.0	54.9
Colombia	10.7	14.0	13.2	62.1	2.2	22.6	32.7	40.7
Ecuador	5.9	12.6	5.9	75.6	4.9	13.6	3.9	77.7
Guatemala	3.9	11.9	6.9	74.3	1.5	18.4	5.2	71.3

Mexico	2.0	17.6	4.6	74.6	1.1	15.0	5.6	75.9
Panama	0.0	13.5	10.8	75.7	1.4	19.4	2.8	75.0
Peru	4.3	18.3	8.1	68.4	6.3	18.5	6.6	68.3
Portugal	0.0	14.5	8.0	77.5	3.5	9.5	24.7	60.4
Spain	6.2	4.4	31.8	57.4	2.8	12.9	27.1	57.2
Uruguay	0.0	13.0	20.0	64.0	3.4	27.1	13.2	54.1
TOTAL (unweighted average)	3.2	14.4	11.8	69.9	2.4	19.4	13.8	63.1

Table 3.12 shows that the majority of TEA activity in the Ibero-American countries as a whole, across both age cohorts, is in the consumer-oriented services sector. This is particularly the case for the young youth (70%). The young youth report lower confidence in their abilities to run a business (**Table 3.2**), and barriers to entry into this sector, in terms of both skills and capital required, are low. As a result, however, this is an over-traded sector populated by low profit margin businesses and the high level of competition for limited markets may threaten the sustainability of these businesses. The older youth also report most of their activity (over 60%) in the consumer services sector, but a fifth of entrepreneurs in this age cohort are engaged in the transformative sector.

From an individual country perspective there is considerable variation in terms of industry sector participation. Among the young youth, Portugal has the highest participation in the consumer-services sector. Spain (32%) and Uruguay (20%) are the only countries to report significant involvement in the business services sector, while a quarter of Brazilian entrepreneurs are in the transformative sector.

Among the older youth, industry participation is more balanced. Chile, Colombia, Portugal, Spain and Uruguay show particularly balanced profiles, with good levels of participation across the industry sectors. These countries all show robust involvement in the business services sector – an encouraging finding since sophisticated, high-productivity modern services such as finance, ICT and business services are important, particularly in enabling countries to participate in global value chains.

The high level of involvement in the consumer services sector, particularly among the young youth, is of concern in the current economic climate. This sector tends to be particularly vulnerable in periods of economic slowdown and the fact that a high proportion of TEA entities are concentrated in such a vulnerable sector is likely to have a negative effect on the sustainability of start-ups in the Ibero-American countries. The most resilient sectors tend to be communication, financial services and information technology (IT) as jobs in these sectors comprise the type of high-level skills that countries need to compete in the global economy. Policy makers therefore need to focus on quality education and skills provision in order to make this sector more accessible to potential entrepreneurs.

3.5.2 Job creation

A key focus in South Africa's development strategies is to facilitate growth that is sustainable and inclusive in order to generate widespread employment and to reduce poverty. The potential of the SME sector to create job opportunities is thus a crucial factor.

GEM asks early-stage entrepreneurs how many employees (other than the owners) they currently have and expect to have in the next five years. The difference between current and expected employees indicates growth expectations. It is important to note that the expressed growth potential has, as yet, not been tested – however, businesses that do not aspire to grow are significantly less likely to do so successfully.

Table 3.13: Actual job creation by early-stage youth businesses in Ibero-American countries, GEM 2015

Country	18 – 24 years old			25 – 34 years old		
	0 jobs	1 – 5 jobs	6+ jobs	0 jobs	1 – 5 jobs	6+ jobs
Argentina	29.9	51.1	19.0	37.6	47.1	15.3
Brazil	62.6	32.7	4.8	54.4	37.7	7.9
Chile	10.6	61.6	27.8	19.3	45.3	35.3
Colombia	11.7	26.6	61.7	14.2	31.3	54.4
Ecuador	20.2	69.7	10.1	20.9	68.0	11.2
Guatemala	13.0	73.3	13.8	18.8	70.9	10.3

Mexico	42.2	45.2	12.6	52.5	38.2	9.3
Panama	54.1	45.9	0.0	45.8	52.8	1.4
Peru	24.1	56.6	19.2	37.0	49.4	13.6
Portugal	47.5	47.6	4.9	33.6	41.8	24.6
Spain	48.2	33.8	18.0	50.2	42.5	7.4
Uruguay	33.2	31.6	35.3	38.9	45.0	16.1
TOTAL (unweighted average)	33.1	48.0	18.9	35.3	47.5	17.2

Table 3.3 indicates that on average, a third of Ibero-American youth entrepreneurs only create employment for the business owner and therefore make no contribution to job creation. However, while self-employment has a minimal effect on job creation, its impact cannot be disregarded in regions characterised by high levels of poverty and chronic underemployment. In many emerging economies, for example, every job counts, and it is not unusual to find a self-employed person supporting a large family and enabling those around him/ her to have a better life. Just under half of the youth businesses employ between one and five people.

From an individual country perspective, Brazil (63%) has the highest proportion of early-stage entrepreneurs aged 18 - 24 who make no contribution to job creation. Chile and Colombia have the lowest proportion – around 90% of entrepreneurs in this age cohort employ at least one person other than the owner. A particularly encouraging finding is that over 60% of the Colombian entrepreneurs employ six or more people. Combined with Columbia's TEA rate for this age cohort (20%), this suggests that youth entrepreneurs make a solid contribution to employment in this country. Uruguay (35%) and Chile (28%) also have significant numbers of youth entrepreneurs creating 6+ jobs. While the percentage of young people engaged in entrepreneurial activity in Chile is moderate (17%), therefore, the impact that these youth businesses would have on employment is considerably larger than for many of the Ibero-American countries surveyed.

Among the older youth the pattern is fairly similar. Around half of the early-stage entrepreneurs in Brazil and Spain create no additional jobs, while Colombia and Chile lead in terms of creating six or more jobs. The older youth in Portugal make a more significant contribution to employment creation, compared to the young youth, with a quarter employing 6+ people.

Table 3.14 indicates the percentage of early-stage entrepreneurs in the Ibero-American countries expecting to create any jobs within the next 5 years.

Table 3.14: Job creation expectations by early-stage youth businesses in Ibero-American countries, GEM 2015

Country	18 – 24 years old			25 – 34 years old		
	0 jobs	1 – 5 jobs	6+ jobs	0 jobs	1 – 5 jobs	6+ jobs
Argentina	7.5	69.1	23.3	19.4	57.8	22.9
Brazil	47.2	44.6	8.2	30.6	56.1	13.3
Chile	4.0	56.7	39.3	8.2	48.3	43.5
Colombia	0.7	32.5	66.8	0.8	36.4	62.8
Ecuador	10.3	78.5	11.2	12.0	75.9	12.0
Guatemala	6.2	75.5	18.2	9.1	77.2	13.7
Mexico	2.4	72.1	25.4	4.2	70.8	25.0
Panama	18.9	81.1	0.0	22.5	74.6	2.8
Peru	8.6	68.3	23.1	24.7	58.8	16.6
Portugal	0.0	78.3	21.7	8.6	52.1	39.3
Spain	31.3	40.9	27.9	31.4	50.2	18.4
Uruguay	15.8	36.0	48.3	13.2	64.5	22.3
TOTAL (unweighted average)	12.8	61.1	26.1	15.4	60.2	24.4

The average job creation expectations of young entrepreneurs in the Ibero-American countries is encouraging, with over 80% of entrepreneurs across both age cohorts expecting to add at least one job in the next five years and a quarter having medium to high growth expectations (6+ jobs).

From the individual country perspective, Brazil has the lowest growth expectations – probably a realistic assessment, given the current recessionary climate. In Spain, a third of young entrepreneurs across both age cohorts do not expect to grow over the next five years. An interesting finding from the *2015 GEM Global Report* is that the innovation-driven economies have, on average, higher proportions of entrepreneurs with no future hiring expectations than factor and efficiency economies. This percentage is 40% for factor-driven, 39% for efficiency-driven and 45% for innovation-driven economies. According to the report, the explanation may be that sophisticated technology and communications may enable entrepreneurs in developed economies to remain small, perhaps as part of a broader value network. In the less developed economies, on the other hand, it may be easier to hire people who have fewer job alternatives.

Colombia has the highest high-growth expectations by a considerable margin, with around two-thirds of young entrepreneurs in this country expecting to create six or more new jobs in the next five years. Their robust current job creation rates (**Table 3.13**) suggest that these growth projections are realistic, and the significant percentage of youth in Colombia who obtain finance from banks, venture capital, crowd-funding and government funds - rather than personal sources (**Tables 3.10 and 3.11**) - suggests that they will be able to access the financial support needed for business growth and expansion.

Interventions that encourage and stimulate businesses in the SME sector to grow are essential if they are to contribute meaningfully to socio-economic development in the Ibero-American countries. It is important to identify those entrepreneurs with realistic medium to high growth aspirations, and institute policies aimed specifically at supporting them in order to optimise their impact on economic growth and job creation. Research has shown that these enterprises are extremely mobile and will move from areas in which they feel their growth potential is being constrained. Small businesses and high-growth businesses have different finance requirements, with small businesses needing better access to grants, subsidies and soft loans, while policies that promote R&D loans and innovation grants, business angel finance and venture finance would be more beneficial in promoting high-growth entrepreneurs¹¹. Alleviating regulatory burdens as well as offering targeted financial support is important in developing an environment that allows high-growth businesses to flourish.

3.5.3 Innovation

Innovation and entrepreneurship are closely connected concepts. It is argued that entrepreneurs disrupt market equilibrium by introducing new product-market combinations into a market, teaching customers to want new things and driving out less productive firms as their innovations advance the production frontier. Innovation goes beyond just creating novel products and services. To commercialise their innovations, entrepreneurs need to identify new market niches and develop creative ways to offer, deliver and promote their products. All of this requires an awareness of competitive offerings, and the ability to incorporate this knowledge into distinct products and services. Innovation capabilities are thus important to economies' ability to become competitive, particularly in higher-productivity sectors.

GEM assesses innovation in entrepreneurial businesses by looking at two main variables with respect to the entrepreneur's products or services: the degree of newness they represent to customers, and the extent to which competitors are not offering the same products or services.

Table 3.15: Innovation levels of early-stage youth businesses in Ibero-American countries, GEM 2015

Country		
Argentina	18.1	23.3
Brazil	18.3	17.8
Chile	50.3	58.7
Colombia	39.6	30.1
Ecuador	24.4	27.2
Guatemala	35.6	44.6
Mexico	26.2	17.7
Panama	32.4	30.6
Peru	11.6	14.5
Portugal	28.7	39.5

¹¹ Erkkö A, (2007) *2007 Global Report on High-Growth Entrepreneurship*

Spain	33.0	27.1
Uruguay	30.7	21.4
TOTAL (unweighted average)	29.1	29.4

According to the *2015 GEM Global Report*, average innovation levels increase with development level (21% for factor-driven, 24% for efficiency-driven and 31% for innovation-driven economies). Table 3.15 indicates that, on average, just over a quarter of Ibero-American young entrepreneurs believe that their products are innovative.

From an individual country perspective, the youth in Peru have the lowest innovation levels. The highest innovation levels can be seen in Chile, where over half of entrepreneurs state they have innovative products or services, followed by Guatemala. This characteristic of young Chilean entrepreneurs, together with their relatively high TEA rate and balanced industry sector profile, suggests a positive future for the Chilean economy.

Although the innovation levels are moderate across the Ibero-American countries, it must be noted that the majority of young entrepreneurs are active in the consumer services sector (**Table 3.12**) where there is likely to be high competition for their products/ services. This imposes significant challenges for these entrepreneurs to garner the competitive advantage they need to generate healthy profits and viable businesses over the longer term. As indicated under the section on industry sector, many of the Ibero-American countries need to diversify their offerings within the broader services sector, in order to improve their competitiveness and productivity.

Table 3.16: Use of technology by early-stage youth businesses in Ibero-American countries, GEM 2015

Country	18 – 24 years old			25 – 34 years old		
	Latest technology	New technology	No new technology	Latest technology	New technology	No new technology
Argentina	13.8	16.6	69.6	8.3	9.2	82.5
Brazil	2.6	3.7	93.7	0.0	7.5	92.5
Chile	16.6	33.8	49.7	13.4	29.1	57.5
Colombia	23.5	33.8	42.7	16.5	38.8	44.7
Ecuador	15.1	14.3	70.6	13.6	21.8	64.6
Guatemala	10.9	15.8	73.3	8.7	14.5	76.7
Mexico	4.0	18.5	77.5	0.9	8.2	90.9
Panama	16.2	18.9	64.9	18.1	26.4	55.6
Peru	7.8	25.6	66.6	8.9	12.1	79.1
Portugal	13.6	20.2	66.2	8.9	25.3	65.7
Spain	21.2	25.2	53.7	11.4	17.3	71.4
Uruguay	6.6	40.3	53.1	12.8	30.3	56.9
TOTAL (unweighted average)	12.7	22.2	65.1	10.1	20.0	69.8

Access to ICT is recognised as playing an important role in developing more productive higher-value-add sectors within economies. Young business owners were therefore asked to indicate whether or not they were using newer technology within their businesses. Respondents were asked to identify whether the technology they were using was the latest technology i.e. were the technologies or procedures available less than a year ago, new technology (available one to 5 years ago), or older technology (available more than 5 years ago).

Table 3.16 indicates that the use of new and latest technology by youth businesses in the Ibero-American countries is generally low, with more than two-thirds of youth businesses indicating that they were using no new technology. From an individual country perspective, Chile and Colombia show the most positive uptake of latest technology – Colombia is the leader in this respect with a quarter of the young youth and 16% of the older youth using latest technology. In Spain, a fifth of the young youth use latest technology in their businesses. Brazil and Mexico are at the other end of the scale, with less than 5% of young entrepreneurs using latest technology.

The lack of up to date technology negatively affects the capacity for countries to develop globally competitive networks of entrepreneurs, which in turn limits access to individuals with a broader knowledge of key market information, new technology, improved inputs and production practices.

3.6 Summary of youth entrepreneurship profiles, by country

This section draws on the information presented in this chapter, in order to provide some summary insights into the strengths and challenges of youth entrepreneurship in each of the Ibero-American countries which participated in the GEM 2015 survey.

Argentina

Although there is a positive level of media attention for entrepreneurs in Argentina, societal attitudes towards entrepreneurship are below the average for the Ibero-American countries. Of particular concern is that only half of 25 – 34 year olds believe that successful entrepreneurs have high status in society. Around half of the Argentinian youth perceive good entrepreneurial opportunities in the areas where they live, while a third of the youth express an intention to start a business within the next three years – in line with the average for the Ibero-American countries. An encouraging finding is that two-thirds of the older youth believe they have the skills and capabilities to run a business.

The youth, as a whole, are four times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). Early-stage entrepreneurial activity rates are in line with the Ibero-American averages, with the exception of new business ownership rates among the young youth which are a third lower than the overall average. An encouraging finding is that established business rates among the older youth are robust. Half of the older youth discontinue their businesses because of lack of profitability, while personal/ family reasons are a particularly important reason for business exit among the young youth (affecting a third of these entrepreneurs).

Gender parity in terms of entrepreneurial involvement is good, particularly among the young youth. Women aged 18 – 24 are more likely to be involved in early-stage activity than their male counterparts, while nine women in this age group are engaged in established business activity for every ten men. Among the older youth the ratio of women to men for early-stage activity is also 9:10; however, for established business activity the ratio is only 6:10.

Necessity-driven entrepreneurship is relatively high among the older youth (37%), which is cause for concern. Female necessity-driven entrepreneurship in this age group is particularly high – they are almost as likely to be necessity-driven as they are opportunity motivated.

Access to finance is a considerable problem for the Argentinian youth, who rely heavily on their own savings to fund their entrepreneurial ventures. The share of the total money needed for the venture coming from the entrepreneurs' own funds is 80% for the young youth and 87% for the older youth. Family is the second most common source of funding for young Argentinian entrepreneurs, with a third accessing finance through family networks.

The majority of entrepreneurial activity (two-thirds) is in the consumer-services sector; however, an encouraging sign is that a fifth of the older youth are in the business services sector. Around two-thirds of early-stage entrepreneurs provide employment for at least one other person – in line with the Ibero-American average. However, innovation levels are lower than the average for both age cohorts – probably linked to the high prevalence of youth businesses in the consumer-services sector. Access to affordable new technology is a problem, particularly among the older youth (over 80% of this age group use no new technology in their businesses).

Brazil

Young people in Brazil have highly positive societal attitudes towards entrepreneurship, with over 80% of the youth seeing entrepreneurship as a good career choice and believing that successful entrepreneurs have high status in society. However, only 40% of the Brazilian youth perceive good entrepreneurial opportunities in the areas where they live - below the average for the Ibero-American countries. In addition, fear of failure levels are considerably higher than the Ibero-American average – particularly among the older youth, where half of the youth report that fear of failure would inhibit them from pursuing opportunities.

The youth, as a whole, are 2.6 times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older) – one of the lowest ratios among the Ibero-American countries. The nascent entrepreneurship activity rate is low (particularly among the older youth, at only half the Ibero-American average). However, a more positive finding is that Brazil has the highest new business ownership rate as well as established business rate, more than double the average for the Ibero-American countries. Although business discontinuance

rates are relatively high, Brazil has one of the highest percentages (over 30%) of young youth entrepreneurs exiting for positive reasons – either an opportunity to sell or a new job/ opportunity.

Gender parity in terms of entrepreneurial involvement is very good. Women aged 18 – 24 are more likely to be involved in early-stage activity than their male counterparts, while Brazil shows the best gender parity among the Ibero-American countries in terms of established business activity, with young women in both age categories outperforming their male counterparts in terms of established business rates. Necessity-driven entrepreneurship is high among the younger youth, which is cause for concern. Entrepreneurs in this age group are almost as likely to be necessity-driven as they are opportunity motivated. More than half of young female entrepreneurs in Brazil are pushed into entrepreneurship by necessity. The rate is particularly high among women aged 18 – 24 years - at 62%, more than double the average for the Ibero-American countries. This is certainly cause for concern.

The median initial funding requirements among young Brazilian entrepreneurs are modest (among the lowest in the sample). Access to finance remains a considerable problem for the youth, however, who rely heavily on their own savings to fund their entrepreneurial ventures. The share of the total money needed for the venture coming from the entrepreneurs' own funds is 90% for the young youth and 87% for the older youth. Family is the second most common source of funding for young Brazilian entrepreneurs.

Two-thirds of entrepreneurial activity among the young youth is in the consumer-services sector while a quarter of activity is in the transformative sector. Among the older youth, more than a third of early-stage entrepreneurs are in the transformative sector – the highest proportion among the Ibero-American countries. Brazil has the highest proportion of early-stage entrepreneurs who make no contribution to job creation – 63% of 18-24 year olds and 54% of the older youth fall into this category. This could be linked to Brazil's high level of necessity-motivated entrepreneurship among the youth. Brazil also has the lowest growth expectations, with less than 60% of young entrepreneurs expecting to create at least one additional job over the next five years – probably a realistic assessment, given the current recessionary climate. Innovation levels are low, particularly among the older youth. Access to affordable new technology is a problem across both age cohorts, with over 90% of young entrepreneurs using no new technology in their businesses.

Chile

Young people in Chile have generally positive societal attitudes towards entrepreneurship - around two-thirds of the youth see entrepreneurship as a good career choice and believe that successful entrepreneurs have high status in society. In addition, Chile reports the highest level of opportunity perception among the Ibero-American countries - over 60% of the youth perceive good entrepreneurial opportunities in the areas where they live, substantially above the Ibero-American average. A further positive is that more than two-thirds of the older youth have confidence in their ability to run a business. More than half of the youth express an intention to start a business within the next three years – substantially higher than the average for the Ibero-American countries, and a most encouraging finding.

The youth, as a whole, are strongly entrepreneurial – they are around nine times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). The older youth are noticeably more entrepreneurial than the young youth, and are more than twice as likely to be engaged in nascent entrepreneurial activity, compared to the young youth. Just under a third of the older youth in Chile are engaged in TEA activity – the second highest proportion in the Ibero-American sample. However, established business activity is lower than the Ibero-American average for both age cohorts – a cause for concern, given the robust level of TEA activity in the country. Business discontinuance rates are relatively high, especially among the older youth, with family or personal reasons accounting for the majority (over a third) of business exits in both age cohorts.

Gender parity in terms of entrepreneurial involvement is good. Across both age cohorts, seven women were engaged in early-stage entrepreneurship for every ten male entrepreneurs in 2015. Young men and women in both age categories show almost identical levels of engagement in established business activity – a positive finding. Opportunity-motivated entrepreneurship is particularly high among the younger youth (over 80%), while the older youth also show robust levels of opportunity motivation. The high opportunity rates among the young youth are driven largely by exceptionally high levels of opportunity motivation among men in this age group (over 90%). Around a third of young female entrepreneurs, across both age groups, are pushed into entrepreneurship by necessity.

About three-quarters of the total money needed for youth business ventures in Chile come from the entrepreneurs' own funds. The government is a particularly important source of entrepreneurial finance in Chile, funding around a third of young entrepreneurs. Banks also provide funds to around 30% of Chilean entrepreneurs.

Three-quarters of entrepreneurial activity among the young youth is in the consumer-services sector. Among the older youth, industry participation is more balanced. Just over half of entrepreneurial activity is in the consumer-services sector, with a quarter in the transformative and a healthy 19% in the business-services sector. A most encouraging finding is that over 90% of the young youth employ at least one person other than the owner, while 28% provide employment for six or more people. 80% of the older youth employ at least one additional person, while 35% provide employment for six or more people. Young Chilean entrepreneurs also have high growth expectations, with more than 90% of young entrepreneurs expecting to create at least one additional job over the next five years and around 40% with medium to high growth aspirations (6+ jobs). The highest innovation levels are seen in Chile - over half of entrepreneurs state they have innovative products or services. This characteristic of young Chilean entrepreneurs, together with their relatively high TEA rate and balanced industry sector profile, suggests a positive future for the Chilean economy.

Colombia

Colombia reports a high level of media attention for entrepreneurship as well as positive societal attitudes towards entrepreneurship - around two-thirds of the youth see entrepreneurship as a good career choice and believe that successful entrepreneurs have high status in society. The young youth display the highest level of opportunity perception among the Ibero-American countries in this age cohort (64%), while more than half of the youth (across both age cohorts) express an intention to start a business within the next three years. This is encouraging, and is likely to be linked to the numerous initiatives and programmes, run by a variety of stakeholders, focused on encouraging entrepreneurship among the youth in Colombia.

The youth, as a whole, are strongly entrepreneurial – they are around seven times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). TEA rates among the youth are fairly robust, with around a fifth of the youth engaged in early-stage entrepreneurial activity. However, established business activity is lower than the Ibero-American average for the older youth – a cause for concern, given the healthy level of TEA activity in the country. Business discontinuance rates are very much in line with the Ibero-American average. More than 30% of the young youth exit for positive reasons (opportunity to sell or another job/ opportunity). A potential concern, however, is that a fifth of the older youth cite problems accessing finance as the reason for business exit.

In the 18 – 24 year old age category, Colombia shows a significant gender gap - young men are twice as likely to be engaged in TEA, compared to young women, and three times as likely to be engaged in established business activity. However, Colombia shows considerable improvement in gender parity among the older youth – for every ten male entrepreneurs, eight women are engaged in TEA. The same applies to established business activity. Seventy percent of entrepreneurial activity across both age categories is opportunity motivated – in line with the Ibero-American average. More than 30% of young female entrepreneurs, across both age groups, are pushed into entrepreneurship by necessity.

Young entrepreneurs in Colombia rely less heavily on their own savings than is the norm for the Ibero-American countries, reporting the lowest share of investment coming from the entrepreneurs' own funds (less than half for the young youth and 60% for the older youth). Colombian entrepreneurs make substantial use of a variety of funding sources. Half of the young youth access funds from family and from banks, while employers and the government play an active role in supporting entrepreneurs in both age cohorts financially. Colombians also make the most use of more sophisticated funding options – a quarter use private/ venture capital sources and 13% use crowd-funding.

Young Colombian entrepreneurs across both age cohorts show a balanced industry sector participation profile. This is particularly the case among the older youth: only 40% of entrepreneurial activity is in the consumer-services sector, with a quarter in the transformative and a third in the business-services sector. A most encouraging finding is that almost 90% of the young youth employ at least one person other than the owner, while over 60% of the entrepreneurs in this age group employ six or more people. More than 80% of the older youth employ at least one additional person, while half provide employment for six or more people. Combined with Colombia's robust TEA rate, this suggests that youth entrepreneurs make a solid contribution to employment. Colombia also has the highest

high-growth expectations by a considerable margin, with around two-thirds of young entrepreneurs in this country expecting to create six or more new jobs in the next five years. Innovation levels are relatively high, particularly among the younger youth. Colombia is also the leader in terms of positive uptake of latest technology, with a quarter of the young youth and 16% of the older youth using latest technology.

Ecuador

Ecuador stands out in terms of its high level of media attention, with more than three-quarters of the youth believing that there is high media visibility for successful entrepreneurs. Around two-thirds of the youth believe that successful entrepreneurs have high status in society; however, the score for entrepreneurship as a good career choice is below the Ibero-American average. Half the youth see good opportunities for entrepreneurial ventures, with the same proportion expressing an intention to start a business within the next three years. A particularly encouraging finding is that Ecuadorian youth have the highest scores for belief that they have the knowledge, skills and experience required to start a new venture – 68% for the young youth and 73% for the older youth.

The youth, as a whole, are four times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). The youth in Ecuador are the most entrepreneurial, compared to the other Ibero-American countries, with 30% of the young youth and 39% of the older youth engaged in early-stage entrepreneurial activity. These high TEA rates are driven mainly by the nascent business rates, which are more than double the Ibero-American average. Youth in Ecuador also report one of the highest rates of established business ownership across both age categories (more than double the average for the Ibero-American countries) – a most encouraging finding. The most common reasons the young youth discontinue their businesses are lack of profitability or family/ personal reasons (more than a third in each case). A potential concern is that a third of the older youth cite lack of profitability and a quarter cite problems accessing finance as the reason for business exit.

Gender parity in terms of entrepreneurial involvement is good. Young men and women in both age categories show almost identical levels of engagement in early-stage entrepreneurial activity – a positive finding. Among the younger youth, women are more likely to be engaged in established business activity than men. The majority of entrepreneurial activity across both age categories is opportunity motivated – particularly among the younger youth (79%). Opportunity motivation is particularly high among men aged 18 – 24 (84%). Among the older youth, there is very little gender difference with respect to opportunity motivation, with both genders reporting rates of over 70%.

Young entrepreneurs rely fairly heavily on their own savings, with 70% of initial funding requirements coming from the entrepreneurs' own funds. Banks (around 40%) play an active role in supporting entrepreneurs in both age cohorts, while a third of entrepreneurs access funds from family networks.

The majority of entrepreneurial activity (three-quarters) is in the consumer-services sector. This holds true across both age categories. A concern is that the youth in Ecuador report the lowest involvement in the business-services sector of all the Ibero-American countries in the sample (especially among the older youth, at less than a third of the Ibero-American average). An encouraging finding is that 80% of the youth, across both age cohorts, employ at least one person other than the owner. The proportion employing six or more people, however, is below the Ibero-American average. Around 90% of youth entrepreneurs expect to create at least one additional job in the next five years; however, medium to high growth expectations are only around half the Ibero-American average. Innovation levels have been falling in the past few years, with only 26% of young adults offer a new product or service a new market – below the Ibero-American average. Access to affordable new technology is a problem, with over 80% of the youth using no new technology in their businesses).

Guatemala

Although the youth report relatively low levels of media attention for entrepreneurs in Guatemala, societal attitudes towards entrepreneurship are strongly positive with over 90% of the youth believing that entrepreneurship is a good career choice. Half of the youth, across both age cohorts, believe there are good entrepreneurial opportunities in their areas. Among the young youth, the same proportion express entrepreneurial intentions; however, among the older youth this proportion drops to a third, which is cause for concern given the strongly positive societal attitudes.

The youth, as a whole, are 4.5 times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). Early-stage entrepreneurial activity rates are in line with the Ibero-American averages, but low given the highly positive attitude to entrepreneurship as a good career choice. Half of the older youth

discontinue their businesses because of financial reasons (lack of profitability and problems with access to finance), while personal/ family reasons are a particularly important reason for business exit among the young youth (affecting almost 40% of these entrepreneurs).

Gender gaps exist in terms of entrepreneurial activity – across both age groups, six women are engaged in early-stage entrepreneurial activity for every ten men, which is below the Ibero-American average. The pattern is similar for established business activity. Guatemala has one of the highest proportions of necessity-driven entrepreneurs across both age categories. This is particularly the case among the younger youth, where entrepreneurs are only marginally more likely to be motivated by opportunity rather than necessity. Among the younger youth, male necessity entrepreneurship is particularly high (at 40%, double the Ibero-American average), while more than half of women across both age groups are driven by necessity.

Although the youth in Guatemala rely heavily on own funds as a primary source of funding (over 95%), banks and family are also important sources of funding across both age groups. Guatemalan entrepreneurs are the most likely to use crowd-funding (18%), compared to the other Ibero-American countries. Students from Guatemala frequently complete higher education in the US, Europe and Canada, where many would be introduced to the idea of crowdfunding and would be educated on how to use these platforms.

The majority of entrepreneurial activity across both age categories (just under three-quarters) is in the consumer-services sector. Among the older youth, around a fifth of entrepreneurial ventures are in the transformative sector. An encouraging finding is that more than 80% of the youth, across both age cohorts, employ at least one person other than the owner. The proportion employing six or more people, however, is below the Ibero-American average. Over 90% of youth entrepreneurs expect to create at least one additional job in the next five years; however, medium to high growth expectations are below the Ibero-American average. The youth report high innovation levels – however, this must be seen in the context of the fact that the majority of young entrepreneurs are active in the consumer services sector where there is likely to be high competition for their products/ services. This imposes significant challenges for these entrepreneurs, exacerbated by the fact that 90% of young entrepreneurs use no new technology in their businesses.

Mexico

Mexico stands out in terms of its low scores on all three parameters of social attitudes towards entrepreneurship. The level of media attention is, at 40%, substantially below the Ibero-American average of 61%. Only half of the youth believe that successful entrepreneurs have high status in society and see entrepreneurship as a good career choice. The scores for capability perception are below the Ibero-American average across both age cohorts. This, coupled with the high fear of failure rate (particularly among the young youth) is cause for concern. Given these findings, the low entrepreneurial intentions rates (less than half the Ibero-American average) are unsurprising.

Despite their relatively low entrepreneurial intentions, the youth as a whole are five times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). The older youth are noticeably more entrepreneurial than the young youth, and are more than twice as likely to be engaged in nascent entrepreneurial activity compared to the young youth. TEA rates among the older youth are robust, with more than a quarter of this age cohort engaged in early-stage entrepreneurial activity. Business discontinuance rates among the young youth are relatively high. The most common reason the young youth discontinue their businesses is lack of profitability (45%). However, a more positive finding is that across both age cohorts Mexico has one of the highest percentages (over 30%) of entrepreneurs exiting businesses for positive reasons – either an opportunity to sell or a new job/ opportunity.

Gender parity in terms of entrepreneurial involvement is good, particularly among the older youth. Among 25-34 year olds, nine women are involved in early-stage entrepreneurial activity for every ten men. Among the younger youth, men are three times more likely to be established business owners than are women; for the older youth, this ratio is 2:1. The majority of entrepreneurial activity across both age categories is opportunity motivated – particularly among the older youth (79%). Opportunity motivation is particularly high among men aged 25 - 34 (83%). A positive finding is that across both age cohorts, necessity-driven entrepreneurship among women sits at only 20% - noticeably below the Ibero-American average.

Young entrepreneurs in rely fairly heavily on their own savings as a primary source of funding (over 90%). Family are the second most important source of entrepreneurial finance (used by half of the entrepreneurs across both age cohorts). Banks also play an active role in supporting entrepreneurs.

The majority of entrepreneurial activity (three-quarters) is in the consumer-services sector. This holds true across both age categories. A concern is that the youth in Mexico report one of the lowest rates of involvement in the business-services sector of all the Ibero-American countries in the sample. Forty percent of the young youth and half the older youth only create employment for the owner and therefore make no contribution to job creation. A more positive finding is that over 90% of youth entrepreneurs expect to create at least one additional job in the next five years, with a quarter expecting to create six or more jobs. Innovation levels are low, particularly among the older youth (18%). Access to affordable new technology is a notable problem across both age cohorts, with over 95% of young entrepreneurs using no new technology in their businesses.

Panama

The youth in Panama have relatively low levels of confidence that they have the knowledge, skills and experience to start a business – 39% for the younger youth and 49% for the older youth, which are below the age-related Ibero-American averages. Given these findings, the low entrepreneurial intentions rates (less than half the Ibero-American average) are unsurprising.

Despite their relatively low entrepreneurial intentions, the youth as a whole are significantly more entrepreneurial than the adults in Panama. The difference is the most marked among the Ibero-American countries, with the youth twelve times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). The older youth are noticeably more entrepreneurial than the young youth, and are more than twice as likely to be engaged in nascent entrepreneurial activity compared to the young youth. Panama is one of only two countries in the sample where new business activity rates are higher than nascent entrepreneurship rates across both age groups. However, established business rates are substantially lower than the Ibero-American average. The most common reason the young youth discontinue their businesses is lack of profitability (80%), which is cause for concern. Lack of profitability is also cited by half the older youth, while more than a third of this age group discontinue their businesses for family/ personal reasons.

Gender parity in terms of early-stage entrepreneurial involvement is good. Among the younger youth, women are more likely to be engaged in TEA activity, while among the older youth, eight women are engaged in TEA activity for every ten men. However, there are gender gaps in terms of established business activity, with no women reporting that they are established business owners. Almost 80% of the young youth are opportunity motivated – this is driven primarily by exceptionally high levels of opportunity motivation among women (90%). Only two-thirds of men in this age category are motivated by opportunity – below the Ibero-American average. Among the older youth, however, the situation is very different – entrepreneurs in this age group are only marginally more likely to be motivated by opportunity rather than necessity, with no gender difference in terms of motivation.

The median initial funding requirements among young entrepreneurs are modest (among the lowest in the sample). Access to finance remains a considerable problem for the youth, however, who rely heavily on their own savings to fund their entrepreneurial ventures. The share of the total money needed for the venture coming from the entrepreneurs' own funds is over 90% for both age cohorts. Family is the second most common source of funding for young entrepreneurs in Panama.

The majority of entrepreneurial activity (three-quarters) is in the consumer-services sector. This holds true across both age categories. Among the older youth, a fifth of TEA activity is in the transformative sector. A concern is that the older youth report the lowest rates of involvement in the business-services sector (3%) of all the Ibero-American countries in the sample. Half the young youth and 46% the older youth only create employment for the owner and therefore make no contribution to job creation. Of particular concern is the finding that none of the young youth and just over 1% of the older youth provide 6+ jobs – by far the lowest rates in the Ibero-American sample. A more positive finding is that over three-quarters of youth entrepreneurs expect to create between one and five additional jobs in the next five years. A third of youth entrepreneurs see themselves as innovative. Among the older youth, only half of the entrepreneurs use no new technology in their businesses – an encouraging finding.

Peru

Societal attitudes towards entrepreneurship are positive among the Peruvian youth, with over 70% regarding entrepreneurship as a good career choice. Scores for media attention and status for successful entrepreneurs are also above the Ibero-American averages. More than half of the youth, across both age cohorts, believe there are good entrepreneurial opportunities in their areas, while two-thirds have confidence in their ability to start a business. These positive perceptions are reflected in high levels of entrepreneurial intention – over 40% for both age categories.

The youth, as a whole, are 6.5 times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). Early-stage entrepreneurial activity rates are robust, with a quarter of the youth (across both age cohorts) engaged in TEA activity. The nascent entrepreneurship rate among the younger youth is particularly encouraging – almost double the Ibero-American average. Peru's business discontinuance rate is high, with a third of the youth across both age cohorts discontinuing their businesses because of lack of profitability. Family/ personal reasons are an important reason for business exit, cited by a third of the young youth and 40% of the older youth.

Gender parity in terms of entrepreneurial involvement is very good. Among the younger youth, women are as likely to be engaged in TEA activity as men, while among the older youth, Peru is the only country where women report higher TEA rates than men - 12 women in this age category are engaged in TEA activity for every ten men. Among the younger youth, Peru reports higher rates of female engagement in established business activity (12 women for every ten men). However, the ratio drops significantly among the older youth – for every ten male entrepreneurs, only four women are engaged in established business activity. Over 70% of entrepreneurial activity is opportunity motivated. Among the older youth, the gender difference in motivation is marginal. However, among the young youth 80% of men are opportunity motivated compared to only 59% of women.

Although the youth in Peru rely heavily on own funds as a primary source of funding (100%), banks and family are also important sources of funding across both age groups. Half of the young Peruvian entrepreneurs access financial support from banks.

The majority of entrepreneurial activity across both age categories (just over two-thirds) is in the consumer-services sector, while around a fifth of entrepreneurial ventures are in the transformative sector. Three-quarters of the young youth and two-thirds of the older youth only create employment for the owner. Over 90% of the young youth expect to create at least one additional job in the next five years. A concern, however, is that a quarter of the older youth expect to add no new jobs in the next five years, while medium to high growth aspirations in this age group are below the Ibero-American average. The youth in Peru have the lowest innovation levels (less than half the Ibero-American average), exacerbated by the fact that over 90% of young entrepreneurs use no new technology in their businesses.

Portugal

Societal attitudes towards entrepreneurship are positive among the Portuguese youth, with two-thirds regarding entrepreneurship as a good career choice. Scores for media attention and status for successful entrepreneurs are also above the Ibero-American averages. Portugal reports one of the lowest scores for opportunity perception, with around a third of the youth perceiving good entrepreneurial opportunities in their areas. A third of the young youth and half of the older youth have confidence in their ability to start a business – below the averages for the Ibero-American countries. However, this must be seen in the context of the fact that Portugal is one of only two innovation-driven economies among the Ibero-American countries surveyed. Fear of failure rates are high, especially among the younger youth (47%). Despite this, the Portuguese youth report fairly positive entrepreneurial intention rates, particularly among the younger youth (29%). A likely contributing factor in this regard is that Portugal has the most enabling entrepreneurial ecosystem of all the Ibero-American countries.

The youth, as a whole, are three times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). Early-stage entrepreneurial activity rates are low, about half the Ibero-American average. The most common reason for business discontinuance is lack of profitability, cited by half of the younger youth and 60% of the older youth. Family/ personal reasons are an important reason for business exit among the younger youth, accounting for half of the business discontinuances in this age group.

Portugal has a wide gender gap in terms of early-stage entrepreneurial activity among the younger youth, with only two women engaged in TEA for every ten men. However, there is considerable improvement in gender parity among the older youth, with six women engaged in TEA for every ten men in this age group. Among the older youth, women are also as likely to be engaged in established business activity as men. Among the young youth, Portugal has the highest rate of opportunity-driven motivation among the Ibero-American countries – entrepreneurs in this age group are more than 20 times more likely to be driven by opportunity than by necessity. Among the older youth, however, this ratio drops to 3:1. Women are more likely than men to be motivated by opportunity, particularly among the younger youth (100% of women in this age group).

Although the youth in Portugal rely heavily on own funds as a primary source of funding, they also have access to variety of other funding sources. Family are an important sources of funding, while the government and banks provide high levels of support with respect to funding. Portugal is one of the few Ibero-American countries where more than 10% of the youth use private/ venture capital sources of entrepreneurial finance.

Among the young youth, Portugal has particularly high participation in the consumer-services sector (78%). Among the older youth, industry participation is more balanced, with 60% in the consumer-services sector and robust involvement in the business-services sector (25%) – an encouraging finding. Just under half of the young youth only create employment for the owner. Among the older youth the picture is more encouraging – two-thirds of these entrepreneurs provide employment for at least one additional person, with a quarter employing six or more people. Over 90% of the youth expect to create at least one additional job in the next five years, with 39% of the older youth expecting to create six or more jobs. Innovation levels among the older youth are high (40% believe their products are new to customers and markets). Surprisingly for an innovation-driven economy, two-thirds of the youth use no new technology in their businesses.

Spain

Societal attitudes towards entrepreneurship among the Spanish youth are below the Ibero-American averages. Spain has one of the lowest scores for media attention to successful entrepreneurs (40%), while only half of the youth regard entrepreneurship as a good career choice and believe that entrepreneurs have high status. Spain reports one of the lowest scores for opportunity perception, with around a third of the youth perceiving good entrepreneurial opportunities in their areas. A quarter of the young youth and 46% of the older youth have confidence in their ability to start a business – below the averages for the Ibero-American countries. However, this must be seen in the context of the fact that Spain is one of only two innovation-driven economies among the Ibero-American countries surveyed. Fear of failure rates are high – above 40%. In the light of these entrepreneurial perceptions, the low levels of entrepreneurial intention are unsurprising. Spain's scores for this indicator are considerably lower than the Ibero-American average, particularly among the older youth where only 5.5% of young people expressed entrepreneurial intentions.

The youth, as a whole, are 2.5 times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). Spain has the lowest TEA rates by a considerable margin, across both age cohorts, of the Ibero-American countries. Nascent entrepreneurial activity is particularly low, with new business rates making most of the contribution to the overall TEA rate. The business discontinuation rate is very much the same across both age categories. The most common reason for business discontinuance is lack of profitability, cited by 60% of the youth. Another job/ opportunity accounts for a third of exits among the young youth and a fifth of exits among the older youth.

Gender parity in terms of early-stage entrepreneurial activity is good. Among the younger youth, eight women are engaged in TEA for every ten men while among the older youth the ratio is seven to ten. Among the older youth, the same ratio applies to established business activity; however, among the young youth men are three times more likely than women to own established businesses. The majority (80%) of the youth are motivated by opportunity – a positive finding. Among the younger youth, women are more likely than men to be motivated by opportunity. Among the older youth, both men (86%) and women (78%) report high opportunity rates.

The young youth in Spain rely on own funds as a primary source of funding (81%), while a third rely on family as an important sources of funding. Among the older youth, entrepreneurs in Spain are least likely (77%) to use their own funds as a primary source, compared to other Ibero-American countries. Family and banks are important sources of support with respect to funding, used by around 30% of entrepreneurs.

Industry participation by young Spanish entrepreneurs is balanced, with under 60% of activity, across both age groups, in the consumer-services sector and robust involvement in the business-services sector (around a third) – an encouraging finding. The contribution of youth businesses in Spain to job creation is low. Half of the youth only create employment for the owner. A third of youth entrepreneurs expect to create no new jobs in the next five years – double the Ibero-American average. Innovation levels are in line with the Ibero-American average. Over 70% of the older youth use no new technology in their businesses. However, the picture is more encouraging among the young youth – only half use no technology while a fifth use the latest technology.

Uruguay

Societal attitudes in Uruguay are moderate, with scores for all three indicators below the Ibero-American averages. Less than half of the youth perceive entrepreneurial opportunities in the areas in which they live. Two-thirds of the older youth are confident that they have the knowledge, skills and experience to start a business – an encouraging finding – while a third of the youth overall express an intention of starting a business in the next three years.

The youth as a whole are significantly more entrepreneurial than the adults in Uruguay – they are almost ten times more likely to be engaged in early-stage entrepreneurial activity compared to adults (35 years and older). TEA rates for both age categories are below the average for the Ibero-American countries – this is more noticeable in terms of new business rates. Established business rates are also low, at about a third of the Ibero-American average. A third of the young youth discontinue their businesses for financial reasons (lack of profitability and difficulty accessing finance); however, a quarter exit for positive reasons (opportunity to sell or new job/ opportunity). Two-thirds of the older youth cite financial reasons while 17% cite government taxes and bureaucracy – issues which reflect the extent to which the ecosystem is not sufficiently enabling for entrepreneurs.

Uruguay shows significant gender gaps in terms of early-stage entrepreneurial activity. Across both age groups, men are twice as likely to be engaged in TEA activity compared to women. Similar gender gaps are present in terms of established business activity. Over 80% of the youth are opportunity motivated, with young men reporting particularly high rates of opportunity motivation (87%). Three-quarters of women across both age categories are also motivated by opportunity – a positive finding.

The median initial funding requirements among young entrepreneurs are modest (the lowest in the sample). Although the youth rely heavily on their own savings as a primary source of funding for their entrepreneurial ventures (100% of entrepreneurs), they also access a variety of other funding sources. Twelve percent of entrepreneurs in both age categories use crowd-funding, while family networks and banks are also important funding sources for the youth as a whole. The young youth make extensive use of employers (a third) and friends (a fifth) for financial support.

Industry participation among young Uruguayan entrepreneurs is balanced. Two-thirds of TEA activity among the young youth and half the TEA activity among the older youth is in the consumer-services sector. Across both age groups, both the transformative and business-services sectors are well-represented. A third of the youth only provide employment for the owner. A more positive finding is that 35% of the young youth create six or more jobs - almost double the Ibero-American average. Over three-quarters of youth entrepreneurs expect to create at least one additional job in the next five years. The young youth have particularly robust medium to high growth aspirations, with half of these entrepreneurs expecting to create six or more jobs. Their substantial current job creation rates suggests that these growth projections are realistic. A third of the young youth see themselves as innovative. Just over half of young entrepreneurs use no new technology in their businesses – an encouraging finding.

YOUNG ENTREPRENEURS' STORIES

JORGE GALINDO CRUCES - SPAIN



Since 2010, Jorge has been co-founder and CPO at 47 Degrees, a global consulting firm focused on reactive programming (Scala, Akka, Spark & Play Framework). 47 Degrees has offices in Seattle (USA), Cádiz (Spain) and London (UK) and has worked with international clients such as William Hill, Microsoft, Angie's List, Paramount, Aritronix and BBVA.

Born in Cádiz in 1982, Jorge started out studying engineering before realizing that what he really liked was to bring ideas to life through technology. He started as a software developer but changed to sales and strategy in 2012. Nowadays, he handles internal projects (mostly Open Source) as Product Officer at 47 Degrees. "I help to conceptualise ideas and concepts into digital products, because my technical background helps me to understand where the limits of technology are," he says.

Jorge also organises of international conferences focused on the developers' community, in order to spread the word about functional programming such as LX Scala (Lisbon) (<http://www.lxscala.com>) or Lambda. World (Cádiz) (<http://www.lambda.world/>). "We could be regarded as evangelists, given our enthusiasm for the Scala programming paradigm," he smiles.

He is passionate about training, business collaboration and Open Source technology. Through organising collaborations between developers such as Google Groups, Cádiz Betabeers and Cadiz Developers, he hopes to build a compact reference software developer community.

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<http://www.47deg.com/>

LAURA FABIOLA SUAREZ HERNANDEZ - MEXICO



Fabiola has a degree in creation and enterprise development from ITESM, and is co-founder of Enaay Tecnologías SA de CV (a Mexican enterprise offering R&D services) as well as of Sunu Inc. which is a start-up focused on creating wearable solutions in the mobility area. Entrepreneurship was not a career path she originally considered, but when she realised that she wanted a career that allowed her to learn and do a variety of different things, entrepreneurship fitted the bill. "The idea of freedom of action was one of the things I loved most about it, because I did not have to follow a written path or work for someone," she says. "I just had to learn, put into action and follow my passion." She was fortunate in that her parents were highly supportive of her decision. "In spite of criticism from some of my relatives, they let me grow in this area and follow my

intuition."

The biggest obstacle she faced as a young entrepreneur was inexperience. "No matter what they taught you in school it actually is very different out there," she says. She dealt with this challenge by surrounding herself with people with expertise, who mentored her. The second obstacle, but no less important, was credibility. "People think that just because you are young you do not know what you are doing, that you are lacking in skills."

Mexico has a number of different organisations that support young entrepreneurs by granting funds for different purposes such as IP, mentoring, raw material or machinery. She received funds for IP from Coecytjal, for licences from INADEM, while Reto Zapopan provided her with loans for licences, raw material, prototyping and marketing, as well as mentoring support.

Her advice to potential young entrepreneurs: "Follow your passion and turn it into your start-up because it is a long path and you will need perseverance and will. If your idea is not strong enough to keep you going forward, then look for something else."

LUIS LOAIZA - ECUADOR

Shippify, one of the ventures launched by the young Ecuadorian serial-entrepreneur Luis Loaiza (29 years old), recently received a first round investment from several investors, including 1776 venture capital fund, the logistics giant ARAMEX, and MENA Ventures. What seems like an instant success, given the young age of the company started in 2013, is for Luis a reflection of long-term effort and persistence.

From the dorm to an office

While he was finishing his college career in 2010, Luis did not bother to search for a job. Facebook was on the rise and he wanted to become the next Mark Zuckerberg. "I was very bold and pretentious at that time," he says wryly. His passion for multiplayer games led him to study them on his own, and he started developing applications for the Facebook platform.

He gathered a team of friends, with whom he organised one of the first Facebook Developer Garages in South America, and became pioneers in social apps development in Ecuador. They founded ComeBits and started selling Facebook apps to advertising companies, including "La Polla Mundialista" for the Soccer World Cup 2010, which had more than fifty thousand users; and the online multiplayer game "Club 40" for Facebook and Blackberry OS, which had more than 200,000 users (around 2,500 active daily users) before it was discontinued in 2013.

"We grew very fast," says Luis. "We went from working out of my bedroom to an office in downtown Guayaquil] although it was shared with some lawyers. Our staff reached 10-15 people and in less than two years we began exporting software to Venezuela, Colombia and Panama." Despite his success, Luis kept dreaming of starting up his own .COM success and knew he would not get the capital or the necessary volume of users in Ecuador.

Looking for accelerators

Luis and some of his team from ComeBits contacted and applied to several technological accelerators and programmes, including Y Combinator and 500 Startups, and participated in the just founded Start-up Chile, a Chilean government programme that seeks to attract early-stage entrepreneurs with high potential in exchange for seed investment and mentorship, but their idea was not selected. "In retrospect, we submitted a very poor application," he admits. "Our business model was really weak." By chance, they met other young entrepreneurs from Quito that were very good on the commercial side of business, and they decided to work together for Start-up Chile's second round. This time they were chosen, and received \$40000 as seed capital.

Luis decided to leave ComeBits in 2012 and moved to Santiago de Chile with two friends, one of them Miguel Torres, co-founder of Shippify. They worked on a project called "Escapes with You", a software that through an algorithm fed by user information from Twitter and Instagram suggests a tailored tourist experience. The idea then changed into EWY.com, a web that offered hand-crafted products that served as memories for tourist experiences.

A Chilean government programme took Luis to the Stanford Research Institute in Silicon Valley, where in addition to participating in business modelling workshops and meeting with other entrepreneurs who had already obtained

private funding, he received mentorship on EWY business model. “The feedback I got was pretty aggressive,” he says, “and made me realise that even though the technology behind EWY was very good, we were not creating value: we were not solving any real problems. For me, that marked the end of EWY.”



From shipwreck to Shippify

Back in Chile, with just a few sales and an almost empty budget, Luis and Miguel began analysing alternatives to their business model. Several of their EWY clients had problems delivering their goods, for example a microbrewery owner that didn't have a way to ship his beer. At that time, they thought that someone else would solve these logistics problems in Latin America using drone technology (in fact, two months later Amazon would announce their drone delivery programme for the US) and perhaps they could come up with a solution until that happened.

They were already familiar with the concepts of sharing economy and collaborative consumption because back in the EWY days they had talked to the Airbnb team. Luis notes, “We started to crack our brains trying to link collaborative consumption with this logistic problem, and Shippify was born.”

Seeking funds, they applied to Wayra, an accelerator for Latin American start-ups from the Spanish company Telefonica. Luis traveled to Bogota to present their project, but didn't win the contest. Around the same time, they tried their luck with SEED, a Minas Gerais (Brazil) governmental programme for start-ups and the development of the entrepreneurial ecosystem, and got \$15,000 in funding.

They realised the money would last for about six months, and from their previous experience in Chile knew it would take at least a year for the business to break even. They thus began their business in the most frugal way, contacting their shippers through WhatsApp and developing a very basic iOS and Android apps. At the same time they continued looking for more funds and managed to get \$50,000 from Start-up Brazil. The business started to grow, their app got better and they developed algorithms for route optimisation, a feature welcomed by the Shippers, who could make more deliveries in less time, as well as by their customers (mainly other entrepreneurs), whose clients received better service. They expanded to other Brazilian cities such as Sao Paulo, Rio de Janeiro and Belo Horizonte and began operating in Santiago, Chile.

The sky was not the limit

In 2015, seeking for continuous growth, they entered the 1776 Challenge Cup, a contest run by global incubator and seed fund 1776, competing against thousands of projects from all over the world. Although they didn't win, they were one of the four finalists and received a prize of \$25,000. Later, 1776 invested in them and they are now planning their expansion to other territories.

“Looking back, you fail, but persistence is the key,” concludes Luis. “Our vision has always been a long-term one, as it takes years to create a successful venture. A year is a lot of time, if you think about it, but it goes by very fast and you learn so much. The jump from where you were to where you are is something extraordinary!”

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

The Ibero-American block includes two European countries (Portugal and Spain) as well as all the Spanish and Portuguese speaking countries in North, Central and South America. While most of the Latin American and Caribbean (LAC) region economies have in recent years benefited from rapid economic growth, the drop in commodity prices has had an effect on many countries within the region. The decrease in the price of commodities and the foreseeable increase in the rate of interest within a relatively short time are not the only bad news for the LAC region. The worldwide favourable attitude toward globalization has diminished and in some cases reversed, being replaced by a greater emphasis on regional agreements. The LAC region has already learned that the local market is insufficient for its development, emphasising the relevance of access to markets in the rest of the world. The heterogeneity of the LAC poses a challenge in this new scenario.

Like the rest of the world, the region faces challenges such as persistent jobless growth, climate change and an increasing dependence on technology in today's business environment. Unemployment and underemployment is a critical factor - especially among the youth, who now form a large section of the population. In fact, the proportion of youth to adults is ever increasing and their high levels of unemployment could well present a crisis in the near future. Governments face a challenge with respect to their youth populations where two potential scenarios exist, depending upon the interventions adopted. Youth could be a "gold mine" if correctly channelled but could also be a potential time bomb if the situation is not addressed.

Another very important factor is the accelerated process of technological development, which will lead in a relatively short time to a radical change in the structure of the productive activities. Processes automation, robotization, additive manufacturing, drones, big data, the internet of things, genetic engineering and advances in the generation of sustainable energy (photovoltaic, wind, biomass) – among other technologies – will lead to radical changes in the methods of production. Those countries that have already undergone the transition from underdevelopment to development went through a stage of industrialisation characterised by a high demand for labour with little if any training. That sequence on the road to development will experience great changes in the coming decades, forcing LAC countries to face the challenge of the disappearance of that intermediate phase in the progress toward societies whose production processes are knowledge-intensive.

It is clear that the challenge facing the LAC region is to find ways of fostering innovation and effective entrepreneurial activity among the youth in order to harness their potential to contribute in a meaningful way to sustainable economic development in the region. As has already been indicated, the innovation performance of the LAC region is particularly low in relation to the rest of the world, which suggests that the work will be especially hard.

What is the role of governments in this process? As has been analysed in this report, the main objectives in this area with respect to youth are as follows:

- Lift the obstacles to dynamic entrepreneurship and facilitate their access to the resources required for their development.
- Generate institutional and cultural conditions which promote the value of entrepreneurship in society, leading to more young people opting to undertake it as a way of life.

This report illustrates the diverse nature of the Ibero-American economies and the diverse profile of the young entrepreneurs in the different countries. On this basis it is only possible to make some broad recommendations as each country is different and each country really needs to be treated individually.

Below are some recommendations that can serve as a basis for further consideration and discussion. However, it should be understood that within an economy there are many types of entrepreneurs that are in different stages of development and the interventions need to be geared in each country towards these specific categories of entrepreneur. For example, interventions for necessity-driven or survivalist entrepreneurs will be different to those for small opportunity-driven entrepreneurs, which in turn will be different from high tech, high growth and established businesses.

- In almost all the Ibero-American countries, the regulatory environment needs to be reformed to make it easier young people starting new businesses to register and operate by cutting costs and reducing the amount of regulation. Chile has gone a long way towards achieving this and could well be used as a model for

other countries in the region. Reducing the bureaucracy and red tape is critical in order to make it quicker and easier to start a new business.

- Countries should revisit their education systems, which are often not geared towards helping to improve the economy. Schools and universities should introduce programmes that encourage an entrepreneurial mind set and that prepare graduates to enter the labour market or to start their own businesses.
- An efficient IT infrastructure reduces the cost of business, increases market reach and allows for innovation. Internet access as well as internet capacity enhances the opportunity for youth businesses to develop and expand beyond localised markets that rely largely on friends and family. The cost of internet should be reduced as well as the problems that exist with slow and intermittent internet in certain countries, particularly in areas outside major city centres. Policy makers should encourage the extension of ICT infrastructures as well as the training for youth in the business use of ICT generally as a medium for sales, market and product research, innovation and seeking sources of finance. This report indicated that most youth businesses use older technology i.e. technology that is more than 5 years old. High-growth businesses are more likely to use latest technology compared to both medium and low-growth businesses. As job creation is of fundamental importance to the Ibero-American countries, acknowledging the link between latest technology and growth aspirations is crucial. Access to new information and other technologies therefore needs to be brought within reach of younger people - this implies the introduction of pricing mechanisms adapted to young people's means.
- Both government and the private sector need to develop innovation capabilities by developing an economy's human resources. This can be done by introducing suitable mechanisms that improve collaboration between research institutions for new ventures and established businesses. Support should be given to help commercialize some of the valuable intellectual property coming out of research institutions.
- Expand and promote interventions that deal with grass-roots skills gaps, especially in young people where unemployment is such a crucial problem. This could include the introduction of training centres for teaching artisan skills which will encourage young people to go out and start their own businesses.
- Too often, the formal education system does not equip young people for the realities of the current labour market. In order for more complex business entities to be encouraged, for example manufacturing or personal services, it is essential that a different skills set needs to be inculcated in the youth. It is therefore critical to address the quality and relevance of school curricula.
- The GEM Youth Report¹² confirmed a positive link between training in starting a business and entrepreneurial behaviour. Practical and interactive business and entrepreneurship training programmes at secondary school are thus an important factor in encouraging effective youth entrepreneurship. It is imperative, however, that teachers in these courses are well-trained.
- In order to engender an entrepreneurial culture among the youth, schools need to actively promote entrepreneurship as a career path – inviting successful young entrepreneurs to participate in the educational programme is a way to introduce young people to positive entrepreneurial role models.
- Relook at funding mechanisms so as to make it easier for young entrepreneurs to access funding. Introduce schemes via banks or government agencies that move away from asset-based assessment criteria to one based upon the quality of the idea and the quality of the entrepreneur.
- A significant contribution to formalising small youth enterprises would be to provide them with affordable space in which to carry out their business activities, for example by reimbursing stall-rental fees.
- Work with local media to create awareness and a positive perception of entrepreneurship as a potential career opportunity for young people. Showcase local successful entrepreneurs as ideal role models and promote competitions and incentives for people to enter into entrepreneurship, as has been done to such good effect in Brazil.
- Maximise the untapped potential of young women by introducing special funds to promote women entrepreneurs. Introduce incubators and business support structures to help young women entrepreneurs in particular.
- Provide a sound business support infrastructure that provides suitable training, counselling and mentorship by experienced personnel who have run successful businesses and are able to assist from a practical point of view and not purely from an academic perspective.
- To develop new and innovative business opportunities, as well as to reinforce skills already obtained, there is a need for experiential incubators that are easily accessible to young potential entrepreneurs and can supplement other forms of education and training. Such incubators have been shown to foster innovation and encourage movement into sectors with higher profit potential. These clusters/ incubators/ business hubs

¹² Schott, T., Kew, P, & Cheraghi, M., 2015, *Future potential – a GEM perspective on youth entrepreneurship*

should including entrepreneurs as well as commercial and professional support structures so that youth start-ups can be assisted in a more protected and supportive environment. This is particularly important in rural and semi-rural areas where poor infrastructure (physical and commercial) is often a major barrier to small businesses.

- Promote entrepreneurship in hi-tech, high value-added businesses by giving suitable support in the way of funding and mentorship.
- Give tax breaks to those people and funders who are interested in financing new businesses especially those started by young people.

These are just a few of the recommendations but thorough analysis of the GEM findings will provide excellent insight into specific interventions that are needed in each of the Ibero-American countries.

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APPENDIX 1: THE GEM MODEL AND METHODOLOGY

In Academics and policy makers agree that entrepreneurs, and the new businesses they establish, play a critical role in the development and well-being of their societies. As such, there is increased appreciation for and acknowledgement of the role played by new and small businesses in an economy. GEM contributes to this recognition with longitudinal studies and comprehensive analyses of entrepreneurial attitudes and activity across the globe. Since its inception in 1997 by scholars at Babson College and London Business School, GEM has developed into one of the world's leading research consortia concerned with improving our understanding of the relationships between entrepreneurship and national development.

GEM is a worldwide study on entrepreneurship that was first conceptualized in 1997 by two academics, one from London Business School (Michael Hay) and the other from Babson College (Bill Bygrave) in the United States. In the late 1990s there was no recognized international research that focused on entrepreneurship and the word was not a household name as it is today. The first published reports came out in 1999 and involved just 10 countries, eight from the OECD, Japan and the United States. Since then, the consortium of GEM countries has grown substantially to where over 100 economies are participating from all levels of economic development and in almost all geographic regions. The GEM study now represents between 70% and 75% of the world's population and approximately 90% of the world's GDP. It can now claim to be truly global and to be the most authoritative and informative study on entrepreneurship in the world today. Only a few areas of the globe are not represented such as certain countries in mid/central Asia, a few countries in Southeast Asia and some from West and Central Africa.

The GEM conceptual framework

Since its inception, the GEM survey was conceptualized to explore the interdependency between entrepreneurship and economic development. During the last 17 years, this conceptual framework and the basic definitions have evolved gradually without compromising the comparability of the collected information, but bringing more clarity to assumed relationships. This process was supported by the work of a number of researchers who, using GEM data, contributed to building an entrepreneurship paradigm (Alvarez et al., 2014, Bosma, 2013, Levie and Autio, 2008, Reynolds et al, 2015).

The starting definition for entrepreneurship still remains valid, being:

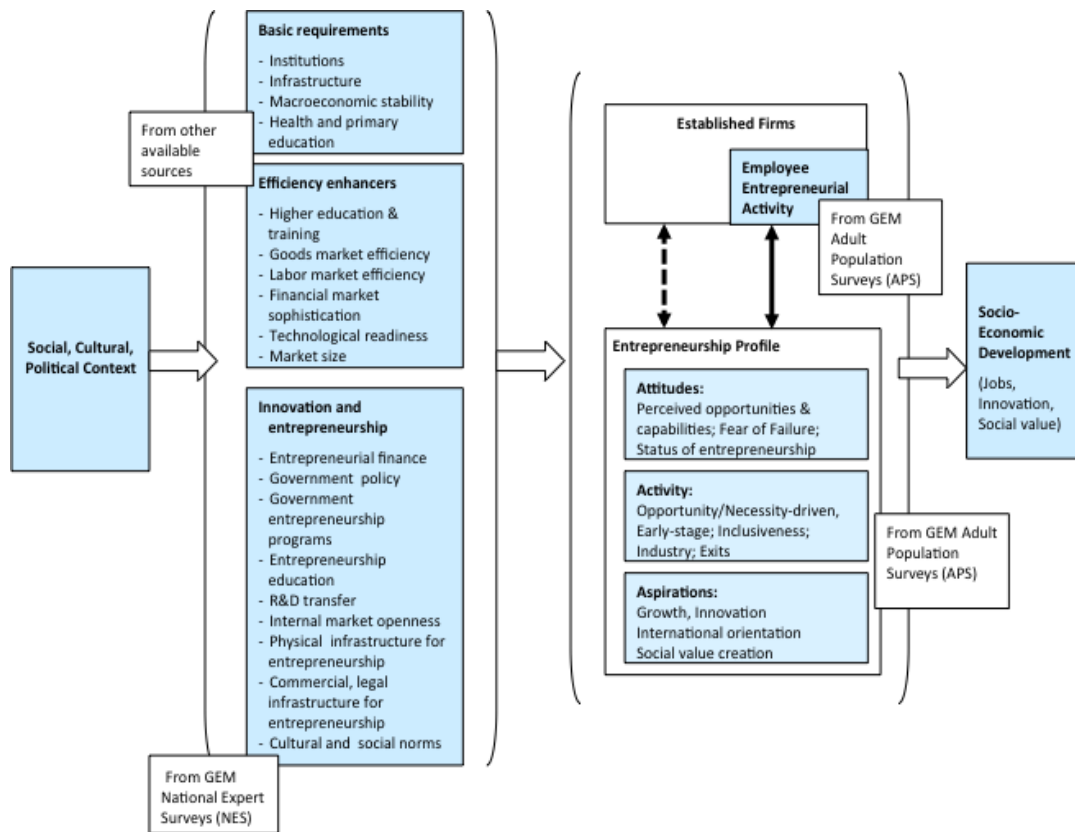
“any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business” (Reynolds, P. et al, 1999, p. 3).

The three questions which originally opened the way to the GEM survey (Reynolds, P. et al, 1999, p. 3) were formulated as follows:

- Does the level of entrepreneurship activity vary between countries, and if so, to what extent?
- Does the level of entrepreneurship activity affect a country's rate of economic growth and prosperity?
- What makes a country entrepreneurial and what factors influence entrepreneurship activity?

In order to answer these questions, GEM had to depart from the conventional approach of thinking about national economic growth. This led to the development of a new conceptual framework, which has been through a series of adjustments since its inception in 1999. The GEM conceptual framework, as identified in 1999, in contrast to conventional model of national economic growth, depicted the basic assumption that national economic growth is the result of the personal capabilities of individuals, wherever they are located (regardless of the size of businesses or if they are self-employed), to identify and seize opportunities, and that this process takes place in interaction with the environment (social, cultural and political) in which these individuals are located.

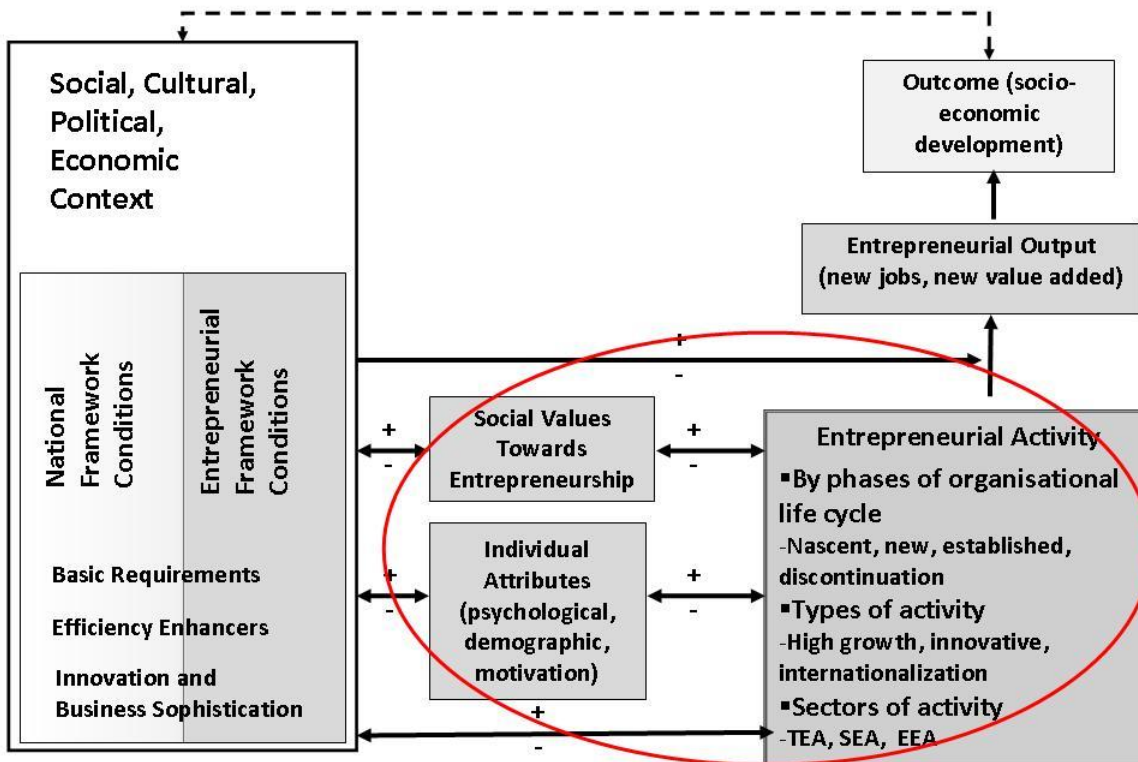
This starting framework subsequently incorporated the findings and insights derived from numerous GEM surveys and years of GEM research, evolving into the GEM Conceptual Framework as presented in the figure below.



The GEM Conceptual Framework used in GEM surveys up to 2014

The most recent revision of the GEM conceptual framework entailed opening the “black box” entitled “Entrepreneurship Profile” (as presented below). From the beginning of conducting GEM surveys the implicit assumption of mutual relationships between attitudes, aspirations and activities was built into the conceptual framework, but without spelling out the nature of these relationships. In the revised GEM conceptual framework this “black box” has been opened to allow for testing of the characteristics of the assumed relationships between social values, personal attributes and various forms of entrepreneurship activity. This work was carried out by members of the GEM Research and Innovation Advisory Committee (RIAC).

The GEM framework



The GEM Conceptual Framework

The components of the revised GEM Conceptual Framework are:

Social, cultural, political and economic context

As in the previous GEM model, this is defined according to the twelve pillars of competitiveness derived from the World Economic Forum’s Global Competitiveness Index, and the nine components of GEM’s Entrepreneurship Framework Conditions. These will affect countries differently, depending on the stage of economic development at which the countries are, i.e. although all of the pillars will be important to each economy, the pillars of competitiveness which are of most importance to a factor-driven economy will differ from those that will be most important in an efficiency-driven economy.

Social, cultural, political and economic context and economic development phases

	<i>From other available sources</i>	<i>From GEM National Expert Surveys (NES)</i>
Economic development phases	National Framework Conditions, based on World Economic Forum pillars for profiling economic development phases	Entrepreneurship Framework Conditions
Basic requirements – key to resource-driven economies	<ul style="list-style-type: none"> o Institutions o Infrastructure o Macroeconomic stability o Health and primary education 	

<p>Efficiency enhancers – key to efficiency-driven economies</p>	<ul style="list-style-type: none"> o Higher education and training o Goods market efficiency o Labor market efficiency o Financial market sophistication o Technological readiness o Market size 	
<p>Innovation and sophistication factors – key for innovation-driven economies</p>	<ul style="list-style-type: none"> o Business sophistication o Innovation 	<ul style="list-style-type: none"> o Entrepreneurial finance o Government policy o Government entrepreneurship programs o R&D transfer o Internal market openness o Physical infrastructure for entrepreneurship o Commercial and legal infrastructure for entrepreneurship o Cultural and social norms

It is important to note that all components of the environment in which women and men act entrepreneurially (or cannot act proactively and innovatively) are mutually dependent. This dependency demands a holistic approach not only in research but also in designing appropriate policies for building a supportive environment in which entrepreneurial behavior can flourish.

Social values toward entrepreneurship

This includes aspects such as the extent to which society values entrepreneurship as a good career choice; whether entrepreneurs have high societal status; and the extent to which media attention to entrepreneurship is contributing to the development of a positive entrepreneurial culture.

Individual attributes

This includes different demographic factors (such as gender, age, geographic location); psychological factors (including perceived capabilities, perceived opportunities, fear of failure); and motivational aspects (necessity versus opportunity based ventures, improvement-driven ventures).

Entrepreneurship activity

This is defined according to the phases of the life cycle of entrepreneurial ventures (nascent, new business, established business, discontinuation); according to type of activity (high growth, innovation, internationalization); and sector of activity (Total Early-stage Entrepreneurship Activity – TEA, Social Entrepreneurship Activity - SEA, Employee Entrepreneurship Activity – EEA). In all the conceptual frameworks, the basic assumption has remained unchanged – namely, that entrepreneurship activity is an output of the interaction of an individual's perception of an opportunity and capacity (motivation and skills) to act upon this opportunity, AND the distinct conditions of the environment in which the individual is located. The GEM survey of entrepreneurship (based on individuals) complements other major business creation surveys by providing unique information on individuals (attributes, values, activities) and their interaction with the environment in practicing entrepreneurship behavior (pro-activeness, innovativeness and responsible choices).

It is clear, therefore, that GEM continues to focus on contributing to global economic development through surveying / researching entrepreneurship, which helps to improve research-based education and research-based formulation of public policies in the field of entrepreneurship. In order to achieve this, GEM has three key objectives:

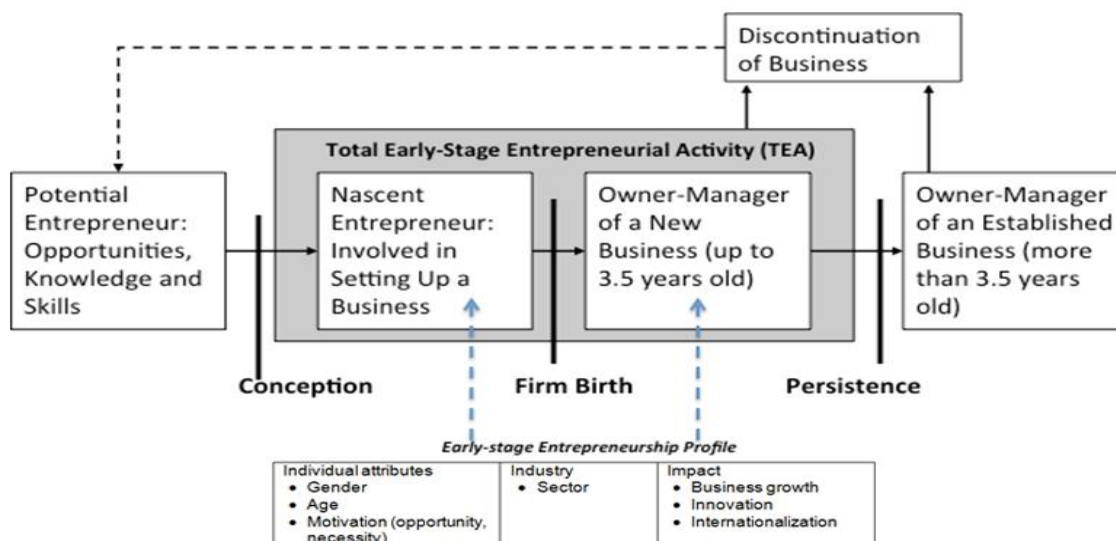
- to determine the extent to which entrepreneurship activity influences economic growth within individual economies;
- to identify factors which encourage and/or hinder entrepreneurship activity (especially the relationships between national entrepreneurship conditions, social values, personal attributes and entrepreneurship activity); and
- to guide the formulation of effective and targeted policies aimed at enhancing entrepreneurship capacity within individual countries.

Over the years, GEM surveys have confirmed that the level of entrepreneurship activity varies among countries at a fairly constant rate. A crucial point confirmed by GEM research is that it takes time and consistency in policy interventions in order to enhance and develop the factors which contribute to entrepreneurship activity. Surveys also confirmed that entrepreneurship activity, in different forms (nascent, start-up, employee entrepreneurship), is positively correlated with economic growth, but that this relationship differs according to phases of economic development (Acs and Amorós, 2008; Van Stel et al., 2005; Wennekers et al., 2010).

GEM’s role as one of the world’s leading research consortia concerned with improving the understanding of the relationships between entrepreneurship and national development is confirmed by recent policy interventions around the world. These are focused on components of the GEM conceptual framework: environment (entrepreneurship framework conditions), individual capacity for identifying and exploiting opportunities, and society’s capacity to develop an entrepreneurial culture. A recent report on entrepreneurial ambition and innovation (WEF-GEM, 2015) highlights the cases of Colombia and Chile, economies that have put in place several public and private initiatives to enhance their entrepreneurship ecosystems (Drexler and Amorós, 2015).

How GEM measures entrepreneurship

GEM measures **individual** participation across multiple phases of the entrepreneurship process, providing insights into the level of engagement in each stage. This is important because societies may have varying levels of participation at different points in this process; however, a healthy entrepreneurial society needs people active in all phases. For example, in order to have start-ups in a society, there must be potential entrepreneurs. Later in the process, people that have started businesses must have the ability and the support to enable them to sustain their businesses into maturity.



The entrepreneurship process and GEM operational definitions

Source: GEM Global Report 2014

GEM’s multiphase measures of entrepreneurship are given below:

Potential entrepreneurs – those that see opportunities in their environments, have the capabilities to start businesses and are undeterred by fear of failure.

Intentional entrepreneurs – those who intend to start a business in the future (in the next three years).

Nascent entrepreneurs – those who have taken steps to start a new business, but have not yet paid salaries or wages for more than three months.

New entrepreneurs – those who are running new businesses that have been in operation for between 3 months and 42 months.

Established business owners – those who are running a mature business, in operation for more than 42 months.

Discontinued entrepreneurs – those who, for whatever reason, have exited from running a business in the past year.

GEM's individual-level focus enables a more comprehensive account of business activity than firm-level measures of formally registered businesses. In other words, GEM captures both informal and formal activity. This is important because in many societies, the majority of entrepreneurs operate in the informal sphere. In addition, GEM's emphasis on individuals provides an insight into who these entrepreneurs are: for example, their demographic profiles, their motivations for starting ventures, and the ambitions they have for their businesses. GEM also assesses broader societal attitudes about entrepreneurship, which can indicate the extent to which people are engaged in or willing to participate in entrepreneurship activity, and the level of societal support for their efforts. The GEM database allows for the exploration of individual or business characteristics, as well as the causes and consequences of new business creation.

In order to provide for reliable comparisons across countries, GEM data is obtained using a research design that is harmonized over all participating countries. The data is gathered on an annual basis from two main sources:

1. Adult Population Survey (APS)

The key entrepreneurship indicators are measured in the Adult Population Survey (APS). Academic teams in each participating economy administer and oversee this survey, which is conducted using a random representative sample of at least 2 000 adults between the ages of 18 and 64 years. The surveys are conducted at the same time every year (between May and July) using a standardized questionnaire provided by the GEM Global Data Team. The questionnaire is translated into local languages, and back-translated for a validity check.

The individual countries only gain access to the data once the raw data has been analyzed by experts for quality assurance, checking and uniform statistical calculations. As the GEM research design harmonizes the data, it is possible to conduct reliable cross national and intra country comparisons over time.

2. National Experts Survey (NES)

The National Expert Survey (NES) provides information on the local environment faced by start-up entrepreneurs. Information is gathered about the nine Entrepreneurship Framework Conditions: financing for entrepreneurs, government policies, governmental programs, entrepreneurship education and training, research and development transfer, commercial and professional infrastructure, internal market openness, physical and services infrastructure and social and cultural norms.

The GEM global data set is open source after 3 years and it can be reached at www.gemconsortium.org.

Besides the annual surveys based on collecting data through Adult Population Survey and National Expert Survey instruments, GEM conducts in-depth surveys on special topics, by adding specific questions to the standard APS questionnaire. This rich seam of GEM data has been analyzed and presented in a number of separate publications (www.gemconsortium.org):

- On financing, in 2004, 2006 and 2016
- On women and entrepreneurship, in 2005, 2006, 2007, 2009, 2010, 2012, 2015
- On high expectation entrepreneurship, on high-growth entrepreneurship, on high impact entrepreneurship, in 2005, 2007, 2011
- On innovation confidence index – EU funded project, in 2007, 2008, 2009
- On social entrepreneurship, in 2009 and 2016
- On education and training, in 2010
- On youth, in 2013, 2015
- On entrepreneurial employee activity, in 2013
- On sub-Saharan Africa, in 2013, 2014 (on youth)
- On entrepreneurship, competitiveness and development, 2015
- On Southeast Asia, 2015

