
DEVELOPING INCLUSIVE ENTREPRENEURSHIP STRATEGIES

HIGH-LEVEL CAPACITY BUILDING SEMINAR

Brussels, 27-28 June 2013

MODERATOR'S REPORT

Executive summary

Background

As part of efforts to promote growth and jobs, EU governments are looking at how potential entrepreneurs can be supported and encouraged to set up new businesses. The concept of 'inclusive entrepreneurship' takes this idea further to recognise that entrepreneurship can be a realistic and valuable option for all people, regardless of their personal characteristics and background. This includes people that may be considered as disadvantaged or under-represented in entrepreneurship activities, such as youth, seniors, women, ethnic minorities and immigrants, the unemployed and people with disabilities.

Inclusive entrepreneurship policies thus look to ensure that entrepreneurship support services reach the full range of potential business-starters. Such policies can look to address some of the specific challenges or barriers faced by groups that are currently less likely to become entrepreneurs. They can also include outreach initiatives to increase awareness of and motivation for entrepreneurship as a career choice amongst all population groups.

The Local Economic and Employment Development (LEED) Programme of the OECD, in co-operation with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission, has organised a series capacity-building seminars for national and regional policy makers on inclusive entrepreneurship policies. This report provides highlights and key findings from the capacity building seminar on developing strategies for inclusive entrepreneurship in Brussels, 27-28 June 2013.

The seminar used a mix of expert presentations and group work to facilitate peer exchanges on: the value of inclusive entrepreneurship; how it is currently promoted; the most significant challenges; the key components of developing strategies; and how EU funds can be harnessed to support inclusive entrepreneurship more effectively. It was attended by 18 policy makers working within national ministries and regional authorities from across the EU (including Croatia).

The seminar was moderated by Peter Ramsden and featured introductions by Marco Fantini from the European Commission and David Halabisky from the OECD. Expert presentations were delivered by:

- Petra Edina Reszkető of the Budapest Institute for Policy Analysis presented a case study example of the KIUT microcredit programme aimed at enabling people living in extreme poverty (particularly Roma) to become self-employed
- Klaas Molenaar, Professor of Financial Inclusion and New Entrepreneurship at The Hague University of Applied Science, presented on integrated business development support systems for inclusive entrepreneurship
- Resa Koleva, a Policy Officer in the ESF Policy and Legislation Unit of DG Employment, Social Affairs and Inclusion, European Commission presented on on-going negotiations for the 2014-20 funding cycle of the ESF
- Bettina Reuter of the German Federal Ministry of Labour and Social Affairs presented the work and outcomes of the Community of Practice on Inclusive Entrepreneurship (CoPIE)
- Malgorzata Lublinska of the Polish Ministry of Regional Development presented a case study example of ESF funding for inclusive entrepreneurship in Poland under the 2007-13 Operational Programme

Observations on inclusive entrepreneurship

A discussion on the current state-of-play in the EU identified several issues in developing inclusive entrepreneurship policies and understanding their potential to achieve economic and social objectives:

- There is a lack of a clear and shared understanding among many stakeholders of what inclusive entrepreneurship is; it is often confused with other concepts such as social entrepreneurship.
- Entrepreneurship is not for everybody. However members of under-represented and disadvantaged groups may have viable business ideas but may have difficulty obtaining the support they need to start a business. Disadvantaged groups include the long-term unemployed, the low-skilled and some minority populations such as Roma. Under-represented groups include young people, older people and women.
- Inclusive entrepreneurship policies aim to offer a pathway into employment, reduce poverty and improve social inclusion. It also has the potential to create additional jobs for others.

Challenges for achieving successful inclusive entrepreneurship strategies

Participants also identified some of the key challenges that they have already faced or can foresee for the successful implementation of policies and strategies to achieve inclusive entrepreneurship:

- Inclusive entrepreneurship policies can emerge from different policy agendas, including active labour market policies, social inclusion and education. While this creates many opportunities, it also creates a need to ensure policy coherence to achieve the full potential of inclusive entrepreneurship; isolated interventions are more costly and less likely to succeed.
 - There are a tremendous number of groups, bodies and individuals with a potential stake in developing effective inclusive entrepreneurship strategies, from European, national, regional and local policy-makers, via education and training institutions, business support services, NGOs and (potential) entrepreneurs themselves. This presents challenges in co-ordinating actions and avoiding duplication.
 - Programmes and support services that aim to promote inclusive entrepreneurship can end up being used in practice to support people who are not necessarily the main targets of such approaches, including people from relatively privileged social or educational backgrounds. This may signal a need to adjust outreach methods or entry criteria.
 - Inclusive entrepreneurship policies need to be complemented with wider actions that support the general conditions for entrepreneurship, including the development of positive attitudes towards entrepreneurship, a culture that accepts and encourages entrepreneurship and support regulatory and institutional frameworks. The absence of these conditions may undermine targeted inclusive entrepreneurship policy actions.
 - An evidence base that clearly shows which policy approaches are efficient and effective is under-developed. Many policy makers use experimental approaches but collect only subjective assessments from participants without conducting more rigorous statistical analysis that measures the costs and benefits, impacts and displacement effects of the policy action.
 - The European Social Fund and other EU funds can be used to promote and support inclusive entrepreneurship schemes but awareness of the potential to use these funds is low among member states. Participants suggested a need for more support in using EU funds for inclusive entrepreneurship.
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Key messages – developing successful inclusive entrepreneurship strategies

1. Integrated strategies to promote inclusive entrepreneurship should be developed rather than a series of unconnected policy actions. Existing policies are typically fragmented across different types of actions – awareness raising, training, financing, coaching etc. – and across different actors – central, regional and local government ministries, mainstream business support providers and specialist agencies. Successful inclusive entrepreneurship strategies should include both financial and non-financial supports.
 2. Strategies should be comprehensive of all the relevant actions and organisations for disadvantaged and under-represented groups and connected to mainstream business support. Stakeholders should be involved in the process of designing, implementing and adjusting the strategy.
 3. Better co-ordination is needed to fill gaps and bottlenecks in support, improve the referral of clients to relevant actions, and increase the sustainability, quality and cost-effectiveness of support. Co-ordination can be improved through introduction of an integrated entrepreneurship strategy, a single co-ordinating agency, and a first-stop shop for client referral.
 4. Coordination and co-operation between the different Ministries at the national level, regional levels of government, and relevant agencies, organisations and other stakeholders is essential to ensure the delivery of coherent strategies to promote inclusive entrepreneurship.
 5. Public authorities developing inclusive entrepreneurship strategies need to have a good understanding of which services already exist. This can guide them to develop interventions that complement existing service provision, notably by filling gaps.
 6. While innovative approaches to inclusive entrepreneurship policy should still be explored, it is important to transfer and scale-up initiatives that have already proved themselves successful. Efforts to improve the quality of objective evidence of what works in promoting inclusive entrepreneurship will be useful in this context.
 7. Strategies and policies need to consider the different models of entrepreneurship, including ‘hybrid entrepreneurs’ – that is individuals carrying out small-scale entrepreneurial activities, whether as a combination of several such activities or on top of a formal job or welfare payments.
 8. EU funds - particularly the ESF - should be leveraged by the appropriate managing authorities to support inclusive entrepreneurship objectives. ESF regulations and Operational Programmes should facilitate this leveraging, ideally by creating clear opportunities for supporting coherent strategies covering multiple policy strands.
 9. For those managing authorities interested in the topic of inclusive entrepreneurship, transnational exchange of good practices has proven to be beneficial in the past.
 10. The Community of Practice on Inclusive Entrepreneurship (COPIE) has developed a diagnostic tool for understanding how new policy actions fit within the existing environment, involving stakeholder identification and engagement as well as issue identification. This tool was designed specifically for inclusive entrepreneurship policy.
 11. Action planning with stakeholders helps to identify the most appropriate objectives and options for policy intervention leading to a consensus view on the key actions that should be promoted and a more integrated approach across organisations. Stakeholders should also be assigned agreed roles and responsibilities for policy delivery.
 12. Robust project selection processes are needed to ensure that the correct policy actions are selected including pre-identified project scoring systems and evidence on expected impacts and costs. A process should also be introduced to support the scaling-up and replication of the most successful local policy experiments.
 13. Quality management procedures applied to programme intermediaries such as training organisations and business service organisations help to increase their effectiveness and efficiency. They should include the training and accreditation of front-line trainers and advisers.
 14. Evaluation is a key tool that should be used at different stages of the policy cycle to provide information on relevance, effectiveness, efficiency, sustainability and process management. A range of methodologies can be used, but it is often effective to incorporate both quantitative and qualitative methods.
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Inclusive entrepreneurship – an introduction

As part of efforts to promote growth and jobs, European governments are looking at how potential entrepreneurs can be helped and encouraged to set up new businesses. The concept of 'inclusive entrepreneurship' takes this idea further to recognise that entrepreneurship can be a realistic and valuable option for all people, regardless of their personal characteristics and background. This includes people that may be considered as disadvantaged, socially excluded, discriminated against or far from the labour market.

Its value is in opening up access to entrepreneurship to people who might otherwise find it difficult to access employment or raise themselves out of situations of poverty or exclusion. Inclusive entrepreneurship seeks to enable people to take control of their professional life rather than remaining dependent on someone else to employ them. It also recognises that its success will have wider benefits for communities and the economy.

However, it is also clear that inclusive entrepreneurship will not reach its full potential without supporting interventions. Inclusive entrepreneurship policies thus look to ensure that entrepreneurship support services reach the full range of potential business-starters. Such policies can look to address some of the specific challenges or barriers faced by groups that are currently less likely to become entrepreneurs, whether these be financial, social, cultural, educational or personal. They can also include outreach initiatives to increase awareness of and motivation for entrepreneurship as a career choice amongst all population groups.

Seminar introduction

The Local Economic and Employment Development (LEED) Programme of the OECD, in co-operation with the European Commission, has organised capacity-building seminars for European policy makers on developing inclusive entrepreneurship strategies. This report provides highlights and key findings from the capacity-building seminar led by the thematic expert Peter Ramsden in Brussels, 27-28 June 2013.

The seminar was attended by 18 policy makers working within national ministries and regional authorities from across the EU (including Croatia). It aimed to increase their awareness of inclusive entrepreneurship issues, share good practice and increase capacities in designing and developing inclusive entrepreneurship policies and strategies. It sought to address the following key subjects within the inclusive entrepreneurship policy agenda:

- 1) Effective policies
- 2) Appropriate stakeholder involvement
- 3) Creating integrated and self-reinforcing programmes
- 4) Potential funding streams (regional, national and European) for policy implementation
- 5) Conditions for success

The seminar was held over one-and-a-half days. It was based on a mix of group discussions, workshops and presentations. The workshops asked participants to: identify the range of stakeholders for the development of effective inclusive entrepreneurship strategies; describe current strategy cycles and how these can be improved; and consider how inclusive entrepreneurship can be included in programming of the European Social Fund (ESF). Presentations covered case studies of approaches to promoting inclusive entrepreneurship from different EU countries, the components of integrated support systems and latest news on the 2014-20 ESF funding cycle.

Introductory remarks and expectations

The facilitator, Peter Ramsden presented the seminar agenda and highlighted the need to consider the breadth of financial and non-financial support options to foster inclusive entrepreneurship and the real challenge of coordinating such policy approaches between different Ministries and agencies. He reminded participants that not everyone can be an entrepreneur, but that the potential pool is still large. There is an increasing interest in the possibilities for entrepreneurship amongst under-represented groups including women, youth, seniors, ethnic minorities, Roma, people with disabilities and the unemployed.

Marco Fantini (Deputy Head of Unit, Sectorial Employment challenges, Youth Employment and Entrepreneurship at Directorate-General for Employment, Social affairs and Inclusion, European Commission) spoke of his optimism about the initiative to bring together practitioners to exchange experiences and learning around promoting inclusive entrepreneurship. He highlighted that the Commission has been trying to support social entrepreneurship and more recently inclusive entrepreneurship, but that the policy field is still quite new both for the Commission and many Member States. There is a lack of quality data to draw policy conclusions, but much can be learned from the work that has already taken place in different countries.

David Halabisky, (economist in the Local Economic and Employment Development (LEED) Programme of the OECD) highlighted that the seminar is part of a series of capacity building seminars that are seeking to build a European network of senior policy-makers and practitioners to promote inclusive entrepreneurship. The initiative has produced policy briefs on youth entrepreneurship, senior entrepreneurship and social entrepreneurship, which are available on the project website: www.oecd.org/cfe/leed/inclusive-entrepreneurship.htm

Participants spoke of their expectations for the seminar. The common themes were:

- a) to further investigate the value of inclusive entrepreneurship
- b) to learn how other countries addressed the issue of inclusive entrepreneurship
- c) to find out which policy responses and outreach initiatives were the most effective
- d) to examine non-financial support instruments
- e) to explore how strategic planning could be managed and coordinated between the different Ministries that might be involved (such as Social Affairs, Labour, Economy and Education)

These aspects were identified as important for informing the elaboration of new programmes containing new approaches and activities.

The current state of play

Participants discussed their understanding of inclusive entrepreneurship, what they were currently doing to support its achievement and the main issues and challenges they faced in this regard. Some key themes emerged:

- There is still a lack of a clear and shared understanding amongst many relevant stakeholders of what inclusive entrepreneurship is and how it can be supported. It seems to be often used incorrectly as synonymous with other concepts such as social entrepreneurship. One participant highlighted the difficulties this poses for realising the full potential of inclusive entrepreneurship strategies.
- Countries tended to be relatively clear in their identification of the key target groups for 'inclusive' policies. The most commonly cited were:
 - a) Long-term unemployed
 - b) Young people
 - c) Migrants
 - d) Seniors
 - e) People with disabilities
 - f) Women
 - g) Roma
 - h) Low-skilled
- However, group discussion highlighted that these 'inclusive' policies were often limited to labour market activation. In this context, entrepreneurship is usually included only indirectly or in a minor way as part of broader employment objectives.
- Business and entrepreneurship support is often provided after screening to identify the most likely successes, which in many cases has eliminated the potential targets of inclusive entrepreneurship precisely because of the disadvantages they face.
- An issue with target-group approaches is that such broad categories are often only a rough proxy for the support needs or levels of disadvantage and exclusion of individuals. Inclusive entrepreneurship strategies that only reach privileged and highly educated women, young people and seniors etc. cannot truly be considered to be successful in the context of inclusion. At the same time, the support needs of people experiencing multiple disadvantage can be missed or underestimated by approaches that focus on one or another group only.
- There are often many Ministries involved in different programmes or initiatives which can be seen as relevant to inclusive entrepreneurship objectives – whether explicitly or implicitly. This creates a tremendous challenge for achieving a coherent approach across these Ministries and increases the likelihood of information and support 'gaps' that miss key potential targets. For some countries – notably the larger ones – divisions of responsibility between national and regional levels add to this challenge.
- Another challenge of strategy building was the availability or otherwise of services from relevant financial institutions, business support bodies, NGOs and other service providers. For example, it can be difficult to finance micro-loans when banks and other financial institutions are not interested, as is the case in Slovakia amongst other countries. At the same time, it is important that public sector initiatives do not duplicate or replace services that are already being provided.
- Partly due to the difficulties of developing coherent strategies, the most common approach to policy-making has been to develop isolated initiatives in response to a particular need, often identified in consultation with specific target groups. For example, when research in Slovenia showed that young people lacked self-belief in starting a business they introduced an initiative for education establishments to promote entrepreneurial attitudes and belief.
- In most cases there is a lack of objective data of what has worked best in promoting inclusive entrepreneurship. In particular, there is a lack of comparative analysis of the respective costs and benefits of different approaches. Instead, assessment has often been a relatively subjective process. In many cases, initiatives are implemented on a trial-and-error basis and are continued, modified or abandoned on the basis of levels of satisfaction from the service users – and not in terms of their actual impact. The objective of many policy-makers was to find initiatives that got good responses from the target groups and could thus be 'sold' to politicians as good practice.
- Although there are many possible approaches for using ESF money to promote inclusive entrepreneurship, the Operational Programmes - and other related documents – could do more to support policy makers in understanding how coherent and multi-faceted inclusive entrepreneurship strategies can be supported.

Expert presentation and discussion:**Inclusive Entrepreneurship and (the financing of) Business Development Services**

Klaas Molenaar Professor on Financial Inclusion and New Entrepreneurship at The Hague University of Applied Science led a discussion with participants and provided a slide presentation and background paper. He identified enterprise education as an essential need for the promotion of entrepreneurial attitudes and confidence amongst all groups, including the under-represented and disadvantaged groups. This needs to be integrated into mainstream education and include appropriate careers advice and financial education.

Good practice example - SEECEL

The South East European Centre for Entrepreneurial Learning is an initiative of the Ministry of Economy, Labour and Entrepreneurship of Croatia. It has promoted structured co-operation on lifelong entrepreneurial learning amongst the countries of South-Eastern Europe since 2007. It has specifically focused on: an early start in entrepreneurial learning; entrepreneurship in higher education; training needs analysis; and female entrepreneurship.

It aims to become a European Centre of Excellence and reference on the subject of entrepreneurial education.

Access to finance can be a specific concern for these target groups looking to develop a business. Banks have typically avoided such micro-enterprises or sole-traders through lack of capacity, financial guarantees or credit history to meet the banks' criteria. Micro-finance has become a relatively fashionable alternative option, whilst some communities have established peer lending initiatives. In any case, there is recognition that providing finance can overcome a major hurdle for many people, but is not a sufficient condition for achieving inclusive entrepreneurship.

There are three main types of services that can be considered relevant in providing additional support beyond access to finance: client development services are about raising awareness for the client about their own situation; entrepreneurship development services which raise awareness about entrepreneurship as a career choice; and business development services which support existing small business owners to improve their operations. It is important to understand the differences between them and what each type can achieve in order to develop effective strategies aimed at the target groups.

Furthermore, even where a service theoretically offers something useful, many of the target groups can find they do not meet the criteria to access them. Some services are explicitly unavailable for the relevant target groups based on defined criteria, whilst others are effectively unavailable because of discrimination by service providers or lack of understanding on either side of the support relationship.

Mentors, can be one of the most effective means of providing business development services to entrepreneurs from disadvantaged groups. They can be paid (when they may also be termed 'coaches') or unpaid, however it is essential that they are trained, otherwise they risk failing to understand the actual support needs of the mentee. It is also important that people can choose their own mentor and not come under pressure from the funding organisation to go with a particular individual who may not be appropriate. In many cases, it can be useful to have a mentor that has also overcome some of the challenges faced by the target individual. Peer support and the possibilities offered by social networks and the Internet can also be interesting in this context.

Good practice example – Grunder coaching

Germany has a system of vouchers for start-up businesses. These can be easily coordinated with microloans so that a voucher is handed out when a loan is given. The vouchers can then be used by the loan recipient to pay any qualified coach that they want to provide them with support. Users can leave a review of their coach afterwards to help others make their choice.

However, it is planned to cut the funding for the Grunder coaching initiative under the new programming period 2014-20.

[https://www.kfw.de/inlandsfoerderung/Unternehmen/Gr%C3%BCnden-Erweitern/Finanzierungsangebote/Gr%C3%BCndercoaching-Deutschland-\(GCD\)/](https://www.kfw.de/inlandsfoerderung/Unternehmen/Gr%C3%BCnden-Erweitern/Finanzierungsangebote/Gr%C3%BCndercoaching-Deutschland-(GCD)/)

Table 1: Three types of support services for small, micro and self-employed enterprises (source K. Molenaar)

Business Development Services			
	Client Development (orientation) Services (CDS)	Entrepreneurship Development Services (EDS)	Business Development Services (BDS)
Characteristics of services	Raising awareness among clients on basic personal (financial) situation. Generally aimed at preventing harmful situations (e.g. over-indebtedness, unhealthy environments). Clients are often in survival mode and not in a position to pay for these services.	Helping individuals to raise awareness on entrepreneurship as a career choice and to prepare for start of their own business. Also basic business skills training. Focus on clients aspiring to set-up a business from a positive choice rather than from necessity.	Supporting existing small business owners to improve their operations, ranging from business advice, technical skills training and linking entrepreneurs to markets.
Target group			
Small enterprises	<ul style="list-style-type: none"> Information services Databases 	<ul style="list-style-type: none"> Enterprise Education (at vocational training and polytechnic levels) Business creation programmes 	<ul style="list-style-type: none"> Management training (including business development and planning) Business advice/information Technical skills training (formal) Supply chain/market access Innovation programmes Sector/market studies Infrastructure Business associations
Micro enterprises	<ul style="list-style-type: none"> Financial literacy programmes 	<ul style="list-style-type: none"> Enterprise Education (at vocational training level) 	<ul style="list-style-type: none"> General orientation/information General business advice Coaching and mentoring
Self-employed	<ul style="list-style-type: none"> Financial literacy programmes 	<ul style="list-style-type: none"> Information (self) tests 	<ul style="list-style-type: none"> Personalised advice Informal training Mentoring Web-based information
Income generation for survival	<ul style="list-style-type: none"> Financial literacy programmes 	<ul style="list-style-type: none"> Orientation/information 	<ul style="list-style-type: none"> General counselling

An important target group for achieving inclusive entrepreneurship ambitions is people who are already carrying out self-employment or entrepreneurial activities in the informal economy – often in addition to other economic activity. Such people are unlikely to be thinking in terms of business plans or seeking business support. Nor would they necessarily benefit from fitting themselves into such an approach. Indeed, they may try to avoid such services for fear of losing out in the process of formalising their activity.

It is therefore essential that the support services adapt to the actual needs of the target groups for inclusive entrepreneurship. Notably, they must start to recognise and understand non-conventional entrepreneurial activities, including informal, part-time or small-scale activities. It is essential that services move to encourage people who have started small informal activities, rather than forcing them to stop 'illegal' activities or jeopardising the sustainability of the activity through a rushed formalisation process. Additionally, people who have maybe two or three completely separate activities should also be helped even when none of these activities is, on its own, sufficient to meet current support criteria.

Finally, the costs of support services must be considered. When the businesses supported have a very small turnover, it may not be appropriate to provide a full support service. Instead small scale support services can help these entrepreneurs. Nor can individuals from the target groups be expected to cover the (full) costs of support services, at least to begin with. In this context, it is important to identify funding priorities, how to leverage European funding and how to replicate and scale-up those approaches that have been found to be successful and cost-effective.

National and regional authorities need to have the above issues in mind when designing their programmes, specifically:

- a) which kind of business activities they want to see supported
 - b) who their target groups are and how to assess their needs
 - c) the variety of (financial and business support) services available
 - d) which services are most appropriate for which individuals or business activities
 - e) the positioning and priorities of existing (financial and business support) agencies
 - f) which services authorities can offer themselves and which need to be outsourced
 - g) which EU funding streams can be leveraged for additional support
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Case study:**KIUT microcredit programme – Hungarian Roma inclusion project**

Petra Edina Reszkető of the Budapest Institute for Policy Analysis presented the KIUT microcredit programme aimed at enabling people living in extreme poverty – particularly, but not exclusively Roma - to become self-employed. The programme followed the Grameen model under which unsecured micro-loans are given to groups who use peer pressure as well as peer support to ensure good financial discipline and the development of a good credit reputation for the group. The loans were supported by group mentors and community work including community meetings, family visits, group meetings, business planning sessions and training. It was co-funded by the Polgar Foundation and as a DG REGIO Pilot Project on Pan-European Coordination of Roma Integration Methods - Roma Inclusion.

Typical clients had profiles such as the following:

- a) A former heavy industry worker in long-term unemployment due to loss of physical capacity, but who is starting to raise chickens and could develop this activity into a profitable business
- b) A wife with a husband in long-term unemployment who stopped work with her first child and has been surviving on social benefits, but who has the ambition to set up a shop in her village
- c) A man who has been providing handyman and metalwork services to friends and neighbours in return for payment, but only as a 'hobby' and who fears formalising his 'business' or engaging with tax authorities or employment services.

The programme started by screening 202 settlements and over 900 individuals to identify profiles suitable for inclusive entrepreneurship support. Mentors went into villages and spoke with people to understand the local realities and raise awareness of the support opportunities. From this scoping work, 138 clients were chosen from 44 settlements. Groups were formed, supported by mentors with the hope of creating sustainable networks of inclusive entrepreneurship.

There was an ongoing external evaluation carried out of the programme (by the speaker) and much learning was extracted. The presenter highlighted the following key points:

- It is difficult to find a really good mentor – they need to be almost a businessperson and social worker combined able to provide expertise and understanding – ideally they also live in the region. Mentors also require some supervision to ensure that they are really doing what they claim.
- The time needed to support a person to entrepreneurship – and therefore the costs - were higher than anticipated.
- The demands placed on mentors lead to relatively high turnover.
- Mentors tend to become very attached to the groups they are working with, so it is usually best for someone else to be making the hard financial decisions about loans and repayments.
- Even with support, not everyone can be an entrepreneur – already this pilot project started to move away from the poorest and most marginalised. It is important to assess entrepreneurial potential and motivation. Another notable issue is that potential entrepreneurs need a market and this does not exist locally if their neighbours are also poor and marginalised; they usually need to be able to access wider markets.
- The administrative and financial burden of becoming a 'formal' entrepreneur is high with several certificates and licences needed – this means an almost certain income loss when moving from informal activities unless a welfare bridge can be provided or costs waived.
- It was difficult to coordinate the efforts and activities of the programme with existing support services and networks – both governmental and non-governmental. This creates information and support gaps. Furthermore, isolated interventions are more costly and less likely to succeed.
- More needs to be done to encourage existing services to be non-discriminatory so that they do not dismiss out of hand approaches from marginalised groups such as Roma.

At first there was a very high failure rate for loans provided by the programme of around 90%. However, by taking on board some of the learning points set out above, the failure rate had dropped significantly to 40% by the end of the second year. The programme introduced a crisis fund and crisis mentors to help many groups recover and in other cases moved away from groups that had become unfeasible options. The Hungarian Government promised to continue the programme, but a change of government ended that agreement. The Polgar Foundation has provided more funding, but more is needed. The ESF was mentioned as a potential funding source.

Group discussion – the key stakeholders in inclusive entrepreneurship strategies

Participants were asked to identify all the stakeholders that could be relevant to developing a coherent inclusive entrepreneurship strategy. The resulting list was then grouped to form a logical overview of the range of stakeholders from international policy bodies to the clients themselves. This was agreed as follows:

International policy bodies	National authorities	Regional and local authorities	National support bodies	Local support services	Clients
European Commission	Ministry of Economy/Finance	Municipalities	Chambers of Commerce/ Crafts	Business angels	Women
OECD	Ministry of Employment/Labour	Regional Development Agencies	SME associations	Incubators	Long-term unemployed
	Ministry of Trade and Industry	Public employment services	Employers organisations	Business Information Centres	Young
	Tax office	Social welfare centres	Enterprise education institutions	Education and training institutions	Seniors
	Agency for social inclusion	Public financing organisations	Private financial institutions	Social NGOs	People with disabilities
			Business support institutions	Role models	Migrants
			Universities and research organisations	Communities – local action groups – LEADER	Low-skilled
			Wider education system	Accountants and business service providers	Roma

Expert presentation and discussion:**CoPIE - The Community of Practice on Inclusive Entrepreneurship**

Bettina Reuter of the German Federal Ministry of Labour and Social Affairs presented the work and outcomes of the Community of Practice on Inclusive Entrepreneurship. A Community of Practice is a group of people with a shared interest who agree to work together to share information and experiences to gain knowledge in their field. The Community of Practice on Inclusive Entrepreneurship – known as CoPIE – was a grouping of Managing Authorities and Implementing Bodies of the European Social Fund at national and regional levels in Europe with a shared interest in transforming the policy environment so that entrepreneurship can become a natural choice for people from all parts of society.

The members of CoPIE shared a belief that entrepreneurship has the potential to unleash the creativity and energy of millions of people in Europe. It was thus focused on identifying how the ESF and ERDF (European Regional Development Fund) could better support this. The work was funded by the European Commission and the Member States following approval by DG Employment, Social Affairs and Inclusion in April 2009. It was mostly aimed at policy-makers – with ten national and regional partners - although events were held engaging a broader range of stakeholders.

The CoPIE Partners

The CoPIE Partners	
Lead partner	Federal Ministry of Labour and Social Affairs in Germany (the ESF unit).
Core partners	Regional Ministry of Industry and Employment of Asturias (Spain)
	Ministry of Labour and Social Affairs of the Czech Republic
	ESF Agency of Flanders (Belgium)
	Ministry of Labour and Social Affairs of Spain
Partners	Regional Ministry of Employment of Andalusia (Spain)
	Regional Ministry of Equality and Employment of Extremadura (Spain)
	Regional Ministries of Galicia (Spain) (Economy and Industry; Labour; Treasury)
	Ministry of Social Security and Labour of Lithuania
	ESF Agency of Wallonia (Belgium)

CoPIE built on previous experiences, notably through the EU Community Initiative EQUAL, which produced four policy briefs on inclusive entrepreneurship: culture and conditions; integrated business support; appropriate business finance; and consolidation and growth. The demand and interest in the Community of Practice was tested with a pilot initiative, 2006 – 2008.

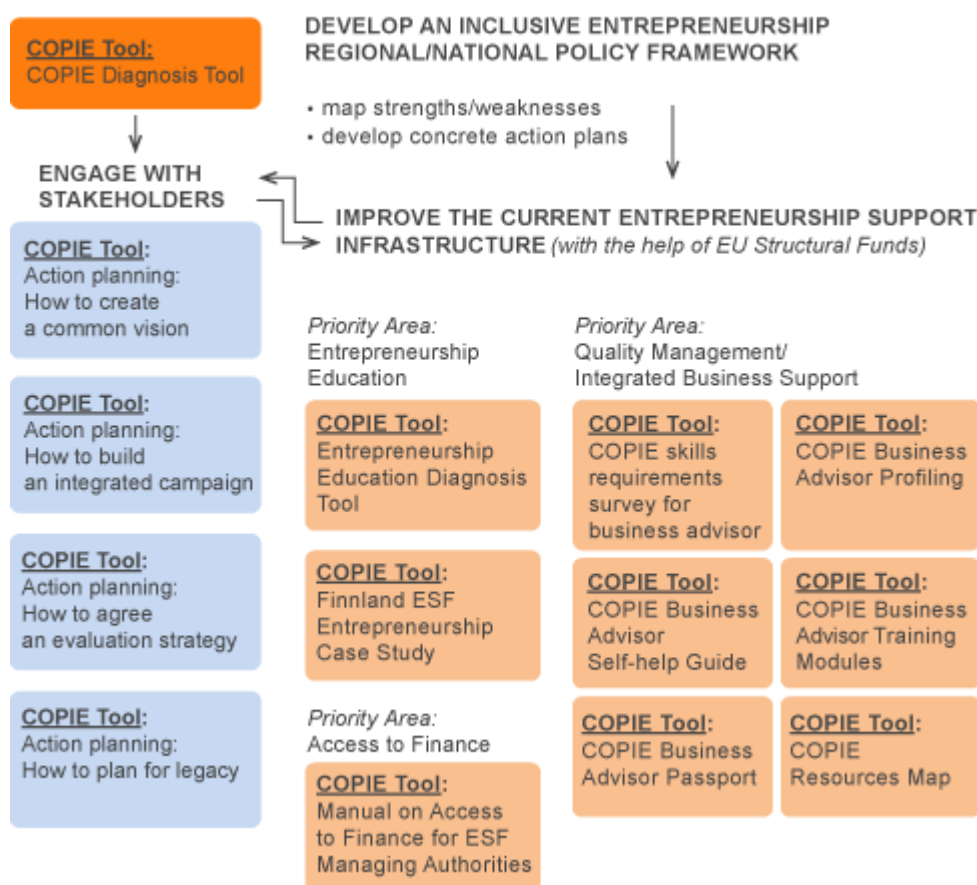
CoPIE formed working groups to examine four interrelated issues linked to the themes of the EQUAL policy briefs, each supported by a hired thematic expert:

1. Entrepreneurship culture
2. Policy framework
3. Start-up support
4. Access to finance

CoPIE members agreed that it was important to follow a policy cycle, in which entrepreneurship policies/policy frameworks are designed with stakeholder engagement, the strengths and weaknesses of these support structures and services later assessed and the learning fed back into the cycle. The working groups followed this approach by holding exchange events around the relevant themes for their members, leading to the elaboration and then testing of action plans in the participating regions and lessons discussed again in the transnational exchange process. The different experiences brought by the partners were crucial to the knowledge development of the group as a whole.

The group elaborated a number of tools to support this policy cycle and the elaboration of effective inclusive entrepreneurship strategies. These have been brought together to make up the CoPIE Toolkit for Inclusive Entrepreneurship. The tools cover a range of issues, including diagnosis of existing strengths and weaknesses, creating a common vision, training modules for business advisors, accessing finance for ESF managing authorities and planning for legacy:

The COPIE Toolkit



The full CoPIE Toolkit for Inclusive Entrepreneurship is available to be downloaded from the CoPIE website: www.cop-ie.eu

The original and perhaps most important tool is the diagnostic tool for assessing how well the enterprise support system is working. It asks business advisers, policy makers and entrepreneurs to score different support services against a set of statements, with the possibility of adding explanatory comments. Differences in the responses provided highlight areas where policy-makers and business advisors may think that support is working well, but service users are actually disappointed. The assessment leads to a traffic-light assessment of services, through green, amber and red – see diagram below. Its implementation was estimated to cost no more than around 10 000 EUR.

Figure 1: an example of a traffic light scoring from the CoPIE diagnostic tool

ENTREPRENEURS									
Start Up support	no specific target group	Unemp-loyed	Women	migrants and ethnic minorities	50 plus	Young people under 30	People with disabilities	Social Enterprises	Average score
The advice system is easy to access and to get around	2.00	4.00	2.88	2.00	2.25	3.78	4.00	2.00	2.86
The business support available is friendly and answers my needs	1.00	4.00	3.38	2.50	3.25	4.00	2.00	2.00	2.77
I have had access to a mentor	1.00	3.60	3.00	2.50	2.50	3.44	1.00	1.00	2.26
Specialised training and materials are available which meets my needs	1.00	3.00	2.88	3.00	3.00	3.00	3.00	3.00	2.73
It is possible for me to obtain recognition and accreditation for training and experience which reflects my real skills	2.00	3.00	2.25	1.00	2.00	3.00	2.00	2.00	2.16
There are affordable business premises with easy to enter conditions (short leases, etc)	1.00	3.40	2.13	2.50	1.50	3.11	1.00	2.00	2.08
AVERAGE SCORE	1.43	3.40	2.82	2.21	2.43	3.32	2.14	2.29	2.50

The CoPIE Access to Finance Manual is aimed at showing regional and national Managing Authorities how to include access to finance in the ESF operational programmes. It specifically looks at defining the place of microfinance in the inclusive entrepreneurship strategy and how to build and implement microfinance support programmes using ESF. Ms Reuter highlighted the need for managing authorities to think creatively about the technical assistance in their programmes to find ways to work with other regions and draw on the expertise available.

Discussion agreed that the toolkit could be very useful for national and regional authorities to identify the gaps and areas for improvement in their enterprise support systems and to promote inclusive entrepreneurship within their National Reform Plans and their ESF and ERDF Operational Programmes.

Good practice example – CoPIE toolkit

The Regional Authority of Flanders (Belgium) successfully used the diagnostic tool to identify areas of strength and weakness in existing entrepreneurship support. The 360-degree assessment from clients, business advisers and policy-makers provided a robust assessment that helped convince the Treasury to increase specific support for the target groups of inclusive entrepreneurship.

Expert presentation and discussion:**The European Social Fund – Current stage of planning for the next financing period**

Resa Koleva, Policy Officer in the ESF Policy and Legislation Unit, of DG Employment, Social Affairs and Inclusion, European Commission provided an update on the state of play with ongoing negotiations for the 2014-20 funding cycle of the ESF. She highlighted that the ESF is the only European financial instrument investing in human capital. It is therefore a key target for managing authorities looking to promote inclusive entrepreneurship.

There have been delays in agreeing the Common Provisions Regulation (CPR) covering five European structural funds, including the ESF. This means consequent delays on finalising the specific regulations for each fund. When the regulations are agreed, Member States will have to draft the Operational Programmes (OPs) relatively quickly and the same is true for the analysis of the OPs that the European Commission will conduct.

It is hoped that the CPR will be adopted by the Council in the autumn of 2013 with the Operational Programmes in place by summer 2014. In the meantime, the Commission is working to get pre-financing agreements in place for the Member States around programmes such as ESF and youth employment. It is also preparing guidance on Joint Action Plans and thinking about delivering tailored seminars for national administrations – which could be developed according to demand. But the reality is that some Member States are more interested in Joint Action Plans than others.

The Commission had asked for ESF to receive a minimum share of 25% of the wider Cohesion budget. A recent agreement between the European Council and European Parliament was for 23.1%. This equates to 72 billion EUR, which is less than the current (2007-13) ESF package and obviously means that difficult decisions will have to be made on prioritisation as authorities try to do more with less. It has been agreed that within each Member State, a minimum of 20% of ESF should be spent on social inclusion objectives.

Ms Koleva explained that the Commission feels that the openness of the draft objectives is going to leave possibilities for managing authorities to align actions according to their own investment priorities. There will be a lot of scope to support inclusive entrepreneurship for those authorities that wish to do so, whether through education, business support, employment, social inclusion, the social economy or other angles. The Commission is trying to promote synergies between the different funding programmes and to raise awareness of the fact that actions do not have to be limited to one objective or one programme.

At the same time, discussion revealed that some participants wanted the Commission to be clearer in stressing the objective of inclusive entrepreneurship and how it can be supported under the different objectives of the European structural and cohesion funds. For example, participants highlighted they were not clear about how to use ESF money to address the issue of self-employment mentioned under thematic objective 3 around SMEs. This is because ESF money supports individuals, but SMEs are companies; so the funding does not seem to be compatible with the objective.

Ms Koleva highlighted that the Commission is also looking at promoting financial instruments, such as a micro-finance instrument, under the ERDF. They are hoping to develop instruments that deliver smaller and more flexible investments compared to existing instruments such as JESSICA and JASPER. Again, it was highlighted that it will be up to Member States to deliver this funding on the ground and determine many of the conditions for access. Ms Reuter highlighted that Germany had developed a small micro-finance programme under EQUAL and that it was possible to use ESF money for such initiatives.

Participants raised additional issues that they felt were important for the future of ESF spending:

- Some participants wanted stricter ex-ante conditionalities regarding entrepreneurship to put managing authorities under pressure to do more. However, others felt that there were advantages of having more relaxed conditionalities because it allowed countries that are not so advanced in the field of entrepreneurship to develop their work with European funding.
- Transnational exchange was identified as a crucial issue for future work around inclusive entrepreneurship and worthy of specific European funding support
- The European level could also add value in promoting the development of indicators to measure the impact of EU funds. This means something more than broad employment-rate indicators, which are subject to so many different factors. Results templates and indicators are needed so that Member States can identify which policies are working.
- ESF funding should not only be used to explore new, pilot initiatives, but to build from already demonstrated and successful pilots to full-scale implementation – in the same location, as well as elsewhere.

Ms Koleva recognised the importance of the issues raised, whilst reminding participants that the ESF cannot do everything. Actions therefore have to be targeted where they can have the most impact and best complement other activities.

Guzman Garcia from the ESF unit in Spain highlighted that the lack of agreement on the new regulations meant they were not able to say what they were going to do with ESF in the next programming period. He highlighted concerns that the rules around thematic concentration meant that managing authorities were not going to be allowed to have a clear focus on inclusive entrepreneurship. Instead it will have to be introduced transversally with elements in a number of priorities. For example, they are likely to try to introduce entrepreneurship around: job creation and active employment policies; early school leaving and lifelong learning; the youth employment initiative; and social inclusion and the fight against poverty. Participants tended to agree that such an approach could lead to a disjointed strategy and fragmented service delivery for inclusive entrepreneurship.

Case study:**ESF support for inclusive entrepreneurship in Poland**

Malgorzata Lublinska of the Polish Ministry of Regional Development presented the Human Capital Operational Programme of Poland, 2007-13. She highlighted that the national priority of 'a labour market open to all' provided opportunities for regions to choose their own strategies for achieving this. Grants could and were made available for start-ups, training, advice and bridge support etc.

Financial intermediaries do not see the business incentive of investing in vulnerable groups. This made funding through the ESF so important. The ESF funding made available to entrepreneurs in Poland made this one of Europe's largest micro-finance schemes. Calls were published in each region with the outreach criteria set at the regional level. In total, regional support for inclusive entrepreneurship provided 148 000 grants and helped create 150 000 jobs in Poland. The average start-up grant was 10 000 EUR and business set up with this support showed similar success rates to 'mainstream' businesses. After 30 months, 48% of the businesses were still operating.

It was felt that entrepreneurship could be a tool under several of the investment priorities and it was important to deliver programmes and projects to support it. One pilot project made 41 million EUR available for loans – of up to around 12 000 EUR – to mainstream businesses and grants for more vulnerable groups. Parallel initiatives have been implemented alongside the finance to improve the supporting environment, for example by establishing social co-operatives, providing bookkeeping and marketing support, and establishing business advisory centres.

Nevertheless, one of the key challenges has been to reach the most underrepresented and disadvantaged groups. The number of grants awarded to the key target groups of inclusion policies were still relatively small, including: 26 000 to young people, 3 400 to people with disabilities and 13 200 to people aged 50-64. Experience has seemed to suggest that the businesses of the most vulnerable groups typically remain dependent on the support provided and often the businesses fail when the support stops. Practitioners are commenting that the support services and approach need to be extremely tailored to the individual and this makes the work very demanding. What they have been able to do so far is not enough.

Poland now has a long-term policy document for social enterprises – the National Programme for Social Economy Development - including further investment in support centres and a central monitoring system. A lesson from earlier funding is that it is better to fund fewer, but more stable and sustainable, services than many services that only operate for a year. A new pilot project has recently been agreed to provide around 250 loans from a budget of around 7.5 million EUR for the creation of social enterprises. So far, 12 loans have been granted totalling around 200 000 EUR.

Peter Ramsden commented that OECD countries typically used to award grants to start-ups, but now there has been a shift away from grants towards loans and non-financial support. This has been partly motivated by concerns that firms in receipt of grants succeed, but only at the expense of existing businesses. This 'displacement' theory holds that a grant-focused policy might fail to add value to the economy.

It was queried whether Poland would be awarding grants to business start-ups if the ESF was not paying. At the same time, Maris Malzer, of the Ministry of Social Affairs of Estonia, commented that grants for start-ups were started in Estonia using ESF money, but that now this is being continued using national funds, with around 5 000 such grants made in this period.

Conclusions – how to develop successful inclusive entrepreneurship strategies

Participants were keen to stress that they found the seminar a useful opportunity to hear from experts and their peers about what they could be doing to promote inclusive entrepreneurship. It was also good to be able to discuss problems openly and to realise that people are also still working on the same challenges in other European countries.

They identified a number of lessons they had learned for how to develop successful inclusive entrepreneurship strategies under the new Operational Programmes for the period 2014-20. The principal conclusions were

1. When developing inclusive entrepreneurship strategies, authorities should keep in mind the 'inclusive' aspects of policies. Whilst there are challenges with reaching individuals from disadvantaged or under-represented groups, this has to be at the heart of what inclusive entrepreneurship policies are trying to achieve.
2. Successful inclusive entrepreneurship strategies should include both financial and non-financial support elements.
3. Micro-finance initiatives supported by public institutions can provide an essential service in overcoming financial obstacles to inclusive entrepreneurship – where private financial institutions will not engage.
4. Mentoring has been found to be one of the best ways to provide the kind of individualised and tailored non-financial support services that many (potential) entrepreneurs from disadvantaged backgrounds require to be successful.
5. Mentoring schemes are more likely to be successful where the mentor has a good understanding of the situation and needs of their mentee and has benefitted from training.
6. It is good practice for the (potential) entrepreneur to be involved in decisions as to how they are supported, which can include choosing who acts as their mentor or coach - such as with the Grundercoaching system in Germany
7. Mentors or coaches and their 'clients' can have a more trusting and honest relationship – with, ultimately, better support results - when another individual or organisation makes any necessary decisions around the provision or repayment of grants and loans, thus avoiding any conflict of interest.
8. Enterprise education - at all levels of the education system - can help foster the entrepreneurial attitudes and skills needed to achieve the full potential of inclusive entrepreneurship policies in the long-term.
9. Successful inclusive entrepreneurship strategies could usefully think about the different levels of support they aim to provide, including: policies aimed at the whole of society – such as awareness-raising; policies aimed at a broad range of people with some potential to become entrepreneurs – such as some education and training initiatives; and policies targeted at specific individuals who are moving into entrepreneurship – such as financial support and mentoring.
10. Coordination and co-operation between the different Ministries at the national level, regional levels of government, and relevant agencies, organisations and other stakeholders is essential to ensure the delivery of coherent strategies to promote inclusive entrepreneurship.
11. Public authorities developing inclusive entrepreneurship strategies need to have a good understanding of what services already exist that the targets of inclusive entrepreneurship policies can access. This can guide them to develop interventions that complement existing service provision, notably by filling gaps.
12. While innovative approaches to inclusive entrepreneurship policy should still be explored, it is important to transfer and scale-up initiatives that have already proved themselves successful. Efforts to improve the quality of objective evidence of what works in promoting inclusive entrepreneurship will be useful in this context.
13. Strategies and policies should get better at recognising the value of supporting 'hybrid entrepreneurs' – that is individuals carrying out small-scale entrepreneurial activities, whether as a combination of several such activities or on top of a formal job or welfare payments.
14. Where relevant, policies should support and encourage targets of inclusive entrepreneurship policies to move from informal entrepreneurship activities into the formal economy. However, they need to do this in ways that promote the entrepreneurial potential and avoid inflicting excessive costs or penalties that risk killing that potential. Bridging support or a reduced tax and administrative burden may be appropriate.
15. EU funds - particularly the ESF - should be leveraged by the appropriate managing authorities to support inclusive entrepreneurship objectives. ESF regulations and Operational Programmes should facilitate this leveraging, ideally by creating clear opportunities for supporting coherent strategies covering multiple policy strands.
16. For those managing authorities interested in the topic of inclusive entrepreneurship, transnational exchange has proved beneficial in the past and will usefully be supported by EU funds in the future.
17. The European level could gainfully work to support the identification of appropriate indicators and the independent assessment of inclusive entrepreneurship policies to help separate their impact from that of other factors and identify good practice.

18. The CoPIE Toolkit for Inclusive Entrepreneurship covers a range of issues throughout the cycle of policy development and delivery and can be a useful tool for authorities in developing effective inclusive entrepreneurship strategies. In particular: the CoPIE diagnostic tool can be useful in helping authorities identify which services are working well; and the Access to Finance Manual provides guidance on how to design micro-finance schemes within the ESF framework.