

## BUILDING BUSINESSES IN REMOTE RURAL AREAS

Remote rural areas, like the Guadiato and Pedroches Valleys in southern Spain are not normally associated with being hives of entrepreneurial activity. Yet an EQUAL partnership called “the opportunity to be an entrepreneur in the North of Cordoba” has contradicted all the stereotypes by creating 67 functioning firms out of what seems like nothing in under three years.

It did this by drawing in all local actors into a concerted campaign to “blanket” the entire community and build a more entrepreneurial culture. It also followed this through with a series of innovatory tools for making both finance and advice more accessible for self-employed people. Their methods have had an impact on regional employment legislation and deserve to be shared among other European projects, especially those working in rural areas.

María García is just one of those entrepreneurs. She had been unemployed for several years until EQUAL helped her set up MA+MA Sports, the only sport shop in el Viso, a town of 3500 people: *“EQUAL crossed my path and helped me both economically and in terms of getting things straight. Personally, I feel fantastic....the sector is expanding... today people wear sports clothes everyday... I hope to be in this business until I retire.”*

The EQUAL partnership is led by the Employment Department of the Regional Government of Andalucía who are completely clear about the strategic role that projects like this should have for the region’s employment policies. Antonio Fernández Ramirez, the provincial employment representative of the Regional Government, argues that “active employment policies have to take into account both the needs of the unemployed and those of employers. This is the context in which our Employment Department must use the experience of EQUAL.”

However, the driving force behind the partnership is the commitment and direct involvement of two federations of village town halls plus a total 32 other local organisations including youth and women’s organisations, associations of small firms, trade unions and local action groups.

This fusion of grass roots energy and political commitment from local authorities and the Regional Government means that the partnerships is well placed to explore solutions which contribute towards micro economic guideline 10 of the European Employment Strategy EU’s Integrated Guidelines for Growth and Jobs. This specifically refers to the need to “promote a more entrepreneurial culture and create a supportive environment for SMEs”. EQUAL in the North of Cordoba does this in a way that also contributes to the employment guidelines for ‘social and territorial cohesion’ and ‘inclusive labour markets.’

## TACKLING DEEP-SEATED RURAL UNDEREMPLOYMENT

Even though the labour market situation has improved in Andalusia over the last 8 years, the levels of unemployment and underemployment are still huge in the countryside. The mining that previously drove the economy of El Guadiato has now almost disappeared while both los Pedroches and el Guadiato suffer from the continuous decline of agriculture. The average unemployment rate among the 90,000 people who live in both areas was over 30% for men and 70% for women.

Even worse, the employment rate among women was just 29% - under half the Lisbon target. Young people and ethnic minorities are also particularly hard hit by lack of alternative sources of paid employment. Unsurprisingly there is a continuous haemorrhage of the better educated, young people away from the smaller villages to the larger cities of Andalusia and the rest of Spain.

Some of the worst poverty in the countryside had been staved off by a special system of social security called the PER which provides a minimum income for people who can show that they have been employed on a farm for at least three months of the year. This has the advantage of maintaining the rural population and taking the migratory pressure of the deprived areas of the large cities and towns; but on the other hand it may reduce the incentive to enter employment or set up a business.

In this context, Rafael Cubreo Laguna, the project coordinator argues that most people do not start a business with the idea of turning it into a large company. "They are trying to escape permanent unemployment and obtain a more secure monthly income in a situation where there is no alternative paid employment" He argues that existing systems for financing and supporting start-ups do not take this reality into account. The methods used by EQUAL in the North of Cordoba respond directly to these challenges.

## **TURNING ON THE TAP OF ENTREPRENEURSHIP**

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Esperanza Perea, Director of Employment in the Regional Government of Andalusia argues that, as a result of several rounds of Community Initiatives, major advances have been made in setting up integrated business support itineraries in the region. However, one of the main weaknesses and, therefore, priorities for employment policies is in the early stages of "motivating and attracting people into the system" – particularly those from excluded communities and groups. This is one of the areas in which EQUAL in the North of Cordoba developed a series of innovatory tools that have been taken up in both the national and regional data banks of good practice.

Juan José López Misas, member of the EQUAL team, says that the traditional approach would have been "to establish an office, communicate its existence and to expect people to listen to the message and approach the service". The EQUAL team knew from experience that this would not work in an area like Guadiato and Pedroches. They believed that the main people who would come would be those drawn in by the short term attraction of a government grant or a temporary training place.

However, they saw that while there was a rather weak entrepreneurial culture there was also quite a dense and active network of community organisations and front-line community workers. So their first step was to mobilise this grass-roots network to become the "funnel" for engaging with potential entrepreneurs at the earliest stage. At the outset it has to be said that the success of a method like this depends upon the energy and commitment of team behind it and the trust they can engender with the other local actors. The process of what, they called "capturing" potential entrepreneurs took place in four main phases:

First of all they created a comprehensive data base of all the local organisations and agencies that had any contact with the unemployed. They also analysed where the unemployed were to be found and what their profiles were. They then carried out a massive campaign of 213 personal meetings with the key actors (known as Jornadas de Información or Information Days). The meetings were informal and were organised to meet the needs and timetable of each actor. The aim was to inform them of what the project could do and establish a permanent channel for referring on unemployed people. Altogether the project mobilised a major network of 275 local actors in this way.

Augustín Martín Fernández, president of one of the two federations of local authorities<sup>1</sup> in the EQUAL Project says that *"If I had to point to the single most important effect of this project it would be to the tremendous social mobilisation of our citizens – both men and women"*

The next step was to encourage each of the local contact people to organise a small meeting of between 10 and 15 unemployed people with whom they had regular contact and trust (called sensibilisation days or jornadas de sensibilización) . One of the EQUAL staff animated these

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<sup>1</sup> President of the Mancomunidad del Guadiato

meetings using a specially designed presentation which looked at the main barriers and risks of setting up a business from the point of view of an unemployed person and then provided a range of possible solutions. The meetings were run in a very flexible and participative way, taking account of the needs and timetables of the unemployed people. The aim was to provide information, reassure people and motivate them to take the next step rather than to carry out any fundamental training.

Altogether the EQUAL team organised 70 sensibilisation days with 893 potential entrepreneurs. Adela Muñoz, now the co-owner of a photocopying business, describes how “we were on a training course when we heard about the EQUAL meeting. We went along and decided that we had to do something...”

The fourth step was to channel the potential entrepreneurs into an integrated support itinerary specially designed to help them turn their ideas into reality.

## INTEGRATED SERVICE CENTRES FOR ENTREPRENEURSHIP



***“The training really allowed us to see what the needs were in the area and whether our business idea was viable or not”  
(Raquel Perez)***

At the heart of the EQUAL project was a multidisciplinary team divided between two “integrated service centres for entrepreneurship” - one for each valley (Centros Integrales de Servicios para Empezar or CISPE). The team was made up of 10 staff covering all the phases of the business plan (marketing, finance, legal issues, the use of new technology, safety at work, the environment and equal opportunities).

A very high proportion of the unemployed people who came to the centres had been “captured” through the information campaigns described above - which shows the importance of engagement strategies. Before any further decisions were taken they were interviewed by

the staff using a specially designed “Test of Entrepreneurial Spirit”. This preliminary testing and profiling phase has proved very important to reduce the failure rates of start-ups in many countries.

On the basis of these tests, potential entrepreneurs were referred to one of two possible support pathways. The more experienced candidates with clearer ideas were offered a set of individual one-to-one coaching sessions to help them develop their business plan. The number and nature of the sessions varied according to their needs. Basically, each entrepreneur was given a “check-book” valid for a certain number of coaching sessions which depended upon the complexity of their project and their experience.

Less experienced entrepreneurs were offered two support itineraries. The first “initiation to entrepreneurship” consisted of 20 hours training in small groups designed to provide the candidates with an overview of the main steps and issues they would have to deal with in developing their business plan and for building up their capacity to deal with some of the common pitfalls. Twelve courses of this kind were organised. Raquel Perez who is one of the founding members of a cleaning cooperative called MERASA SCA says that:



***Anunciación Delicias (to the right)***

Following this, the by now, budding entrepreneurs could develop their business plan with the help of an “entrepreneurship training course” made up of 50 hours in small groups and 10 hours of individual coaching. Altogether the teams organised 9 courses.

Anunciación Delicias who is now owner of a supermarket called “Los Blázquez” says that: *“The business plan I developed in the course helped me to get an overall view of my business. Since then things have developed more or less as predicted”.*

A very high proportion of the participants on the course and 70% of the projects that came out of them were run by women. This was not only due to the user friendly methodology used but also to the fact that EQUAL provided those who attended the course with vouchers to help with the costs of transport, child care, and care for elderly or disabled people.

## **ENGINEERING THE GRANT SYSTEM TO FIT THE CONTEXT**

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One of the main incentives for the unemployed people following the support itinerary was a specially designed start-up grant. This was awarded by a local committee made of the main EQUAL partners on the basis of a business plan presented by someone who had followed one of the itineraries described above.

The grant amounted to one and a half times the minimum wage for eight months in the case of men (5,526 euros) and 12 months in the case of women (8,289 euros). The start-up grant developed by EQUAL has a number of distinctive features which have been showcased in the regional and national repertoires of good practice and are now being analysed for the potential transfer to mainstream policies.

Firstly, the grant is paid on a monthly basis rather than as a lump-sum as in the case of existing grants to encourage unemployed people to enter self employment in Andalusia. This meets the need that many people have of being able to count on a regular source of income from the start.

Secondly, the grant does not have to be returned in the event of failure. But the payment is conditional on a monthly monitoring meeting with one of the EQUAL team. This considerably reduces the risk for many unemployed people who feel that they could be left with an important debt if things go wrong even if it is through no fault of their own. But on the other hand there is a regular check that the main commitments in the business plan are being fulfilled.

Thirdly, the grant is received from the very start of the activity, (usually around one month after making the application), rather than considerably later, as with most grants. Finally, the grant is conditional upon having gone through one of the support itineraries described above. Alex Solé Borrás founder of a company called “market on wheels” (Mercarueda) says *“when I tell people about the advantages of the grant they don’t believe me”.*

Altogether EQUAL awarded grants to 72 projects involving 96 previously unemployed people. 70% were women. At the end of the project 67 businesses were functioning. Over 80% were in the service sector, mainly retailing (32%), beauty and health parlours (14%), personal services (14%), professional services (12%), education and training (12%) and leisure (7%). Around three quarters of the owners were registered as self employed. Antonio Fernández Ramirez, the provincial employment representative of the regional government, argues that *“the excellent results obtained should not only be measured in terms of the number of projects which generate employment and development for the area but also in terms of the training they have received ... an all-round training which covers equal opportunities, safety at work, environmental issues and the advantages of new technologies.”*

## **FROM RURAL TO REGIONAL: MAINSTREAMING THE RESULTS**

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Both the EQUAL team and the regional government clearly identified the active methods for engaging with and “capturing” potential entrepreneurs and the start-up grant as potentially transferable good practices. They used the specific EQUAL measure for mainstreaming (*action 3*) to carry out a mainstreaming strategy based around these two “products”.

They started the process by organising two local conferences to discuss the strengths and weaknesses of the application of both methods in the area and drumming up support for broader lobbying. Following this they held a series of seven meetings – one in each of the Andalusia provinces – with the key organisations responsible for implementing employment policies. The aim was to examine existing practice and the pros and cons of transfer in quite different contexts.

Partly as a result of their effort, the Regional Government has now made their system of support for self employment conditional upon having been involved in an integrated itinerary of the kind described above. In addition, there are clear messages from the Regional Employment Directorate that one of the major priorities for the future is to improve the strategies for engaging with disadvantaged entrepreneurs.

The issue of the start-up grant is still being considered. The key questions here are the conditions and cost for establishing a regular monitoring system which avoids the system being abused.

Augustín Martín Fernández, President of the Guadiato Federation of Municipalities sums up the experience by saying that *“it is unquestionable and, at this stage, no one doubts that the methods we have used are the reason for the major success we have had with our project.”*

## CONTACT

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