



Inclusive Entrepreneurship Policies, Country Assessment Notes

Lithuania, 2017



Acknowledgements

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FOREWORD

Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business, whatever their social group or personal characteristics. This 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. Among the key targets of inclusive entrepreneurship policies and programmes are women, youth, older people, the unemployed, migrants and people with disabilities, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship activities. ‘The Missing Entrepreneurs’ series of publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union discuss how public policies and programmes can support inclusive entrepreneurship. This includes refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills through training, coaching and mentoring, strengthening entrepreneurial culture and networks for target groups, and putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way. Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice.

The proportion of adults involved in starting a business in Lithuania was among the highest in the European Union (EU) average over the 2012-16 period. Youth, in particular, were very active in starting businesses and managing new businesses relative to the EU average over this period (14.5% vs. 7.8%). Policy support for entrepreneurship typically uses mainstream instruments due to the small population, but there are some tailored entrepreneurship initiatives for youth, women and the unemployed. The entrepreneurship support system can be strengthened by better aligning support offers with the needs of entrepreneurs, particularly for youth, and increasing awareness about existing entrepreneurship support programmes.

This note is the second in a series of annual country assessments prepared by the OECD in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each European Union Member State. Each note provides an overview and assessment of policies and programmes that support people from under-represented and disadvantaged groups in business creation and self-employment, and suggests policy actions to address gaps in the support system and to improve the quality of available support offers. The notes cover national-level policies and programmes and, where relevant, sub-national initiatives and actions by the non-governmental sector. The 2017 notes place a special focus on describing the characteristics of self-employment in each country.

The notes are part of a wider programme of work by the OECD and the European Commission that includes ‘The Missing Entrepreneurs’ publications, a series of Policy Briefs on specific target groups, policies and issues, country reviews of youth entrepreneurship and women entrepreneurship, and the production of online policy guidance. For more information please refer to: <http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm>.

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KEY MESSAGES

- Entrepreneurship policy and programmes in Lithuania are mostly targeted at promoting innovation and competitiveness. Further, important efforts have been made to improve the country's entrepreneurship support and promotion policy, notably by fostering an enabling business environment. Some tailored measures for business creation and self-employment exist for youth, and to a lesser extent, women.
- The self-employment rate in Lithuania was slightly lower than the European Union (EU) average in 2016 (11.6% vs. 14.1%). However, the proportion of adults involved in starting a business in Lithuania was among the highest in the EU average over the 2012-16 period (11.9% vs. 6.5%) and youth, in particular, were very active in starting businesses and managing new businesses relative to the EU average (16.7% vs. 7.7%).
- Lithuania has recently made great efforts to improve its entrepreneurship promotion policy by removing administrative barriers to business creation, expanding preferential financing tools, and improving business awareness. These efforts have sought to improve the business environment for all entrepreneurs; tailored support measures have not been implemented. The concept "inclusive entrepreneurship" is still seen as new, and efforts have been fragmented.
- To strengthen inclusive entrepreneurship policies and programmes in Lithuania, it is recommended to: (i) create an information platform for entrepreneurship that contains information about all entrepreneurship measures, including incentives for disadvantaged groups; (ii) undertake targeted entrepreneurship promotion for older people; and (iii) strengthen monitoring and evaluation of entrepreneurship policies.

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

The promotion of entrepreneurship and self-employment is an important policy objective in Lithuania. Lithuania's Progress Strategy "Lithuania 2030", approved by the *Seimas* (i.e. Parliament), seeks to build a "smart" economy through the intensive application of scientific knowledge, stimulation of innovation-driven entrepreneurship, and increased competitiveness of Lithuanian businesses. The Strategy emphasises the need for a business-friendly environment and calls for efforts to simplify business regulations. As a high-level umbrella type document, it does not outline specific measures to foster entrepreneurship among key social target groups such as youth, women, migrants, long-term unemployed, older people, and people with disabilities.

In line with its' political programme for the period from 2016-2020¹, the XVII Government approved by Resolution No 167 of 13 March 2017 an implementation plan, which defines necessary changes to the state and sets up the relevant indicators to monitor the progress its measures (Table 1).

Similarly, the National Reform Programme for 2014-2020 (NRP) sets out several priorities, including the creation of an "environment favourable for economic growth." This seeks to create

¹ Approved by Resolution No XIII-82 of the Parliament of 13 December 2016.

favourable conditions for entrepreneurship and sustainable businesses. Measures foreseen include business-facilitation services for business start-ups and ensuring the availability of financial sources for starting and developing business. The NRP highlights the development of entrepreneurial skills for children and youth by supporting integrated programmes to foster entrepreneurial skills. Responsibility for the implementation of the above tasks is shared between the Ministry of the Economy² (MoE), the Ministry of Social Security and Labour³ (MoSSL), and the Ministry of Education and Science⁴ (MoES).

Table 1. Programme goals for 2016-20

Indicator	scale	2016	2020
The employment rate (of the population aged 15-64)	%	69.3	72
The level of activity in the labour force (of the population aged 15-64)	%	75.2	77
Unemployment rate	%	7.7	5.4
Long-term unemployment rate	%	3.9 ⁵	3.2
People at risk of poverty or social exclusion	share	29.3	24
Global Innovation Index (overall)	position	36	28
Global Innovation Index (position by knowledge and technology results)	position	60	40
Doing Business rating (overall)	position	21	15
Doing Business rating (position by Business Start Indicator)	position	29	19
Start-ups (operating for more than 3 years)	number	315	720
New start-ups	number	43	140
Investment attracted by start-ups	Euro million	16	36
Social business established	number	30	150

The Entrepreneurship Action Plan of Lithuania for 2014-2020, approved by the Minister for the Economy,⁶ defines actions towards consistent growth and promotion of entrepreneurship. The Entrepreneurship Action Plan sets out three tasks focusing on raising the level of entrepreneurship in the country: i) to establish a consistent and continuous system of entrepreneurship education; ii) to create a favourable environment for starting and developing a business, and iii) to promote entrepreneurship by ensuring accessibility of public services to businesses, distinguishing entrepreneurship of target groups (youth, women) and start-ups, as well as social and regional entrepreneurship, and developing a positive public image of the entrepreneurs.

The Programme for Increasing Employment for 2014–2020 approved by the government includes measures aimed at the development of entrepreneurship mindsets and supports business creation initiatives. Relevant measures include the facilitation of new business creation and self-employment, business start-up advice, improved access to business services and financial resources for persons starting up and developing business activities, and mainstreaming of an entrepreneurial approach in the national education system. The Programme focuses on promoting entrepreneurship among youth, in rural territories and in regions with high unemployment levels. The wide-ranging employment Programme and its specific measures are implemented by the MoSSL, MoE, MoES, Ministry of Agriculture (MoA) and other ministries.

² <http://ukmin.lrv.lt/en>

³ <http://www.socmin.lt/en>

⁴ <https://www.smm.lt/web/lt/en>

⁵ Covers 2015.

⁶ Order [No 4-282](#), 30 April 2015

The Lithuanian Innovation Strategy for 2010-2020⁷ highlights creativity and entrepreneurship as key determining factors for innovation and economic growth. In order to foster an innovative society, the strategy supports measures for new knowledge creation and encourages its application. It also promotes innovative business start-up by providing favourable conditions and regulations, while raising awareness on innovations. The plans are to provide public services for starting innovative business and mentoring services for more than 1000 inhabitants and SMEs.

There are a number of youth policies that cover entrepreneurship promotion and support. For example, youth entrepreneurship support is outlined in the Lithuanian National Youth Policy Development Programme for 2011-2019.⁸ The Action Plan for its implementation in 2014-2016 foresees entrepreneurship support and responsibility for the implementation of this measure is shared between the MoA⁹ and the Department of Youth Affairs (DYA) under the MoSSL.¹⁰

On 16 December 2013, the Minister for Social Security and Labour of the Republic of Lithuania issued Order No A1-692¹¹ approving the Youth Guarantee Implementation Plan for 2014-2020. The Plan aims to strengthen entrepreneurial mindsets and the promotion of self-employment among youth. The measure “Support for self-employment” scheduled for 2015-2017, has as main objective to assist young people (under 29 years old) in business creation and self-employment. The implementing authority is the Lithuanian Labour Exchange¹² (LLE). Furthermore, it is envisaged to create opportunities for students of higher education institutions to acquire as many as possible practical skills and entrepreneurial competencies in real workplaces. The bodies responsible for the implementation of this measure are as follows: the MoES, associated business organisations and sector associations. The Youth Guarantee is supported through the European Social Fund (ESF) and the Youth Employment Initiative (YEI).

The National Programme on Equal Opportunities for Women and Men 2015-2021 has as objectives to promote equal employment opportunities for women and men and to enhance opportunities to start and develop a business for women, especially those living in rural territories. Many initiatives have been planned for 2015-2017 to strengthen entrepreneurial women and to improve their financial literacy and other competencies; such as organising events, holding dedicated consultations and seminars, supporting projects promoting diversification of economic activities.

The National Programme for Social Integration of Persons with Disabilities for 2013-2019,¹³ provides for increased employment opportunities for adults with disabilities that have lost professional competencies, in addition to other measures such as ALMP, with a view to promoting occupational mobility and entrepreneurship of persons with disabilities.

In addition to government strategies, the Operational Programme for the EU Structural Funds’ Investments in 2014-2020 (OP) sets several objectives related to the promotion of entrepreneurship: increasing the level of entrepreneurship; increasing labour demand by promoting entrepreneurship in the population, those who face difficulties on the labour market, in particular, and promoting the emergence of initiatives enhancing social entrepreneurship and social responsibility.

⁷http://ukmin.lrv.lt/uploads/ukmin/documents/files/Lietuvos%20inovacij%C5%B3%20pl%C4%97tros%20programa_patvirtinta%202013%2012%2018_EN.pdf

⁸ Resolution No 1715, 1 December 2010 <https://www.e-tar.lt/portal/lt/legalAct/TAR.10A2087E3527/xbTThuOxdF>

⁹ <http://www.zum.lt/>

¹⁰ <http://www.jrd.lt/>

¹¹ <https://www.e-tar.lt/portal/lt/legalAct/b4432c10722e11e3bd0ecaffd80c672a/xQojlDJjwE>

¹² <http://www.ldb.lt/>

¹³ Resolution No 1408, 21 November 2012; <https://www.e-tar.lt/portal/lt/legalAct/TAR.46B1FA2B9435>

Even though the promotion of entrepreneurship is mainstreamed across many national strategic documents, their action plans often contain nothing more but formulations of general character (e.g. “organising information events” and “implementing entrepreneurship initiatives”). This shows a disproportionately high attention paid to the strategic planning process, while leaving aside the implementation mechanisms, which call for new ideas and assessment of the current situation. Youth and women are the most frequently targeted social target groups. Entrepreneurship promotion measures for the unemployed and people with disabilities have also been envisaged, but to a lesser extent. A small number of programmes for migrants are run by Enterprise Lithuania. There are no programmes for seniors yet, but support to senior entrepreneurship is however envisaged by the Ministry of Economy.

2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

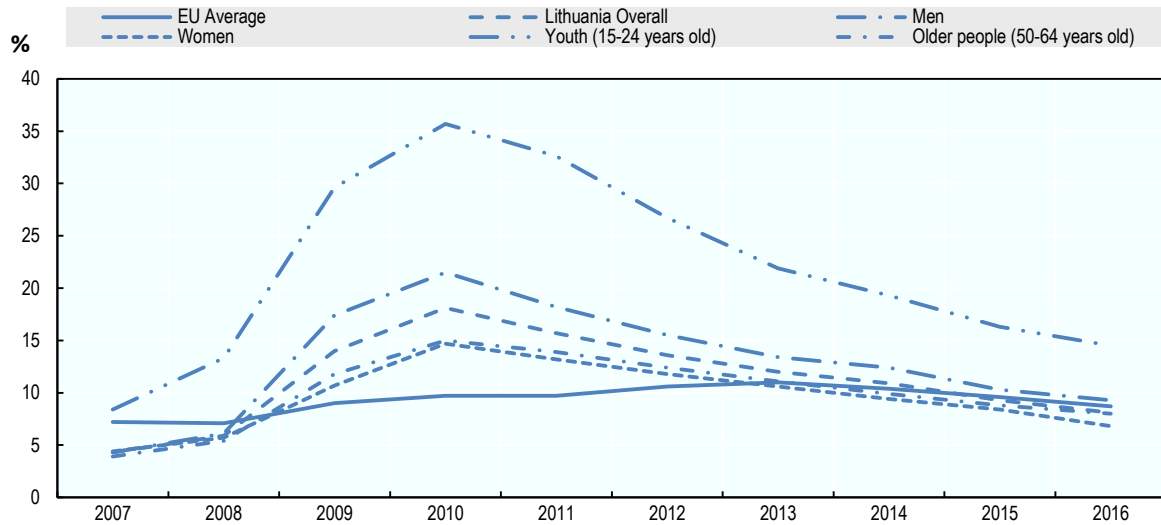
2.1. Labour market context

The demographic situation in Lithuania continues to be challenging as the population has been steadily shrinking from 3.7 million in 1990 to 2.8 million in 2016. Over the last 15 years, Lithuania has had the largest emigration rates in the European Union (EU). In 2016, 50 300 people emigrated, which was 5 800 more than in 2015 and 13 700 more than in 2014. The scope of emigration in 2016 was close to that in the times of economic recession (53 900 people emigrated in 2011). The high rate of emigration threatens the prospects for economic growth since one-third of those emigrating were between 20 and 29 years old. Another quarter were between 30 and 39 years old. This outmigration is expected to create challenges with funding pension systems, health care and education.

The labour market performed well in 2016. Employment grew across all age groups and unemployment declined. The employment rate among those aged 15-64 years old in 2016 was 69.4%, an increase of 2.2 percentage points (p.p.) over the previous year. The employment rate of men aged 15-64 increased by 2 p.p. in 2016 to 70% while the female employment rate increased by 2.3 p.p. over the year and amounted to 68.8%. The employment rate for people aged 55-64 in 2016 increased by 4.2 p.p. and amounted to 64.6%.

The unemployment rate in 2016 was 7.9 % and was 1.2 p.p. lower than in 2015 (Figure 1). Over 2016, the male unemployment rate dropped by 1 p.p. to 9.1%, while the female unemployment rate dropped by 1.5 p.p. to 6.7%. Youth unemployment rate (15-24 year olds) in 2016 decreased by 1.8 p.p. and amounted to 14.5%. This is however, substantially lower than the youth unemployment rate in 2010 when it was above 35%.

Figure 1. Unemployment rate, 2007-16



Source: Eurostat (2017), Labour Force Survey 2016.

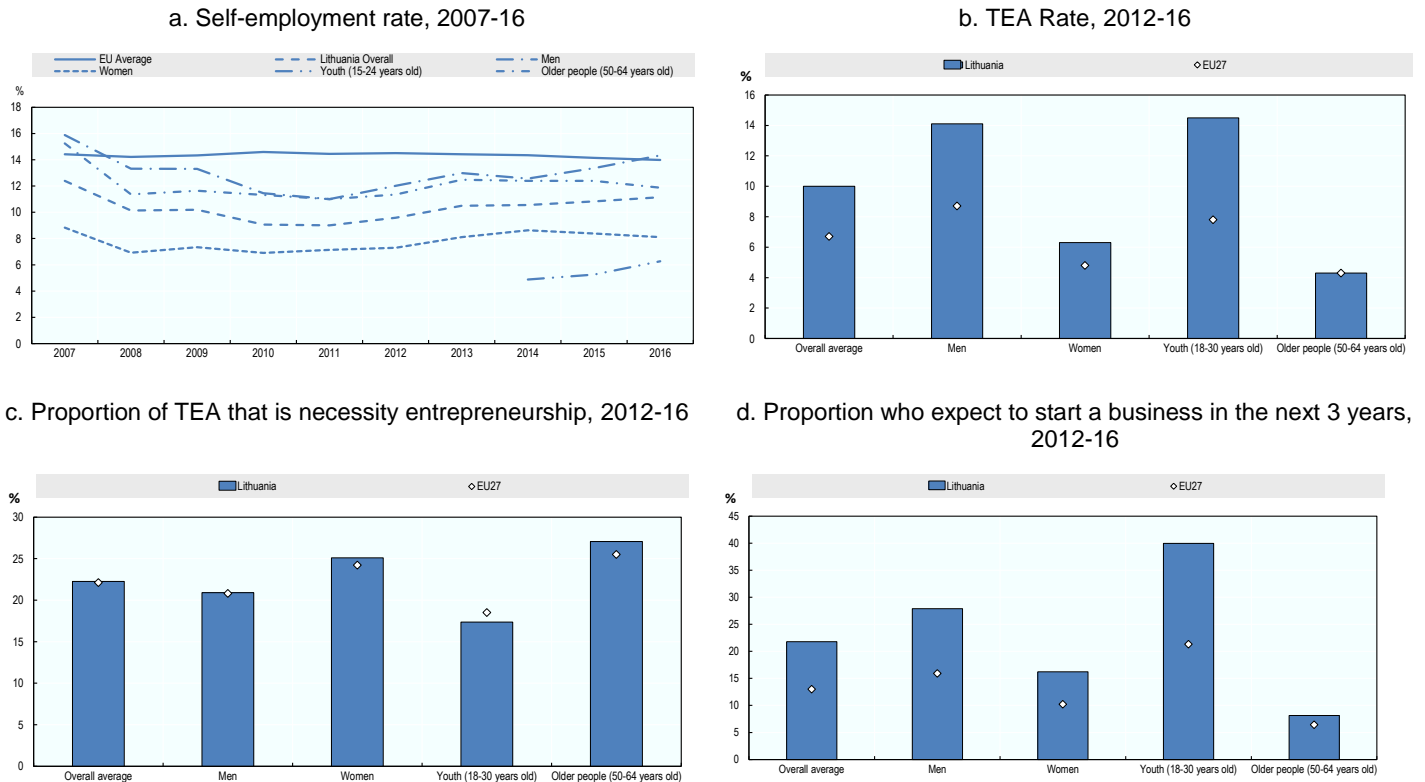
2.2. Self-employment and entrepreneurship rates

The self-employment rate in Lithuania has been lower than the EU average over the last decade (Figure 2a). In 2016, 11.1% of workers were self-employed, relative to 14.0% across the EU. The self-employment rate was lowest among youth – 6.3% in 2016 – but this was above the EU average for youth (4.1%). Approximately 8% of women were self-employed in 2016, but this was well-below the proportion of men (14.3%). 11.9% of seniors were self-employed, which was below the EU average for seniors (18.2%).

Another way to estimate the level of entrepreneurship activities in a country is to use household surveys to ask about labour market activities. The Global Entrepreneurship Monitor (GEM) conducts an international household survey on entrepreneurship activities and it estimates the proportion of the population that are involved in entrepreneurship and asks about the characteristics of these activities. One of its most well-known indicators is the Total early-stage Entrepreneurial Activities (TEA) rate, which measures the proportion of the population involved in starting a business or in managing a new business (i.e. one that is less than 42 months old). The TEA rate in Lithuania was among the highest in the EU over the period 2012-16. Over this period, 10.0% of adults were involved in early-stage entrepreneurship relative to an EU average of 6.7% (Figure 2b). Youth were very active over this period (14.5%), which was nearly double the EU average (7.8%). Women were also more likely than the EU average to be involved in early-stage entrepreneurship (6.3% vs. 4.8%) but older people were as likely as the EU average (4.3%).

Although a very high proportion of Lithuanians are engaged in entrepreneurship, it does not appear that many are active due to “push” factors. Over the period 2012-16, only 22.3% were involved in entrepreneurship due to a lack of opportunities in the labour market (Figure 2c). This was equivalent to the EU average for this period. Older people were the most likely to start a business out of “necessity” between 2012 and 2016 (27.1%), but this was only marginally above the EU average (25.5%). One quarter of women entrepreneurs started their business due to a lack of opportunities in the labour market, which was equivalent to the EU average, while 17.4% of youth did.

Figure 2. Self-employment and entrepreneurship rates by target group



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed. The TEA rate is the Total early-stage Entrepreneurial Activity rate, which is defined as the proportion of the population actively involved in pre start-up activities and those who have started a new business within the last 42 months. The proportion of TEA that is necessity entrepreneurship is the proportion of entrepreneurs involved in setting-up a new business or operating a business that is less than 42 months old, who were motivated to start their business because they had no better options for work. Data for panels b, c, and d were pooled for the period 2012-16. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average in panels b, c, and d covers all EU Member States except Malta.

Source: Panel a contains data from Eurostat (2017), Labour Force Survey; Panels b, c, and d contain data from the 2012 to 2016 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2017).

Consistent with a high proportion of people involved in early-stage entrepreneurship, a high proportion of people between 2012 and 2016 expected to create a business over the next three years (Figure 2d). Two out of five youth expected to become an entrepreneur in the next three years, which was double the EU average (21.3%). Women and older people were much less likely to expect to create a business (16.2% and 8.1%). However, both of these proportions were slightly above the EU average.

The level of entrepreneurship activities varies across the municipalities. The level of entrepreneurship in Neringa and Vilnius city municipalities is respectively 3.5 and 2.7 times higher than the total national average. They are followed by the Kaunas district municipality (177% of the country average), Kaunas city (165%), Vilnius district (157%), Palanga (153%) and Klaipėda city municipality (147%). Ten leading entrepreneurs are based in the Panevėžys district, Šiauliai city and Klaipėda district municipalities. Lazdijai and Kalvarija municipalities with half the average of the

country are at the bottom of the list. The level of entrepreneurship in Vilkaviškis is 51%, in Birštonas, Švenčionys and Visaginas municipalities – 53% of the country average.¹⁴

According to the LDS 82 900 SMEs were operating in Lithuania at the beginning of 2017. On average, there were 29 enterprises per 1000 inhabitants. The concentration of SMEs in Neringa is twice as high as the average – 62 enterprises per 1000 inhabitants. In Vilnius, there are 56 enterprises per 1000 inhabitants, 38 in Palanga, 39 in Kaunas, 36 in Klaipėda, 30 in Šiauliai, and 29 in Panevėžys. The seaside resorts and major cities and their districts have the most favourable conditions for starting and developing small businesses, primarily due to higher demand for goods and services, driven by higher living standards, and flows of foreign and local tourists. Meanwhile, the lowest level of entrepreneurship is observed in many border regions of Lithuania, as well as in agriculture areas.

The number of SMEs has increased by 3 396 in 2016, half of the figure in 2015. Due to the government's regional policy, fewer SMEs appear in the capital (more than half of SMEs opened up in the city of Vilnius in 2015 and only 25% in 2016). The number of SMEs in Lithuania has been growing for several years already. This has been the result of the simplified business start-up procedures, the conditions for business start-ups to use free consultations as well as preferential business start-up credits.

2.3. Barriers to business creation

The business environment remains conducive to starting and running an enterprise. The World Bank's Doing Business 2017 report ranks Lithuania 21st globally (from 190 countries) and 10th in the EU, thus overtaking such countries as Poland, Holland, France, Belgium. The country scores relatively well in the registering property category as well as enforcing contracts, at second and sixth place, respectively. At the same time, despite some improvements relative to the previous edition of the survey, resolving insolvency remains a key obstacle for doing business in Lithuania, the lowest such position among the central Europe and the Baltic countries, followed by Hungary and Croatia.

More than half of EU companies say the cost or complexity of meeting regulations or standards (57%) is a problem when trying to commercialise their company's innovative goods or services since January 2013. There has been no change since the last survey in 2015. Only one-third or less of businesses in Lithuania (29%) considers this to be a problem, although the trend since January 2013 was positive (-8 p.p.). More than half of EU companies consider lack of financial resources (58%) to be a problem when commercializing innovative goods or services. This is slightly fewer compared to the last survey in 2015 (-2 p.p.). Looking at evolutions since 2015, businesses in Lithuania (56%; -10 p.p.), are now less likely to see it as a problem than in 2015.

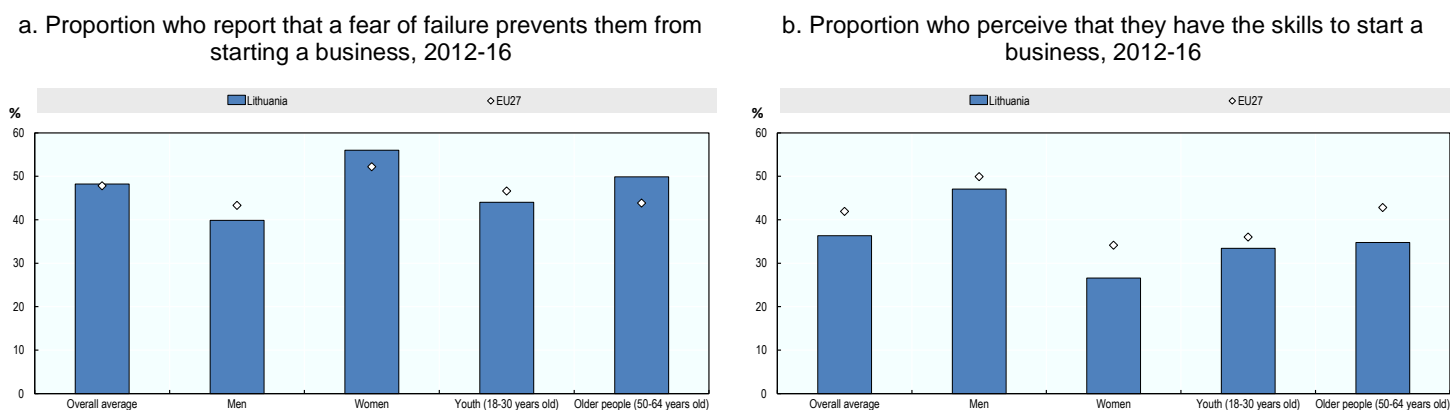
Surveys also point to a "fear of failure" as a barrier to business creation for many people, notably women and older people (Figure 4a). Over the period 2012-16, more than half of women (56.0%) indicated that a fear of failure prevented them from starting a business, which was above the EU average (52.2%). Half of older people reported this barrier, which was also slightly above the EU average for this period (43.8%). Youth were the least likely to report that a fear of failure was a barrier to entrepreneurship (44.0%), which was slightly below the EU average (46.6%).

While a high proportion of Lithuanians are entrepreneurs and many more expect to create a business in the near future, fewer people reported that they had the skills to start a business than the EU average (Figure 4b). Overall, only slightly more than one-third of people self-report that they have

¹⁴ The survey of the level of entrepreneurship in Lithuanian municipalities, initiated by the Central Credit Union (LCCU), <http://lku.lt/blog/2015/12/18/lietuvos-regionu-verslumo-zemelapis-pirmauja-didmiesciai-ir-pajurio-kurortai/>.

the skills and knowledge for business creation (36.8%). Among the key social target groups, women were the least likely to report having the skills for business creation over this period (26.6%). Youth and older people were slightly more likely, but still below the EU average (33.4% vs. 36.0% for youth, and 34.8% vs. 42.8% for older people).

Figure 4. Barriers to entrepreneurship by target group



Note: Data were pooled for the period 2012-16. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta.

Source: GEM (2017), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2012 to 2016.

2.4. Entrepreneurship performance

Self-employed workers were the most active in three sectors in 2016: Agriculture, forestry and fishing (27.9%); Wholesale and retail trade; repair of motor vehicles and motorcycles (19.9%); and Construction (12.2%). Combined, these three sectors accounted for 60% of the self-employed. While self-employed women were active in these sectors – Wholesale and retail trade; repair of motor vehicles and motorcycles (23.9%) and Agriculture, forestry and fishing (23.6%) – they were also very likely to be operating in Other service activities (20.1%), which includes Washing and dry-cleaning of textile and fur products; Hairdressing and other beauty treatment; Funeral and related activities; and Physical well-being activities. Older self-employed people were concentrated in Agriculture, forestry and fishing (40.5%).

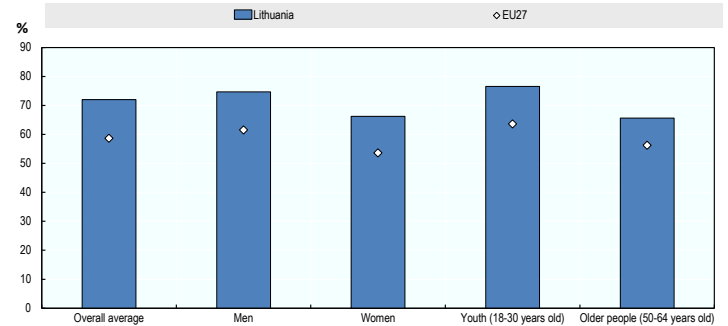
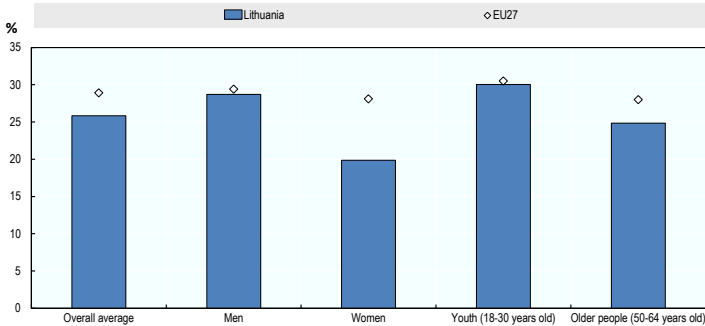
The self-employed were concentrated in three occupations in 2016: Skilled agricultural, forestry and fishery workers (26.8%); Service and sales workers (18.9%); and Craft and related trades workers (17.6%). Self-employed women were most likely to be working as Service and sales workers (38.8%) or Skilled agricultural, forestry and fishery workers (21.9%), while older self-employed people were heavily concentrated in the occupation Skilled agricultural, forestry and fishery workers (39.5%). It is not possible to obtain occupational information for self-employed youth.

Lithuanian entrepreneurs were slightly less likely than the EU average to offer new products or services to their customers over the period 2012-16 (Figure 5a). Women were the least likely to offer new products and services over this period (19.9%), which was two-thirds of the EU average (28.0%). One-quarter of older entrepreneurs offered new products and services, which was below the EU average of 28.0% for this period. Youth were as likely as the EU average to offer new products and services to their customers over this period (30.0%).

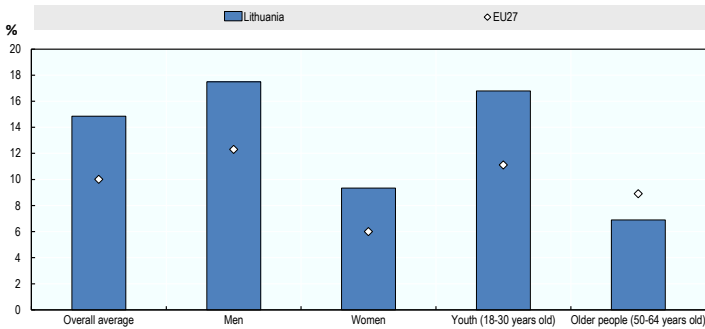
Figure 5. Self-employment and entrepreneurship activities by target group

a. Proportion of new entrepreneurs whose products or services are new to all or some customers and who have few or no businesses offering the same products or services, 2012-16

b. Proportion who sell to customers in another country, 2012-16



c. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years, 2012-16



Note: Data were pooled for the period 2012-16. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta.

Source: GEM (2017), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2012 to 2016.

Many Lithuanian entrepreneurs sell their products and services to customers in other countries, which is likely due to the small size of the internal market. Over the period 2012-16, 72.0% of entrepreneurs had customers in other countries, relative to an EU average of 58.6%. Among the key social target groups, youth were the most likely to sell to foreign customers during this period (76.5%), which women and older people were less likely (approximately 66%). Nonetheless, entrepreneurs from these groups were more likely than the respective EU averages to sell to foreign customers.

Similarly, new Lithuanian entrepreneurs appear to be much more likely to expect to create more than 19 jobs in five years during the 201-16 period (Figure 5c). This was particularly true for youth who were approximately 50% more likely to expect this employment growth than the EU average (16.8% vs. 11.1%). Women were less likely, but still more likely than the EU average (9.3% vs. 6.0%). Only 6.9% of older entrepreneurs expected to create at least 19 jobs.

3. ASSESSMENT OF CURRENT AND PLANNED INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES

3.1. Policy framework

While certain measures exist to support disadvantaged groups in entrepreneurship, the social policy objective of unlocking entrepreneurial potentials among key social target groups is not yet fully recognised by the government. There is no separate entrepreneurship strategy or action plan for the promotion and support of entrepreneurship in under-represented and disadvantaged groups. The Entrepreneurship Action Plan of Lithuania for 2014-2020 is a general strategy for supporting entrepreneurship, which contains a chapter that emphasises the need of public entrepreneurship support to youth and women.

In general initiatives promoting entrepreneurship fall within the remit of the MoE, while actions to support the social integration of under-represented and disadvantaged groups are covered by the MoSSL. The MoSSL designs measures and strategies oriented towards labour market integration of these groups and reduction of poverty/social exclusion without singling out entrepreneurship as a separate or, even more so, the most important component thereof. On the other hand, the MoSSL has in place individual strategies and policies for different target groups – youth, unemployed persons, seniors and people with disabilities. Some measures identified as relevant for certain groups (e.g. youth, unemployed) place adequate focus on entrepreneurship development.

The greatest challenge in developing a more supportive policy framework for inclusive entrepreneurship is in defining clear inclusive entrepreneurship policy design and implementation definitions between the key ministries and to develop corresponding leadership and administrative capacities to develop policies in this area. Moreover, there are no clear mechanisms yet to co-ordinate inclusive entrepreneurship policy actions across relevant national ministries, and with regional and local governments and civil society organisations. However, some inter-related activities such as the implementation of the Youth Guarantee Implementation are providing opportunities to build capacities within the ministries and to strengthen linkages across the various actors involved in designing and delivering inclusive entrepreneurship support.

3.2. Government Regulations

Support for SMEs is generally established in Law No VIII-935¹⁵ on the Development of Small and Medium Business. The Law provides for the following forms of support for small and medium-size business entities (SMEs): tax credits and tax concessions, financial support (e.g. soft loans, partial compensation of interests, issue of guarantees, export credit insurance), public services for business (e.g. in business incubators, business information centres, science and technology parks), and other forms of support.

Support for self-employment of the unemployed is defined in Law No XII-2470¹⁶ Employment. Support for self-employment is provided for the unemployed who wish to establish a very small enterprise. They may apply for a subsidy for the establishment of a workplace.

¹⁵ http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=454172

¹⁶ http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=478633

A key government priority is the promotion of an attractive investment environment and a business-friendly eco-system for regional development and innovation. In this context, the so-called Start-up Visa project launched at the beginning of 2017 will be implemented: starting from 2017, with the entry into force of the Amendments to the Law on the Status of Aliens, foreign people who intend introduce new technologies or other significant innovations in Lithuania's economy may obtain start-up visas. It is envisaged to have an active policy of attracting talents by opening up a talent recruitment agency and creating a special incentive system.

There are also supports anticipated for innovative start-ups. The government intends to establish a venture capital fund by 2018, which will invest in new viable ideas. It is also planned to set up acceleration, training and refresher programmes for start-ups students. All those measures are expected to increase the number of start-ups from 315 in 2016 to 720 in 2020, which would attract up to EUR 26 million investment by 2020.

There are plans to prepare a Law on Social Entrepreneurship, which would help to balance the distorted situation of social enterprises as social business and to fully regulate the legal status of social business, and to establish forms of support for the promotion of social business. It is expected, by 2020, to have about 150 social businesses in Lithuania.

In order to develop a sustainable economy, the government gives priority to investments in new jobs in the regions, which will reduce unemployment to 5% in 2020. Regional development measures are directly linked to strengthening regions' economy, which will be supported by offering clear financial incentives to the municipal authorities that try increasing entrepreneurship in the regions, linking the principles of municipal budget formation with their efforts.

In pursuit of the objective of maintaining viable rural areas, the government will promote the development of non-agricultural businesses in the countryside, with particular emphasis on support measures promoting youth entrepreneurship initiatives, involving young people in public life, giving priority to promoting re-emigration and increasing the attractiveness of rural areas.

The government programme explicitly outlines the attitude towards the involvement of older people, including those who have completed their active career, as a valuable intangible capital, which can be successfully exploited both for colleagues who start their careers and for the creation of new businesses. It is planned to create a complex system for promoting the employment of elderly people, integrating them into the labour market, including obligations for the LLE to provide refresher services not only for the people of working age, but also for the retired. The GRL sets an ambition goal to reach the EU average as regards the participation of the retired population in the labour market by 2020. At the same time, efforts will be made to take care about the youth in terms of their employment guarantees, including employment promotion, training, etc.

Some actions are in the competence of municipalities and they are invited to support government measures and contribute to reforms, stimulating economic change and support business creation among under-represented and disadvantaged groups. Recent developments in the regulatory environment have been related to the fee for business certificates set by local authorities (municipalities). For example, in 2016, Vilnius City Municipality reduced it by 70% for students and 50% for retired people, people with disabilities, registered unemployed and families with children.

In June 2017, the government launched a public consultation on the package of measures for taxation and social system reform, which aims at poverty reduction and support for families; entrepreneurship promotion keeping social justice and simplicity and generating more investment and

jobs. In order to evenly distribute the tax burden among small business/individual activity it is proposed:

- to link taxation of individual activities exclusively to actual annual profits (and not to the type of a professional activity) and allow it to be regulated individually by reducing the calculated liability, i.e. actually introducing the tax credit);
- to withdraw the threshold for a fixed income tax payable when acquiring a business license¹⁷ leaving all the rights to determine the amount of the fixed fee to the municipalities, thereby increasing their financial autonomy;
- to make social insurance contributions uniform for all categories of self-employed persons, setting for its amount to be calculated from the half of the tax revenue received with unified celling and so to eliminate all current privileges which have not proved their efficiency and social correctness.

Further tax measures on alternative financing are envisaged in the near future, including for example the removal of tax obstacles for alternative capital market operators.

In the promotion of entrepreneurship, start-ups are supported in their shortage of working capital. To this end, a one-year profit tax "vacation" for SMEs start-ups and a one-year social contribution payment "vacation" for first time self-employed start-ups have been established.

Then, to encourage business to create new skilled jobs, to attract investment from abroad, to motivate to invest more in new technologies and innovations, it is proposed:

- to apply a 5% profit tax (instead of 15%) to the commercialization of inventions;
- to set a 100% profit tax relief (instead of 50%) to invest in technological renewal;
- to introduce social contribution celling (of 120 average wages) for employed persons.

Having taken into consideration the opinion of socio-economic partners, the government will transpose the adjusted reform package into a legal proposal and pass to the Parliament. This initiative is seen as a significant step forward towards the political goals with the policy tools that the government has at its disposal.

3.3. Financing entrepreneurship

Financing remains one of the main challenges for all start-ups and affects key social target groups in entrepreneurship to a disproportionate extent. Every second SME tends to finance business development solely by internal resources, while 38% would take out a loan from credit institutions. Meanwhile, 9% SMEs intend to participate in the start-up business financing programme according to the survey¹⁸ of more than 500 SMEs. The survey also shows, that 18% of SMEs would borrow for business from EUR 20 000 to EUR 50 000, 15% of SME – from EUR 50 000 to EUR 100 000, 12% of SMEs – from EUR 10 000 to EUR 20 000.

¹⁷ Currently EUR 684 per year

¹⁸ Executed by the Market Research Centre at the request of the LCCU.

As a result, several actions have been launched to increase access to financial resources in the period 2014-20. Two business-financing funds were set up in 2016 as platforms of financial instruments facilitating the entrepreneurship and business development: Entrepreneurship Promotion Fund-2 supported from ESF (EPF-2) and Business Financing Fund (BFF) supported by the ERDF.

Through the period 2014-20, EUR 179.6 million have been allocated in Operational Programmes for the implementation of the BFF aiming to increase the supply of business financing. Invega will implement BFF measures in co-operation with an international experienced partner, the European Bank for Reconstruction and Development (EBRD). It is planned to implement four risk capital financial instruments through selected financial intermediaries, which will include loans, portfolio guarantees for loans and leasing, and risk capital investments. These financial instruments will facilitate access to finance for SMEs, thus promoting business development and the creation of new businesses. It is planned that more than 1 400 start-ups, businesses, and individuals will be funded from the BFF and privately funded funds.

Entrepreneurship promotion for the under-represented and disadvantaged target groups to be done largely through the EPF-2 scheme. This scheme aimed, *inter alia*, at creating conditions for natural persons or micro and small enterprises to start or expand their activities using financial engineering instruments (e.g. loans up to EUR 25 000) which are offered in combination with entrepreneurship training. The Central Credit Union of Lithuania (LCCU), which represents consortium of 42 credit unions around the country, has provided loans since December 2016. The overall sum allocated to the EPF for 2014-2020 is EUR 24.5 million.

Additional incentives are envisaged for people with difficulties in the labour market or in the organisation of their own business, including unemployed; people with disability; persons under the age of 29; people over the age of 54; women and those who create and/or intend to create green jobs.¹⁹ The introduction of privileges such as issuing low interest loans and wage subsidies for the mentioned groups under EPF scheme in 2014-20 reflects the recommendation from 2007-13 evaluations on how to make the scheme more attractive for unemployed and other persons without regular income or savings (PPMI, 2013).

The Open Credit Fund 2 (OCF-2) offers soft loans for SMEs of up to EUR 600 000 for the needs of investment and for needs of working capital (provided through private banks *Citadele* and *Medicinos bankas*) is another ESIF financial measure supporting entrepreneurship process in the country. Obviously, with the current absence of any in-built additional incentives, those loans are less affordable for the disadvantaged groups.

Lithuania adopted the Law on Crowdfunding in force as of December 2016. The Law sets the general requirements for crowdfunding and increases the legal certainty for this alternative way of start-up financing.

The unemployed can also receive financial support for business creation through active labour market policies. Subsidies for self-employment for registered unemployed or people with disabilities can be provided: i) where people with disabilities of working age who are registered at the LLE and whose capacity for work is less than 25% create jobs for themselves; ii) where people with disabilities of working age who are registered at the LLE and whose capacity for work is 30-40% create jobs for themselves; iii) where youth under 29 years create jobs for themselves; and iv) where persons whose

¹⁹ In this case the loan shall be used to invest in equipment, production processes and/or production of safe and environmentally friendly products that have a direct impact on energy savings, use of renewable energy sources, storage of resources and ecosystems, avoidance of pollution and waste, etc.).

dismissal consequences are mitigated by the Globalisation Adjustment Fund (EGF) create jobs for themselves. The amount of subsidy cannot exceed 40 minimum monthly wages.²⁰ Overall, these measures made a small contribution to boosting self-employment among the unemployed, as the number of unemployed beneficiaries is quite small. According to LLE data, nearly 10 000 subsidies are provided annually but the number of people with disabilities who created jobs for themselves is less than 50 per year and the number of former unemployed persons who create jobs for other unemployed persons sent from the LLE is less than 20 per year.

Some people with disabilities cannot access to state support for self-employment, since the Lithuanian legal framework still contains the term “incapacity for work”. Since a work-incapacitated person cannot work, consequently, they cannot lose their job, which means that the LLE cannot register this person as an unemployed, but only as a job seeker. All the assistance and support through the LLE is available exclusively to the unemployed, and this service is not available to work-incapacitated persons with disabilities. Recent trend shows that the number of persons with disabilities having received the support for self-employment has come down almost 10 times (in 2011, there were 40 beneficiaries, in 2015 – 5, in 2016 – only 3). The underlying reason for this is the strict eligibility criteria for a business plan that have failed to be appropriately adjusted to the specificities of this target group. Persons with disabilities also still face segregated treatment in terms of education, training and development.

3.4. Entrepreneurship skills

Individuals willing to start their own business and SMEs operating for less than five years often fail to obtain the required information and advice support on starting a business, accessing funding, searching for potential markets, and introduction of new technologies.

To increase the accessibility and supply of support services for business, the National Register of Consultants has been created. Within the scheme, consultants are selected by Enterprise Lithuania,²¹ responsible for the creation of the Network. In June 2016, the MoE opened calls for SMEs to express an interest of receiving high quality advisory services from consultancies listed in the Register.²² Services offered have been grouped by target groups (entities operating for less than one year; entities in operation for one to three years; entities operating for three to five years). Information and advisory services is provided in the form of a voucher of up to EUR 6 500. The introduction of such measure under the 2014-2020 OP responds to the conclusion on the lack of the focus by the EU funds on high quality consultation services for start-ups that are in high need for such services (Estep, 2015).

Evaluations of the EPF project suggest that more individualised, integrated and longer training would provide valuable additional knowledge that would effectively contribute to the successful activities of new businesses. Training is needed not only at the pre-loan stage (when considering setting up of a business, preparing business plans), but also at the post-loan stage. This has been taken into account in the design of the interventions for the period 2014-2020, where an opportunity to have mentors (advisers) for educating young businesses and delivering practical assistance is offered to EPF loan recipients.

²⁰ The MMA was EUR 380 and amounted to 51% of the average monthly net wage in 2016.

²¹ The procedure was established by MoE Order No 4-558, 04 September 2015; <https://www.e-tar.lt/portal/lt/legalAct/9e586a4052de11e5b0f2b883009b2d06> .

²² OP for EU Funds’ Investments in 2014-2020 measure No. 03.1.1-IVG-T-819 “Business Consultant LT”.

In 2007-13, the MoE implemented a number of initiatives to promote entrepreneurship, but most of them were of generic nature. For youth in particular, a first business year baskets (vouchers) has been introduced. This is an entrepreneurship promotion programme offering young people eager to start up business a special package of free-of-charge services. Young people who attend entrepreneurship Enterprise Lithuania promotion events²³ can receive a voucher for a special package of free services: professional consultations on various incorporation and management issues, as well as different training courses during the first 12 months following business registration. In addition, voucher holders are entitled to the so-called on-line (virtual) office services: mailing address, printing and scanning services, access to the Internet, and more. According to the information provided by Enterprise Lithuania, 98.9% of businesses that started up with a help of vouchers successfully survived for the period longer than one year.

Similar measures will receive funding in Lithuania in 2014-20, a greater focus will however be placed on less advantaged groups, including young people, women, persons with disabilities, the elderly, emigrants, family business for SMEs operating for up to five years, and rural entrepreneurs. Enterprise Lithuania will support co-operation between SMEs through collaboration centre activities; the promotion of business for creative and cultural industries; business development and digital business promotion. At least 50% consultations will be provided to SMEs operating in the territory other than municipalities of biggest Lithuanian cities (Vilnius, Kaunas and Klaipėda).²⁴

It should be noted that apart from the aforementioned major measures for improving entrepreneurship skills, Lithuania has a number of smaller measures that contribute to the improvement of skills across various target groups. Many of these initiatives are funded from various EU programmes; some of them are non-governmental initiatives closely related with the relevant ministries. Some recent examples include Futurepreneurs, Junior Achievement Lithuania, Promotion of entrepreneurship amongst women, and IT and business start-up training courses.

In 2013, to address the issue of young people that are not in education, employment or training (NEETs), the European Council launched the Youth Guarantee Initiative (YEI). Under this initiative, 20 EU Member States with unemployment rate of youth aged 15-24 exceeding 25% received EUR 6.4 billion for the implementation of additional measures to decrease youth unemployment by the year 2018. Lithuania was one of these countries and received over EUR 69 million for YEI funding. Lithuania included the YEI in the OP for the EU Funds' Investments in 2014-20 and its implementation was assigned to specific objective "Reduce the number of young people between 15 and 29 years of age not in employment, education or training" of the Priority "Promoting Quality Employment and Participation in the Labour Market". This specific objective includes two YEI-supported projects, which will provide assistance to 35 000 young people aged 15-29, who are not in employment, education or training until 2018.

The primary intervention project Discover Yourself (*Atrask save*) is implemented between LLE, acting as a leading partner, and the DYA. Each institution coordinates a separate strand of the project targeting different NEET groups. The LLE's programme is designed for active NEETs who are officially registered with LLE as unemployed whereas DYA targets inactive NEETs. The project offers early intervention services focusing on the development of motivational, social and labour market skills through engaging NEETs in voluntary activities, various trainings, traineeship and apprenticeship experiences as well as providing them with psychological counselling, skills' assessment and other measures to enhance their motivation for work.

²³ <https://www.versli Lietuva.lt/paslaugos/renginiai/>

²⁴ OP for EU Funds' Investments in 2014-2020 measure No. 03.1.1-LVPA-V-815 "Entrepreneurship LT"

The project Discover Yourself was launched in 2016. About 8 700 NEETs got a support during the first year of implementation; 3 300 NEETs successfully integrated into the labour market, started studies or acquired qualifications, of which 328 were inactive young people. It is planned that 23 000 unemployed NEETs and 12 000 inactive NEETs will participate in the project in total.

Those participants of the project Discover Yourself who do not receive unsubsidised job offer will be involved in the secondary intervention project New Start (*Naujas startas*). The YEI-supported project, which will be carried out only by the LLE, plans to involve the total of 11 000 unique NEETs in various active labour market measures. Most of the participants of this project will be involved in vocational training (around 9 000 people). Other participants will receive subsidised jobs or a package of several services (for example, vocational training and subsidised job) depending on their needs. The project New Start will provide an opportunity to support the most disadvantaged participants of the first YEI project for a longer period than just four months.

Under the New Start project, 49 800 young unemployed were employed; 2 200 received support for setting up a job; 13 000 young people started their business under the business license; 200 young unemployed signed bilateral contracts for the acquisition of work skills at the work place, 7 700 young people participated in vocational training, 5 500 participated in the supported recruitment activities in 2016.

An important factor for the success of YEI is the combination of training, consultations and financial assistance. However, the evaluation conducted just prior to the start of implementation has ascertained the risks associated with an efficient and effective implementation of YEI interventions especially at a local municipal level (PPMI, 2013). Identifying inactive NEET youth and providing them with personalised and high quality services remains one of the most important problems that is addressed through closer co-operation with municipal administrations, local community, increased involvement of social workers, improved capabilities of the LLE and DYA co-ordinators to motivate the NEET youth.

3.5 Entrepreneurial culture and social capital

Entrepreneurship is not actively promoted as an employment opportunity amongst under-represented and disadvantaged groups through the education system, media, role models, etc. Similarly, there actually are no public policy actions that attempt to build specific business networks for entrepreneurs amongst the under-represented and disadvantaged groups. Nonetheless, some measures implemented and organised in Lithuania could be identified as promoting entrepreneurial culture and social capital, including Global Entrepreneurship Week, Sunrise Valley projects, University-initiated events, Youth Business Clubs, “Business Rocks” cycle, Promoting women’s leadership, Entrepreneurial Woman and the Network of Business Women.

Overall, despite a variety of measures in place, a common strategy for coherent mainstreaming entrepreneurship education at different levels is missing (Estep, 2015). The bulk of information provision to disadvantaged groups about business creation and self-employment is done by non-government organisations (OECD, 2015). This seems to work well as these organisations are well-positioned to provide information to youth and the government uses these partnerships effectively. The national government undertakes a limited number of information dissemination activities itself.

4. POLICY RECOMMENDATIONS

Inclusive entrepreneurship policies are receiving increasing attention in Lithuania. There are many activities, projects and initiatives to promote youth entrepreneurship and to a lesser extent, also for women, the unemployed, rural residents and people with disabilities. However, there is very little support offered for older people. There is therefore room to increase the availability of entrepreneurship support for some groups, notably women and older people. Moreover, support schemes are not integrated into a coherent system. Each institution has its own areas of responsibility but there is no central responsibility and a lack of leadership; therefore, it is unclear how emerging policy issues are addressed. To further advance policies and programmes in this area, the following recommendations are offered:

1. *Create an information platform for entrepreneurship that contains information about all entrepreneurship measures, including incentives for disadvantaged groups.* Such a platform would serve policy makers as a policy co-ordination tool and (potential) entrepreneurs as a one-stop shop. Responsibility for the creation and administration of such a platform could be vested upon the ME or ME and MSSL together, or the mentioned institutions could appoint a Platform administrator. Information collected through the platform could also serve to monitor and evaluate certain key programmes. Based on such evaluation, it would be possible to identify weak areas, to prepare well-grounded recommendations and initiate their implementation.
2. *Undertake targeted entrepreneurship promotion for older people.* Older people are under-represented in entrepreneurship in Lithuania yet this is a growing population with great potential for contributing in the labour market. There is very little tailored support available for older people, which is a missed opportunity to keep them engaged in society and the labour market. An important first step is to use targeted campaigns to raise awareness about the potential for entrepreneurship and to direct potential senior entrepreneurs to existing supports.
3. *Monitoring and evaluation of entrepreneurship policies is still in an early stage and should be further improved.* Impact assessments are needed to weigh financial costs of key inclusive entrepreneurship programmes against benefits. Until now, the implementation of business support measures has not yet received an appropriate assessment, including both short-term (under a year) and long-term (five years) measures. It would also be advisable to evaluate the experience of implementing the YEI and to eliminate legal and other obstacles that prevented the full implementation of planned actions.

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ANNEX: METHODOLOGY

Each note was prepared by a national expert in co-operation with the OECD Secretariat. Information was collected through desk research and interviews (i.e. telephone, face-to-face, email) with key stakeholders and government representatives. The information was then verified with government partners, programme managers and other inclusive entrepreneurship stakeholders groups through email exchanges and one-day seminars in selected countries.

The notes are based on an assessment framework that was developed by the OECD Secretariat. The assessment framework provided a common analytical framework and report structure for the 28 notes that are in this series.

The framework contains 5 pillars:

1. Policy framework

- a. Is there an entrepreneurship strategy or action plan that explicitly covers the promotion and support of entrepreneurship for people in under-represented and disadvantaged groups?
- b. Is there a mechanism for co-ordinating inclusive entrepreneurship policy actions across relevant national ministries, and with regional and local governments and civil society organisations?
- c. Is there a systematic monitoring and evaluation process for the policies, programmes and schemes that promote and support entrepreneurship for people in under-represented and disadvantaged groups?

2. Government regulations

- a. To what extent are entrepreneurs from under-represented and disadvantaged groups treated equally with employees by social security schemes?
- b. Do measures exist that temporarily cover the loss of state income supports (e.g. unemployment benefits, disability allowances) for entrepreneurs amongst the following under-represented and disadvantaged groups when they start a business?
- c. Do measures exist to support under-represented and disadvantaged entrepreneurs in dealing with administrative procedures for entrepreneurship amongst the following under-represented and disadvantaged groups (e.g. information provision, support with administrative requirements)?
- d. Are there any entrepreneurship policy initiatives or schemes to address group-specific institutional challenges related to dependents (e.g. childcare, eldercare)?

3. Financing entrepreneurship

- a. Are there grants for business creation offered to support entrepreneurs from under-represented and disadvantaged groups?
- b. Is microcredit for business creation available to support entrepreneurs from under-represented and disadvantaged groups?
- c. Are there loan guarantee schemes for business creation to support entrepreneurs from under-represented and disadvantaged groups?

- d. Are there self-financing groups for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- e. Are there public policy schemes that encourage and support business angel networks to support entrepreneurs from under-represented and disadvantaged groups?
- f. Are there schemes that encourage and support crowdfunding and peer-to-peer lending to support entrepreneurs from under-represented and disadvantaged groups?
- g. Is financial literacy training offered to support entrepreneurs from under-represented and disadvantaged groups?

4. Entrepreneurship skills

- a. Are there entrepreneurship training initiatives for entrepreneurs from under-represented and disadvantaged groups?
- b. Do high potential entrepreneurs from under-represented and disadvantaged groups have access to one-to-one or group coaching and mentoring?
- c. Are there public initiatives that provide information on available support programmes or on business start-up procedures for entrepreneurs from under-represented and disadvantaged groups?
- d. Are there business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups?
- e. Are there business incubators for entrepreneurs from under-represented and disadvantaged groups?

5. Entrepreneurial culture and social capital

- a. Is entrepreneurship actively promoted as an employment opportunity amongst the following under-represented and disadvantaged groups through the education system, media, role models, etc.?
- b. Are there public policy actions that attempt to build specific business networks for entrepreneurs amongst the following under-represented and disadvantaged groups?