ENTREPRENEURSHIP SUPPORT FOR THE UNEMPLOYED IN LATVIA

Rapid Policy Assessments of Inclusive Entrepreneurship Policies and Programmes
FOREWORD

Entrepreneurship development is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. The impact of the global financial and economic crisis calls for giving entrepreneurship and self-employment a stronger role in economic and social development policies. For the unemployed, entrepreneurship offers an empowering route back into employment and there are examples of public policy actions such as the welfare bridge that have been successful at moving them into self-employment.

However, business creation and self-employment are not widely used as part of active labour market policies. Moreover, the effectiveness of national, regional and local measures and actions to promote inclusive entrepreneurship development in Europe can be hindered by a fragmentation of responsibilities, resources and strategies, and a failure to understand the goals of inclusive entrepreneurship.

This project is part of a series of rapid policy assessment projects on inclusive entrepreneurship policies and programmes that are conducted by the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission. This work builds on a collaborative project between the OECD and the European Commission on inclusive entrepreneurship. For more information on this project, please refer to: http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm.
ACKNOWLEDGEMENTS

This study has been a collaborative project between the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) and the Directorate General for Employment, Social Affairs and Inclusion of the European Commission, with the co-operation of the Latvian Ministry of Welfare. It is part of a multi-year programme of work on inclusive entrepreneurship, undertaken by the LEED Programme of the OECD and DG Employment of the European Commission.

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The report benefitted from a workshop that was attended by representatives of the Ministry of Welfare, the Ministry of Economic, the State Employment Service, Chambers of Commerce, Altum and Garage 48 Foundation.

Eleanor Davies and François Iglesias of the LEED Programme had an invaluable role in providing technical assistance.
## ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>ESF</td>
<td>European Social Fund</td>
</tr>
<tr>
<td>ESS</td>
<td>Employment Service of Slovenia</td>
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<tr>
<td>LEED</td>
<td>Local Economic and Employment Development Programme of the OECD</td>
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<tr>
<td>LFS</td>
<td>Labour Force Survey</td>
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<tr>
<td>NEET</td>
<td>Not in employment, education or training</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>SME</td>
<td>Small- and medium-sized enterprise</td>
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EXECUTIVE SUMMARY

This project is part of a series of “rapid policy assessments” that are undertaken by the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD). This work is undertaken in partnership with the Directorate General for Employment and Social Affairs of the European Commission.

This rapid policy assessment focused on supporting the unemployed in business creation and self-employment, notably the Measure for Commencing Commercial Activity or Self-employment is organised and promoted by the State Employment Agency. This programme supports unemployed people who have obtained vocational secondary education or higher education in business management or in the field in which it is planned to commence commercial activity or self-employment. Participants are selected through a consultation process and can receive assistance in the preparation of a business plan, a grant for start-up, a monthly allowance, business consultations for up to 1 year and evaluation of business plans and monitoring of their implementation.

This programme has achieved some very positive results, including business survival rates that are comparable with well-known examples international good practice. Also, the staged approach to providing support ensures an effective use of public funds. However, there are areas where the programme can be improved. Support is currently only available to a subset of the unemployed and awareness of this programme appears to be quite low. This suggests that there is room to open-up the programme to more participants.

Therefore, key policy recommendations include developing and leveraging partnerships with other key stakeholders to increase promotion of the programme. Furthermore, the scale of the programme can be increased if demand increases. To accomplish this, the education requirements for entry could be relaxed. Finally, the programme could be more active in promoting innovation (even low-tech) by putting a greater emphasis on the business idea during initial consultations. Coaching and mentoring could be integrated into the support provision for those participants with innovative ideas.
INTRODUCTION

OECD-European Commission rapid policy assessments on inclusive entrepreneurship policy

This project is part of an international series of policy case study reviews on inclusive entrepreneurship policy. These review studies are undertaken as part of a collaborative programme of work between the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) and the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

These rapid policy assessments provide a baseline analysis with focus on one of the key target groups of inclusive entrepreneurship policy (i.e. youth, seniors, women, migrants or the unemployed). They examine the nature and appropriateness of existing and proposed policies and programmes with the aim of providing guidance on priorities for future activities in this area, notably activities that can be funded by the European Social Fund (ESF). The analysis identifies gaps in current and planned support, as well as areas where current and planned support can be improved. The recommendations aim to provide assistance to European Union Member States in the design and implementation of policies and programmes for business creation by youth, seniors, women, migrants or the unemployed, through:

- Tailored advice and assessments for individual national or regional administrations in the design and implementation of policies and programmes for business start-up and self-employment, including through ESF support; and

- Facilitation of mutual learning among national and regional authorities, stakeholders and practitioners concerned with ESF support from different Member States, through monitoring and comparison of policy and programme approaches, collection and dissemination of good practice examples and provision of tools to support learning networks, events and platforms.

OECD-European Commission rapid policy assessment criteria

The OECD-European Commission collaboration on inclusive entrepreneurship has produced a series of reports and policy briefs that examine the barriers faced by different under-represented and disadvantaged groups in business start-up and self-employment, as well as appropriate policy responses to address these barriers. This work has covered several social target groups, including women, youth, seniors, migrants, the unemployed and people with disabilities and has produced a series of policy briefs (available at: http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm) and the series of Missing Entrepreneurs reports (OECD/EC, 2013; 2014; forthcoming).

Based on this work and consultation with international experts, the OECD has developed a list of principles for inclusive entrepreneurship policy (see Box 1). This list of principles is intended to give guidance to policy makers in designing and implementing a comprehensive support system for inclusive
entrepreneurship. These principles underpin the analytical framework used in this series of rapid policy assessments.

<table>
<thead>
<tr>
<th>Box 1. OECD-European Commission rapid policy assessment criteria</th>
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<tr>
<td><strong>1. Generic principles</strong></td>
</tr>
<tr>
<td>• Policies and programmes are framed within a broader strategy.</td>
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<tr>
<td>• Outreach to the target group is targeted and sufficient.</td>
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<tr>
<td>• Use competitive selection mechanisms to target intensive support.</td>
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<tr>
<td>• Support provisions are regularly monitored and periodically evaluated for impact and effectiveness.</td>
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<tr>
<td><strong>2. Entrepreneurship skills</strong></td>
</tr>
<tr>
<td>• Entrepreneurship education and training for the target group is available and covers pre-start-up, start-up and growth phases.</td>
</tr>
<tr>
<td>• Coaching and mentoring programmes are available and provide one-on-one or group support using experienced entrepreneurs and/or business professionals.</td>
</tr>
<tr>
<td>• Public policy supports network development within the target group and builds linkages with mainstream entrepreneurs and services.</td>
</tr>
<tr>
<td>• Entrepreneurship skills support offerings are linked with financial supports.</td>
</tr>
<tr>
<td>• Entrepreneurship skills support offerings are resourced appropriately and those delivering the support are trained.</td>
</tr>
<tr>
<td><strong>3. Access to finance</strong></td>
</tr>
<tr>
<td>• Information is available about funding opportunities and lender requirements.</td>
</tr>
<tr>
<td>• Access to micro-finance is facilitated, either through schemes that are dedicated to the target groups or through enhanced access to mainstream schemes.</td>
</tr>
<tr>
<td>• Targeted credit guarantee and mutual guarantee schemes aim to support entrepreneurs from the selected target group.</td>
</tr>
<tr>
<td>• Where micro-finance is not available, small grants are available.</td>
</tr>
<tr>
<td>• Financial supports are complemented with training and advisory services to develop entrepreneurship skills.</td>
</tr>
<tr>
<td><strong>4. Institutional environment and policy delivery</strong></td>
</tr>
<tr>
<td>• A culture of entrepreneurship is promoted and supported.</td>
</tr>
<tr>
<td>• Information about business creation is readily available.</td>
</tr>
<tr>
<td>• Efforts to reduce the burden and complexity of business regulation at all stages of enterprise development are ongoing.</td>
</tr>
<tr>
<td>• Opportunities for e-services are pursued, including online business registration and tax filing.</td>
</tr>
<tr>
<td>• Ministries, agencies and relevant stakeholders work together.</td>
</tr>
</tbody>
</table>

**Project methodology**

The OECD-European Commission rapid policy assessments are conducted in two stages. First, desk research is conducted to uncover basic information on the quality of the environment for business start-up and self-employment policy, the levels and nature of start-up and self-employment activities, and the nature and scope of existing policy and programme activities. This report was prepared primarily through...
desk research that covered local published and grey literature, as well as some initial interviews with experts and policy makers.

Second, a one-day seminar was held in Riga, Latvia on 28 November 2014. Participants represented the Ministry of Welfare, the Ministry of Economic, the State Employment Service, Chambers of Commerce, the Latvian Development Bank Altum and an incubator, Garage 48 Foundation. The objective of the seminar was to discuss preliminary findings from the desk research and to collectively identify areas for policy action.

UNEMPLOYMENT IN LATVIA

A portrait of the unemployed

The unemployment rate was 11.1% in 2014. Of the total number of unemployed people in 2014, 55% were men (Figure 1). The distribution of the unemployed in Latvia in 2014 by length of unemployment, age, nationality, education level and disability status are also presented in Figure 1.
Approximately 43% of the unemployed in 2014 had been in unemployment for more than one year. Unemployment appears to be a challenge for all age groups, however adults over the age of 50 account for nearly one-third of the unemployed (Panel C). The majority of registered unemployed have professional or secondary education (Panel D). Further, 15% of the registered unemployed in Latvia have a higher
education. The distribution of the registered unemployed by ethnicity is presented in Panel E. Nearly half of the unemployed are not Latvian, of which the largest group is Russian (27%, which is approximately equivalent to their share in the population), followed by several others including Belarusian (3%), Ukrainian (2%), Polish (2%), and Lithuanian (1%). Approximately 0.8% of the unemployed were Roma. Finally, as presented in Panel F, slightly more than 10% of the registered unemployed in Latvia are people with a disability.

The dynamics of unemployment over time

The unemployment rate has fluctuated substantially over the last decade. Prior to the economic crisis that started in 2007, the unemployment rate was falling in Latvia. It fell from 11.9% in 2004 to 6.2% in 2007 (Figure 2). However, following the onset of the crisis, the unemployment rate climbed up to a peak of 19.8% in 2010. It has since declined to 12.1%, essentially the same rate that it was one decade ago. Although the increase in the unemployment rate in the years following the onset of the economic crisis was much greater in Latvia than the EU average, the rate declined in Latvia between 2010 and 2013 while it continued to increase slightly in the EU overall.

Figure 2. Unemployment rate, 2005-2014

Source: Eurostat (2015), Labour Force Survey
The distribution of unemployment by region

Figure 3 shows the uneven distribution of registered unemployment across Latvia’s regions. This picture largely mirrors the level of economic development and wealth in each region. In the capital Riga and surrounding region (Riga region), the unemployment rates were 4.9% and 5.2% in 2014, respectively. This is the most industrialised and developed region in Latvia. In the Zemgale region, the unemployment rate was 7.7%, followed by the Vidzemes and Kurzemes regions (9.4% and 9.8%, respectively). The region with the highest unemployment rate in 2014 was Latgale, where the unemployment rate was 17.6%.

![Figure 3. Registered unemployment by region, 2014](image)

Source: SNA, 2014
**SUPPORT PROGRAMMES FOR UNEMPLOYED TO ENTER SELF-EMPLOYMENT OR START OWN BUSINESS**

**Measure for Commencing Commercial Activity or Self-employment**

While entrepreneurship support has been increasing in Latvia, both in terms of public support provisions and programmes offered by non-government organisations, there is only one programme that is specifically targeted to the unemployed. The Measure for Commencing Commercial Activity or Self-employment is organised and promoted by the State Employment Agency.

**Description**

This measure aims to provide advisory services and financial support to help qualified unemployed people to launch a business and sustain it with support for at least 2 years. To qualify, the unemployed must be registered at the State Employment Agency (SEA) and have knowledge and experience related to business management, or meets one of the following education requirements:

- have obtained vocational secondary education or higher education in business management or in the field in which it is planned to commence commercial activity or self-employment;
- have acquired vocational education qualifications that provide the knowledge required in the field of business management;
- have obtained vocational secondary education or higher education and acquired informal education programme in business management-related field (also offered by SEA, e.g. *Biznesa plāna izveides pamati komercdarbības uzsākšanai, levads komercdarbības uzsākšanai, Darījumu veidi, Pašnodarbinātās personas tiesiskie jautājumi, Komercdarbības pamati*).

Launched in 2008, this support measure is provided in two phases. First, participants attend a series of consultations that provide individual assistance to support the preparation and development of a business plan. Each participant can attend 20 individual consultation sessions over a period of 6 weeks. Consultations are done by business professionals who are contracted by the SEA. These sessions focus on identifying business ideas and building a plan around them.

Once the consultations are completed and participants have a business plan, the SEA manages an evaluation process to select those projects that will be supported within the second phase of support. The second phase of support provides additional individual business consultations and financial grants.

The evaluation process focuses on the quality and feasibility of the business plans developed during the first phase of support. The SEA assembles an evaluation committee that consists of industry experts and experts in business start-up and development. The committee examines the potential of the business plans, considering any product or service innovations made, the uniqueness of the product or service and potential demand for the product or services.

Those projects that are selected are eligible for:
- business consultations in the first year of implementing self-employment or business (20 consultations);

- a grant for implementation of the business plan – not exceeding EUR 3 000;

- a monthly allowance (i.e. in addition to the grant) at the early stage of implementation (the first six months) – in the amount of the state determined minimum wage (EUR 320).

The SEA selects the providers of consultation and expert services through a public procurement procedure.

During the 2015-2020 period, the SEA plans to target some of this support to unemployed youth through favoured access. Those who are 18-29 years old and registered as unemployed with the SEA will be targeted with specific support under this measure. The entry requirements would be the same, except they will be able to receive slightly more in the initial grant than the regular programme. They will be eligible to receive up to EUR 3 000.

A profile of participants

The total number of registered unemployed people who have participants in the initial consultations on preparing a business plan between 2008 and 2014 was 1 228 (Table 1). Approximately one-quarter of these (377) have signed an agreement with the SEA to continue in the programme and have received a grant to launch their business activity. The substantial drop-off in the number of unemployed people is explained by the number of potential entrepreneurs who did not want to continue with their business idea since it lacked potential and the expert evaluation did not support the business idea. Two years after the initial consultation, 267 entrepreneurs were still actively involved in running their business (i.e. 71% of those who sign a contract to implement their business plan).

Table 1. Participants in each phase of support

<table>
<thead>
<tr>
<th>Start year</th>
<th>Unemployed that received consultations</th>
<th>Number of unemployed with whom contract to implement business plan has been signed</th>
<th>Number of entrepreneurs (former unemployed) who have implemented business plan for 2 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
</tr>
<tr>
<td>2008</td>
<td>85</td>
<td>33</td>
<td>118</td>
</tr>
<tr>
<td>2009</td>
<td>256</td>
<td>101</td>
<td>357</td>
</tr>
<tr>
<td>2010</td>
<td>139</td>
<td>50</td>
<td>189</td>
</tr>
<tr>
<td>2011</td>
<td>234</td>
<td>67</td>
<td>301</td>
</tr>
<tr>
<td>2012</td>
<td>265</td>
<td>59</td>
<td>324</td>
</tr>
<tr>
<td>2013</td>
<td>140</td>
<td>22</td>
<td>162</td>
</tr>
<tr>
<td>2014 (first 10 months)</td>
<td>109</td>
<td>32</td>
<td>141</td>
</tr>
<tr>
<td>Total</td>
<td>1228</td>
<td>364</td>
<td>1592</td>
</tr>
</tbody>
</table>

Source: SNA, 2014

Most of the programme participants (i.e. at programme in-take) had completed a higher education degree (75.2%). Those with vocational training or a secondary education were less likely to utilise the support offered, accounting for 19.4% and 5.4%, respectively. The bulk of participants were between 30
and 49 years old (67.4%), while those more than 50 years old accounted for 17.8% and those 20-29 years old accounted for 14.8%.

As of end of 2014, 267 entrepreneurs had finished the two year programme. The majority of the participants within the programme were women (69.7% overall).

There are currently 129 unemployed people receiving support from this programme. The long-term unemployed account for nearly one-third of these participants (27.9%). Other key groups using this support are those with a disability (6.2%) and those returning to work after maternity leave (2.3%). Youth (15-24 years old) only account for 4.7% of participants, less than the proportion who are approaching retirement (5.4%).

**Impact of the measure**

The SEA has tracked the outcomes achieved by project participants. Looking at the cohorts from 2012 to mid-2014, the following results have been achieved:

- For 5.6% of participants, the implementation of business plans was considered very successful by the SEA. In other words, the business’ turnover was substantially higher than initially planned.

- The implementation of the business plan met forecasted expectations in approximately half of the businesses launched (53%) but sales did not meet expectations in the second year. However, many of these businesses had developed a stable customer base and continue to have the potential to develop into a sustainable business.

- For 17% of businesses launched, turnover in the second year fell well below expectations. In most cases, external factors could explain the poor sales, e.g. maternity leave, increased prices of fixed assets.

- The implementation of the business plan was considered unsuccessful in 9.4% of the businesses launched. In these cases, participants were unable to implement their business idea as planned and the expert advisers had doubts about whether the business would be able to continue after the support had stopped.

- Business plans were not sufficiently implemented to be assessed in the remaining 15% of cases.

The cost of the programme was EUR 288 300 in 2014. The per-person costs for each component are in Table 2.

**Table 2. Cost per person by component, 2014**

<table>
<thead>
<tr>
<th>Support measure</th>
<th>Cost per person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual consultation session</td>
<td>EUR 14.66</td>
</tr>
<tr>
<td>Business plan evaluation</td>
<td>EUR 32.71</td>
</tr>
<tr>
<td>Business plan monitoring</td>
<td>EUR 30.59</td>
</tr>
<tr>
<td>One-time grant for the implementation of the business plan</td>
<td>EUR 2 845.74 (maximum)</td>
</tr>
</tbody>
</table>
Monthly allowance | EUR 320 (for 6 months)
Maximum funding per participant | EUR 5628.83 (maximum)
Source: SEA (2015)

MASTREHAM SUPPORT MEASURES

Start Programme

In addition, the unemployed can access mainstream support measures for business creation. ALTUM offers a programme called Start Programme, which is open to anyone over 18 years old who is interested in starting a business, has started a business within the last 3 years or is interested in starting a new business in another sector. The support provided includes free support with business plan preparation and implementation, training and subsidised loans.

Financial supports

*Microlending Programme*

The Microlending Programme is operated by ALTUM and is intended for new start-up and businesses with fewer than 10 employees and less than EUR 1.4 million in capital. The programme offers loans of up to EUR 14 228.72 at fixed interest rates of between 5% and 8%. Loan terms are typically up to 5 years. The loans cannot be used to pay tax or social security debt, or debts related to insolvency or legal proceedings. The total funding for the loans is approximately EUR 7 million and it issued approximately 650 loans. The programme ran until July 2015.

*Other financial supports*

ALTUM also offers an SME micro-credit programme that provides loans of up to EUR 25 000 with a 50% subsidised interest rate and a SME growth loan. It is unlikely that unemployed people would access these financial supports.

ASSESSMENT OF THE ENTREPRENEURSHIP SUPPORT MEASURES FOR THE UNEMPLOYED

Targeted entrepreneurship support for the unemployed in Latvia is limited to one programme – Measure for Commencing Commercial Activity or Self-employment. A summary of the strengths and
weaknesses of the programme, as well as the opportunities available and threats faced are summarised in Table 3.

Table 3. SWOT analysis of entrepreneurship for the unemployed

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Duration and intensity of support appear to be sufficient.</td>
<td>• Support is available to only a subset of the unemployed.</td>
</tr>
<tr>
<td>• Survival rates achieved are on-par with international good practices.</td>
<td>• Over-reliance on business plans as the centerpiece of support provisions.</td>
</tr>
<tr>
<td>• Combination of finance and consulting is effective at addressing individual needs.</td>
<td></td>
</tr>
<tr>
<td>• Staged support measures help ensure an effective use of public funds.</td>
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<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• There is room to use the support programme to encourage innovation.</td>
<td>• Budget pressures can threaten the programme.</td>
</tr>
<tr>
<td>• Coaching and mentoring could be added to the suite of support offerings to increase the chances of sustainability.</td>
<td>• Low number of applicants to the programme.</td>
</tr>
<tr>
<td>• Build on the strong monitoring of participants by undertaking more sophisticated programme evaluations that examine impact, effectiveness and efficiency.</td>
<td></td>
</tr>
</tbody>
</table>

Overall, the programme is working well. The results achieved suggest that the supports provided and the duration of financial support are both appropriate. Fewer than 10% of clients are considered unsuccessful in implementing their business plan, which is low for a targeted entrepreneurship support programme for the unemployed. 71% of participants who signed a contract to implement their business plan are still involved in their start-up 2 years after entering the programme, which is in-line with international good practice examples such as the Welfare Bridges in Germany (approximately 70%-90%) (OECD/EC, 2014). The Start-up Grant in Finland provides a daily grant of EUR 32.66 for 6 months, which can be renewed one or two times. In 2012, 41% of those businesses started in 2006 and 61% of those started in 2007 continued to operate (Stenholm and Aaltonen, 2012). In Germany, the various Welfare Bridge programmes achieved survival rates of 50% to 70% for five years, depending on the region and cohort (Caliendo and Künn, 2011; Caliendo, et al., 2012).

The success of the programme can be attributed to several factors. First, as with many international good practices, the combined provision of financial support and tailored training and business counselling support increases the chances of success for the businesses started by the participants. Use of a staged approach also ensures the commitment of each participant and requires that results are demonstrated before additional public support is provided. This ensures that the measure is more likely to be effective since support is, to an extent, based on results.
A second factor is the use of strong selection criteria for identifying participants. Most of the entrepreneurs who utilised this support programme had a higher education degree and some experience related to their business idea. This ensures a minimum skill level and also identifies potential participants who are capable of succeeding in learning. Past experience and the ability to learn greatly increase the chances of success for participants.

*Areas for improvement*

While careful participant selection has led to strong outcomes for the programme, the strong selection criteria also prevent the programme from having a more substantial impact on employment. The programme is very small and there is potential for more unemployed people to benefit from the financial support and training offered by this programme. Relaxing the entry requirements could open-up the programme to more people and lead to the creation of more businesses and jobs. In particular, one target group that could be further engaged are older unemployed people. This cohort of unemployed people typically has a wealth of experience in the labour market and well-developed networks that could be leveraged in self-employment. Further, this programme could be a tool to help keep older people engaged in the labour market and society, which could be part of the strategy for active aging that is expected to be developed in 2016.

A second area for improvement is that it relies very heavily on developing and implementing business plans. While business plans provide a good tool for developing business and implementing business ideas, they can become an academic exercise that overshadows the business idea. The programme could put more emphasis on developing value propositions (i.e. unique competitive advantage of each business, which could appear in later stages of business development and thus not included in business plans) to encourage both product and process innovations.

Looking forward, policy makers in Latvia should consider building on the strengths of this support provision to increase the quality of start-ups launched. This can be accomplished by encouraging innovative business ideas (even low-tech innovations) as already discussed. In addition, more tailored individual support could be offered to support the development of businesses and innovative ideas.

Coaching and mentoring could be included as part of the suite of support offerings during the first two years after business start-up. Coaching and mentoring have demonstrated success in developing sustainable businesses throughout the EU by transferring knowledge and expertise from experienced entrepreneurs to new entrepreneurs. An additional valuable component of coaching and mentoring for unemployed people starting a business is the personal development that occurs. Mentoring relationships in particular can increase participants’ self-confidence and providing experience that can increase their employability. Coaching and mentoring can be delivered at a low/no cost through the use of volunteers. The key to the success of coaching and mentoring programmes is ensuring an appropriate match between the coach/mentor and coachee/mentee. Programmes in the EU often match based on gender, age and sector.

Furthermore, the programme could consider developing co-operations with business incubators to provide more intensive individual support to those participants with innovative ideas. In addition to coaching and mentoring, incubators could add high quality business counselling and invaluable networking opportunities to the participants. This facilitates the identification of potential business
partners, suppliers and customers who have an important role in building sustainable businesses. However, this would likely require a greater operating budget for the programme.

The Measure for Commencing Commercial Activity or Self-employment has demonstrated success in support business creation for the unemployed. It is therefore time to consider scaling-up the programme so that it could have a greater impact on employment. To achieve this, the uptake will need to be increased. This calls for more targeted promotion, potentially a slight relaxing of the selection criteria and strengthen some of the details of the support provision. The planned new focus on youth will be a good first step to opening up the programme and increasing its scale.

International practices can be a source of inspiration in developing and adjusting policies and programmes. Box 2 provides a description of "Business start-up programme" in Austria which is also a support programme for those starting a business from unemployment. It could serve as a model for increasing the scale of the Measure for Commencing Commercial Activity or Self-employment. Box 3 provides a description of "Entrepreneurially into the world of business" in Slovenia, which is a programme for youth. It can serve as inspiration for the planned targeted efforts that focus on youth.

### Box 2. Inspiring international practice: Business start-up programme (Unternehmensgründungsprogramm), Austria

**Objective:** The Business start-up programme (Unternehmensgründungsprogramm - UGP) of the Austrian Public Employment Service (Arbeitsmarktservice Österreich - AMS) provides an integrated support package for unemployed people who aim to become self-employed. The main objective of the programme is the reduction of the unemployment by supporting unemployed people to start up their own business.

**Description:** The business start-up programme is implemented by different external management consultants in Austria. The support is structured into four phases: The clarification phase is a selection phase to check the feasibility of the business idea and to identify the personal requirements and the potential qualification needs. The preparation phase is the introduction to the business start-up programme that offers individual advice, business relevant workshops and individual qualification measures. In the realisation phase the participants start with their business, they can make use of additional consultancy and receive a start-up allowance for 2 months. After that, a follow-up phase with a check-up of the new business and consultancy is intended within 2 years after the start-up. The survival rate of the UGP start-ups from unemployment is at least as high as that of non-UGP business start-ups and the new businesses create further employment, although the majority of business start-ups are sole trader businesses (i.e. the business has no other employees).

**Relevance:** The programme uses a strong relationship with regional offices of the employment agency (AMS) to ensure that unemployed people are aware of the programme and the option of self-employment. However, unemployed people are not pushed into self-employment. This approach could be adopted in Latvia.

Additionally, as with the Measure in Latvia, one of the keys to success of the programme in Austria is the selection of participants. The process in Austria relies on a consultation, similar to Latvia, but there is less emphasis on education and a greater emphasis on the business idea and its potential for innovation and generating profits. This approach could be used as a model if the scale of the Measure in Latvia was increased.

### Box 3. Inspiring international practice: Entrepreneurially into the world of business, Slovenia

**Objective:** The Slovenian Project "Entrepreneurially into the world of business" ("Podjetno v svet
podjetništva") was designed by the Regional Development Centre (RCR) Zagorje of the Slovenian municipality Zagorje ob Savi, located in central Slovenia. It aims to enable unemployed youth (under the age of 35) to identify and exploit a business opportunity and to become self-employed, start their own company or find employment with another employer. The Project has the following main goals:

- Reduction of youth unemployment;
- Expansion of entrepreneurial skills;
- Creation of high quality jobs.

**Description:** The Project uses a model of training and mentoring to help participants acquire the core entrepreneurial competencies and implement their business ideas. The key actors involved in implementation are the Regional Development Agencies in Slovenia; organisations that deliver entrepreneurship training (e.g. local technology parks and business incubators) and experienced local entrepreneurs.

The Project has been implemented in three phases: i) local project in the Zasavje region in 2009-2012, ii) nation-wide project in 2013 implemented by each of 12 RDAs and iii) nation-wide project in 2014 implemented by each of 12 RDAs with an increased number of participants.

In the first phase, applicants had to submit an application form, fill out a questionnaire and provide their CVs, graduation certificates and proof of unemployment. 10 participants were selected by a committee that consisted of staff at the regional development agency and employment services and an experienced entrepreneur. Selection criteria included entrepreneurial potential, knowledge, motivation and interests, and most importantly the business idea and scope of realising it.

Participants are hired by the regional development agencies as public servants on the minimum salary (EUR 789 per month in 2014) but rather than working as an employee, they participate in a training programme that covers business plans, marketing, legal framework, accounting and finance. Each participant is also provided with a mentor, who is either an experienced entrepreneurship trainer or an entrepreneur from the local business community. Training is provided for 4 months and participants can access business advisory services for up to 1 year after their business start-up.

**Relevance:** This Project focuses on unemployed youth, which is the client group that the Measure in Latvia plans to target in the upcoming year. Several lessons can be learned from the experience in Slovenia. First is the success of volunteer experts to deliver training and mentoring to the unemployed youth. These experts have been effective and also provide the start of an entrepreneurial network for participants. However, the challenge is to identify and secure appropriate experts who will work pro bono. Several low-cost options could help provide an incentive, including a recognition dinner and awards ceremony.

Second, this Project was implemented in all 12 regions of Slovenia. Each region had flexibility to tailor the support provision to its local economy and needs. This approach would be beneficial in Latvia, both in terms of attracting participants and in terms of having an economic impact.

**CONCLUSIONS AND POLICY RECOMMENDATIONS**

The Measure for Commencing Commercial Activity or Self-employment is the only targeted entrepreneurship support programme for the unemployed in Latvia (although other mainstream support are also available to the unemployed). It provides an integrated offering that includes both financial
support and consultations to assist participants in developing and implementing a business plan. Although small in scale, the support is consistent with and the results achieved are comparable to international good practice. One of the key strengths of the programme is that the support is offered in a staged manner, as is the case in many international good practices. The combination of finance and consulting is effective at addressing individual needs and the duration and level of support appear to be sufficient.

The unemployed population is relatively small in Latvia, approximately 80 000 people, and only fewer than 5% of unemployed people across the EU become self-employed each year (OECD/EC, 2014). Thus it may not be cost effective to develop a comprehensive suite of support programmes to provide training or financial support for unemployed people seeking to create businesses (and they can access existing mainstream entrepreneurship training programmes). However, there is room to scale-up this programme since it has been successful and the number of participants (approximately 150-250 people per year) is well below the expected number of potential clients (i.e. 3% of 80 000 unemployed people, or approximately 2 400). This can be accomplished by improving promotion and outreach, as well as potentially relaxing entry requirements.

To open-up the programme, more attention should be given to recruitment. Rather than relying on online advertising, a more proactive approach could be taken that utilises partnerships with key stakeholders. For example, entrepreneurship workshops could be given by the chambers of commerce for the unemployed, older workers who already have skills and work experience. In addition, more targeted promotion could be done by the employment agency to increase awareness about entrepreneurship for the unemployed. More efforts can also be made in the regions outside of Riga.

In addition to increasing the scale of the programme, there is room to improve the quality of the support provided. First, more emphasis during the consultations could be placed on the business idea and innovation rather than focussing narrowly on the business plan. Second, those ideas that are the most innovative could be supported with coaching and mentoring to increase their impact in terms of job creation.

Policy recommendations

- Explore the potential to use the ESF to develop a network of entrepreneurship role models to inspire the unemployed and to demonstrate that they can be successful in entrepreneurship.

- Place a greater emphasis on business idea development during initial consultations and selection and encourage innovation (even within low-tech sectors).

- Use the ESF to incorporate coaching and mentoring into the support provision to assist those with high potential or innovative ideas. There may be scope to leverage existing support programmes for innovative entrepreneurs. Coaching and mentoring by experienced entrepreneurs can be delivered with very little cost by using volunteers. However, this approach would first require adjustments to Cabinet Regulation No. 75 117.

- Develop better linkage with business skills training measures for unemployed.
REFERENCES


