

INPACT Priority XIII, XIV

Focus on people: young generation, entrepreneurs/start-ups, citizens

Notes from Working Group Meeting
12 April 2017, European Parliament, Brussels
Hosted by Brando Benifei MEP (S&D, Italy)
and Victor Negrescu MEP (S&D, Romania)

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MEP Stewards: Brando Benifei MEP (S&D, Italy) and Victor Negrescu MEP (S&D, Romania)

Participants see annex

Summary and Recommendations (K4I secretariat)

The debate was opened by Victor Negrescu, who asked the participants to identify concrete aspects of EU regulation that impeded the successful activity of young entrepreneurs in Europe and discuss possible solutions.

The following elements were considered as key regulatory and administrative burden for the start-ups created by young entrepreneurs:

- A number of controversies in terms of access to financing, e.g. young SMEs cannot apply for EU funding via the grand programmes such as Horizon 2020, as the application necessitates a consortium and has a too high failure rate making it not worth participating; the time-frame of banks and other possible lenders expecting a fast ROI is not suited for the way start-ups and small SMEs operate, etc.
- Excessive time to open and register a company (varies across the EU from a few days to several weeks)
- Low access to global markets - only 10% succeed in trading outside of their own national borders, often in only one other country
- Continued fragmentation of the domain on the level of information provision: young start-ups are hard to find for big companies due to the lack of means for marketing start-ups experience; as well as the absence of a one source/website where all the information on the EU funding opportunities would be made available
- Continuous lack of the innovation culture in terms of risk and failure

Participants and hosts of the debates have concluded that the idea of supporting the young creative innovators remains on the level of rhetoric. In practice, when young entrepreneurs enter 'the system', they are faced with a series of dead-locks, which put start-ups at a considerable disadvantage.

Recommendations

The following ideas were mentioned in an attempt to find solutions to the existing situation:

1. The idea of appointing “Innovation Ambassadors” voiced by Louis Lapidaire has met a great support by all participants. A sustained action at the local level was considered crucial in order for the EU to reach out young entrepreneurs where they are, i.e. “on the ground”. Thus, the idea of assigned professionals directly going to the campuses and other potential places of the young entrepreneurs with the aim to build a connection between their needs and the existing opportunities, as well as generating required changes in the system, was thought to have great potential.
2. Creating the places: establishing campuses and other spaces which a high level of connectivity between young entrepreneurs, expertise, advise, government, big businesses, etc.
3. Provide beneficial tax relief schemes for the young entrepreneurs
4. Define and create a “safety and support net”: a special status for the young companies
5. Introduce the innovation culture in the education system (and the legislative framework on a longer term)
6. Strengthen the role of the Regions, *e.g.* enable connections between young and well established local companies and other actors in order to provide partnering opportunities, internationalisation, administrative and legal support, etc. Assign the role of a funding distributor to the local level, *i.e.* mayors, with a longer, more sustainable ROI time and a possibility to fund high risk projects.
7. Establish a professional network of mentoring and advice. A structure similar to the NCPs, however stuffed with people who have an experience relevant to the challenges young entrepreneurs face.
8. Address the information gap: between the pool of the EU funding opportunities, established companies looking for the young entrepreneurs (in order to include them in a consortium or for other needs) and the young entrepreneurs seeking advice, support, internationalisation and funding opportunities.

Short summary (Jacqueline Allan, JIIP)

Young people and the new generation are essential to grow and strengthen the EU economy. From Eurostat data, there are over 17 million young people aged 20–34 who are not in employment nor in education or training (NEETs) in Europe^{1 2}.

The paper on ‘Monitoring and supporting entrepreneurs, start-ups and gazelles’, prepared by the Joint Institute for Innovation Policy (JIIP), was welcomed and some key points were discussed, namely:

- That companies would welcome actions (in order of priority in the ESM 2016³) by governments and their agencies at European and national levels to reduce the regulatory and administrative burden; to reduce tax or give tax relief; to provide support in raising capital; to understand that SMEs have special needs that are not the same as other companies; to support provision of venture capital; and to assist founders through local support and advice structures.
- The prevalence of start-ups being founded using the savings of their founders, family and friends being the second most frequent sources and governments the third.
- The view that the European education system is mediocre in entrepreneurship training and thinking.
- The small number of high growth start-ups (gazelles) that engage in the Framework Programmes, mostly from Scandinavia or France, and their concentration around ICT and the life sciences.

It was noted that ‘reducing the regulative and administrative burden’ is always the top priority but that such burdens also exist in the US, China and other countries as they also have regulations and accountability requirements.

The role of the regions was mentioned, there being many initiatives at local level. The Committee of the Regions⁴ is European Union's assembly of regional and local representatives and counts amongst its members about 250 members who are mayors or regional ministers. Partnering was seen as very important, as also the need for a global mind-set (as well as local one) because companies, including start-ups and other SMEs, compete in a global environment. It was noted that the time to open a company varies across the EU from a week to two days (RO) an hour (DK) and can be done online in Estonia, for example.

An option might be to change the funding system so that local representatives (such as mayors) are allocated money for higher risk projects and they are required to support them over longer time period than 1-2 years. It is often the case that returns on investment are expected in this short time period and that cannot always be achieved. Short timeframes may also not be suitable for all start-ups and may push entrepreneurs into founding companies in ICT where the timelines from initial idea to products (and income) are often relatively short compared with other sectors.

¹ Data extracted in July 2016

² http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_young_people_neither_in_employment_nor_in_education_or_training

³ Second European Startup Monitor report 2016

⁴ <http://cor.europa.eu/en/Pages/home.aspx>

While start-up companies are keen to access international markets (50% of those in the ESM survey), only 10% succeed in trading outside of their own national borders, often in only one other country.

Young people wanting to start a company were seen to be at a disadvantage as they are less able to access the elements needed than older people. For example, young people do not usually have their own savings, or support and advice networks to enable them to access funding and create a company. Too often they are given advice to take their ideas abroad (mainly to the US) or they may give away too much equity in order to get initial funding. Young people are often looking for a more secure job than that of a start-up company although they may have good ideas. One possibility would be to create a safety net for start-ups (by young people in particular) but it was not clear what form that safety net might take.

Slush⁵ was mentioned, a student-driven, non-profit movement originally founded to change attitudes toward entrepreneurship. The core aim is to facilitate founder and investor meetings (commonly termed 'matchmaking' events) and to build a world-wide startup community. Events have so far been held in cities including Helsinki, Tokyo and Shanghai. It was noted that young people can be entrepreneurial without necessarily creating a company.

Mentoring can play a significant role, provided it is given by experienced people. While the European Union offices in Member States fulfil various useful purposes, they are not usually staffed by people with experience relevant to the young generation, entrepreneurs or start-ups. If there were a contact point for young people to go to (similar to Framework Programme National Contact Points perhaps), they could be given mentoring and advice there, for example, on accessing finance, on managing their intellectual property or on sourcing specialised services, which can often be expensive. Salaries are a large expense and founders often do not pay themselves more than living costs but they need additional skills that come at a high cost from outside.

Company-owned campuses could be a useful mechanism to support young people and other entrepreneurs. One example mentioned was the Google campus⁶ in Warsaw (although it was announced but not made fully operational). Google Entrepreneurs provides financial support and other resources to equip and help entrepreneurs to develop their ideas and companies within the context of start-up communities. Another example of an enabling mechanism for start-ups was that of shared co-working and meeting spaces⁷.

A dilemma in addressing the challenges of growing entrepreneurship in the EU is that people who are inherently innovative tend to be non-conformist but the system of funding expects them to conform. A culture is needed in the EU that removes (or at least reduces) fear of failure (and condemnation of failure) and empowers entrepreneurs by giving them funding and skills (within a good learning and training environment). At present, the right risk culture

⁵ <http://www.slush.org/about/what-is-slush/>

⁶ From its website: "Google for Entrepreneurs partners with startup communities and builds Campuses where entrepreneurs can learn, connect, and create companies that will change the world. Since 2011, we've launched Campuses and formed partnerships that support entrepreneurs across 125 countries. We provide financial support and the best of Google's resources to startup communities that equip and nurture entrepreneurs."
<https://www.googleforentrepreneurs.com/startup-communities/>

⁷ For example, Startdock in Amsterdam, a co-working space and community for online start-ups located in the city centre. <http://www.startdock.nl/en/>

is lacking. If a company starts to fail, it is usual for even more burden to be added to it (e.g. by demanding the return of the investment).

Small companies find it hard to apply for support from, for example, the Framework Programmes. In general, they can only join a consortium for H2020 if they are a spin-off from a university or another company. It is often stated that the failure rate for such applications is too high to make it worth participating.

Start-ups and perhaps especially start-ups founded by young people can be hard to find (e.g. by project partners or people looking to establish panels) as they do not have publicising and dissemination mechanisms. It can also be the case that start-ups find it hard to locate information about opportunities, although this may be an issue for all as there is no single web site with all the information about EU supports.

There was much discussion on mechanisms for the EU to reach out entrepreneurs where they are. Action at the local level could be funded at a low cost with the support of the regions, with people taking action on the ground at district level. One idea was to appoint 150-200 'European innovation ambassadors' to go out to people. It was proposed that they be unpaid and that the role would give them visibility to leverage other mentors and advisors with relevant experience to support start-ups and young entrepreneurs.

In the context of the plans for the 2017 Innovation Summit, it was suggested that the debate on/for young people could take the form of a Tedx conference – based on the TED⁸ talks - with 1-2 minute interventions on how to make young people more present in the EU and to stimulate their innovation capacity. The event, during the proposed European Innovation Week, could have a large participation including SMEs and young entrepreneurs, and the aim would be to have constructive debate on the young generation, entrepreneurs and start-ups. There could also be workshops so that young people could take the floor and make their business pitch, and practical brokerage activities (known as 'business matchmaking', or 'business speed-dating').

It was felt that the Erasmus Programme for Young Entrepreneurs⁹ is not used enough. This is an EU cross-border exchange programme that gives new or aspiring entrepreneurs the chance to learn from experienced entrepreneurs running small businesses. The young entrepreneurs are paid travel and subsistence costs to go abroad for up to six months during a twelve-month period. More could be done to promote its use and, if needed, to make it more attractive to participants.

*Jacqueline Allan
Joint Institute for Innovation Policy (JIIP)
12th April 2017*

⁸ <https://www.ted.com/about/our-organization>

⁹ <http://www.erasmus-entrepreneurs.eu/>

Background and introduction

Human capital and innovation are strongly tied together. People are the source and medium of making dreams a reality and turning inspiration into innovation. Entrepreneurs, thinkers, creators, and scientists make it possible to access knowledge, bring innovation to the market and ensure growth. The effective use of human potential is thus the core of economic progress and the heart of innovation capacity. To secure its position in a global context in this century the EU must, as a priority, invest in young talent.

The structural problem is the cause of a dramatic talent loss. Covering several pivotal policy areas, the Working group will place a focus upon the “creation” of policies and programs that enable young innovators to take full advantage of their opportunities and potential.

The WG raises the following urgent questions for which we need answers:

- How to increase support and create more incentives for young researchers and innovators?
- How to develop research policies and programs that incentivize innovation and company creation?
- How to ensure Europe’s future by enhancing young people’s interest in STEM education and research and empower them with the relevant skills and competences through a variety of educational programmes and partnerships with schools and universities?
- How to enable and support cross-border mobility for young innovators?
- How to build an environment in Europe with a positive attitude towards risk and encourage the freedom to try and fail?

Annex – Attendees list

Title	First Name	Last Name	Organisation
Ms	Jacqueline	Allan	JIIP
Mr	Brando	Benifei	European Parliament
Ms	Laura	Caroli	European Parliament
Mrs	Iris	Klaßen	Science Management Lübeck
Mr	Jon	Garmendia Barrenetxea	Delegation of the Basque Country to the EU
Mr	Louis	Lapidaire	United Academics
Ms	Laura	Mariosa	Knowledge4Innovation
Mr	Victor	Negrescu	European Parliament
Ms	Sofia	Nenova	Knowledge4Innovation
Ms	Susan	Robertson	Innovators Magazine
Mr	Marek	Stawinski	Ekinno Lab Sp. Z o.o.
Mr	Roland	Strauss	Knowledge4Innovation
Prof	Taina	Tukiainen	CoR
Ms	Chantal	van Ham	International Union for Conservation of Nature