



Inclusive Entrepreneurship Policies, Country Assessment Notes

Luxembourg, 2016



Acknowledgements

This note is part of a series of notes on country-level inclusive entrepreneurship policies and programmes prepared by the Organisation for Economic Co-operation and Development (OECD) for the European Commission. These notes provide an overview of current and planned policy actions and identify some actions that could be implemented to address gaps in the current support offering, or improve current offerings.

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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. 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.

People in Luxembourg were more likely than the European Union average to expect to create a business over the next three years during the 2010-14 period. Men were more likely than women to create a business (20.5% vs 15.3% in 2015) and youth were twice as likely as older people to expect to start a business (24.7% vs 11.9% in 2015). Overall, entrepreneurship priorities and objectives are outlined in the 4th National Action Plan to support SMEs, adopted in 2016. While a limited number of entrepreneurship initiatives are available for unemployed persons, support for other groups such as people with disabilities and seniors is not well developed. Key recommendations are to further improve the tailoring of existing programmes and initiatives to the needs of different population groups and to do more to foster of positive entrepreneurship culture with greater promotion of role models and greater use of the media.

This note is part of 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 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

- National objectives and targets related to entrepreneurship and self-employment for different population groups have not yet been developed. Accordingly, there are only a limited number of tailored entrepreneurship programmes (e.g. for the unemployed). However, it must be recognised that Luxembourg is a small country so a wide range of tailored policies is likely not feasible.
- Approximately 8% of the active labour force in Luxembourg was self-employed in 2015, which was slightly higher than half of the European Union average. The self-employment gender gap in Luxembourg was less striking than for other European countries in 2015 – 9.4% of working men were self-employed, relative to 7.5% of women. Older people were twice as likely to be self-employed than youth in the same year.
- The national entrepreneurship and innovation policy is primarily geared towards technology- and growth-oriented businesses and start-ups. Therefore, inclusion issues are not currently high on the political agenda.
- To make entrepreneurship more inclusive, it is recommended that policy makers: (i) extend and adapt generic entrepreneurship programmes and initiatives (e.g. Fit4entrepreneurship, Fit4Start) to the needs of different target groups; and (ii) define specific policy objectives and targets for supporting key social target groups in business creation (e.g. women, youth).

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

The *National Reform Programme (NRP)*¹ outlines a series of measures to enable “smart, sustainable and inclusive growth”. These measures encompass priorities relating to: (i) education and training; (ii) R&D and innovation, (iii) efficient use of resources; and (iv) cohesion and social inclusion. In addition, gender equality is seen as a further cross-cutting objective. Some of these priorities are relevant for inclusive entrepreneurship policy actions.

These measures may be set against the objectives related to employment and social inclusion of the Europe2020 strategy, being most relevant for inclusive entrepreneurship. The employment rate target for 2020 is 73% for women and men aged 20-64; it was 70.1% in 2015. The poverty rate target aims to reduce the number of persons under the threat of poverty or social exclusion by 3 000 by 2020. This rate stood at 19% in 2013, which was below the EU average of 24.4%.

To advance these objectives, the investment priorities of the ESF Operational Programme for the 2014-2020 have concentrated on groups of individuals who are disadvantaged in society. This includes young job seekers under 30 years old, people with immigrant backgrounds, and job seekers over 45 years old. The Operational Programme is divided into three priority areas: (i) supporting sustainable

¹ The National Reform Programme is presented in parallel with the Stability and Convergence Programme and sets out the country's budgetary plans for the coming three to four years.

professional integration, accounting for 54% of the financial envelope; (ii) strengthening social inclusion, with 20% of the financial envelope: and (iii) promoting the acquisition of new skills for another 20% of the financial envelope.

Within this broad framework, the government's national policies largely focus on efforts to support job seekers. This policy approach is well reflected in the National Employment Policy which promotes high quality, sustainable and inclusive jobs, and supports measures and actions designed to eliminate precariousness and poverty. General employment measures for vulnerable social groups exist, especially for the young, women, older people and people with disabilities.

Current entrepreneurship priorities and objectives are outlined in the 4th National Action Plan to support SMEs, which was adopted in March 2016. These emphasise entrepreneurship promotion, SME-friendly regulations, better access to finance, and innovation in SMEs. Although the promotion of women and youth entrepreneurship is explicitly mentioned, focus is placed on innovation and growth rather than social policy objectives.

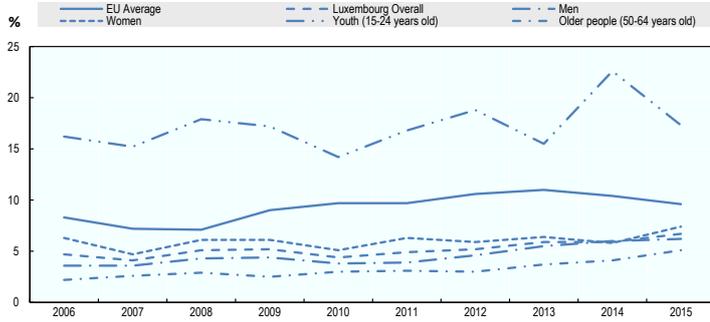
No quantitative targets have been defined yet for self-employment and business creation by disadvantaged groups in entrepreneurship.

2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

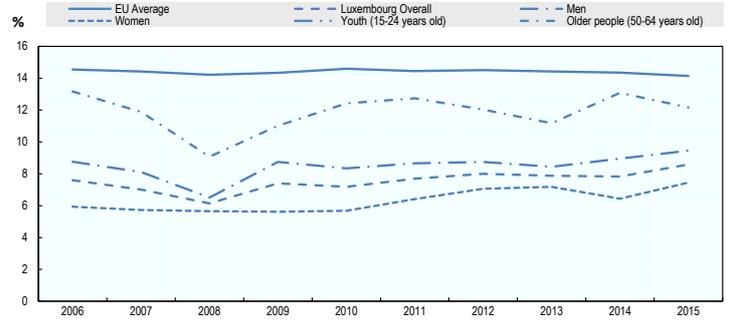
Unemployment in Luxembourg has been stable over the past decade and was well below the European Union average in 2015 (6.7% vs. 9.6%) (Figure 1a). Youth unemployment was much higher than for other groups in 2015 (17.3% vs. 6.7% for the overall population). In most EU countries, the youth unemployment rate is double the adult rate but in Luxembourg, it was nearly triple in recent years.

Figure 1. Key inclusive entrepreneurship indicators

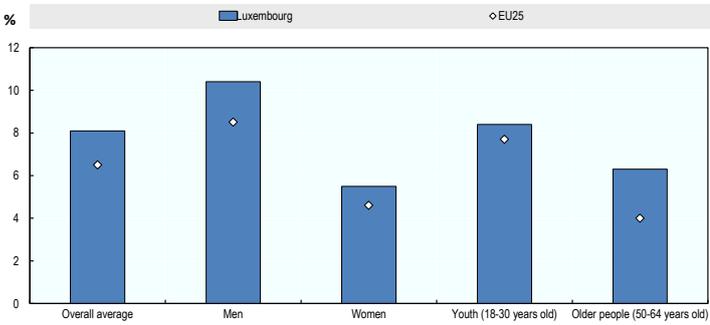
a. Unemployment rate, 2006-15



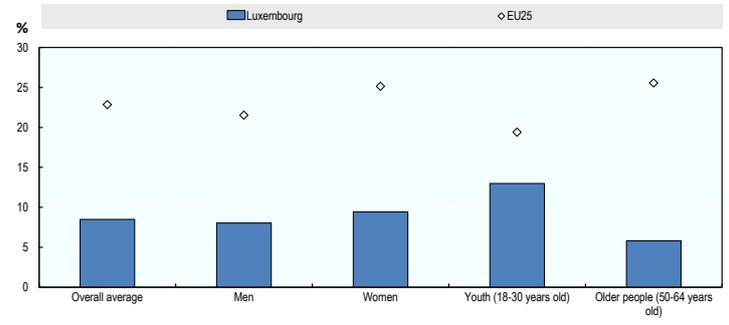
b. Self-employment rate, 2006-15



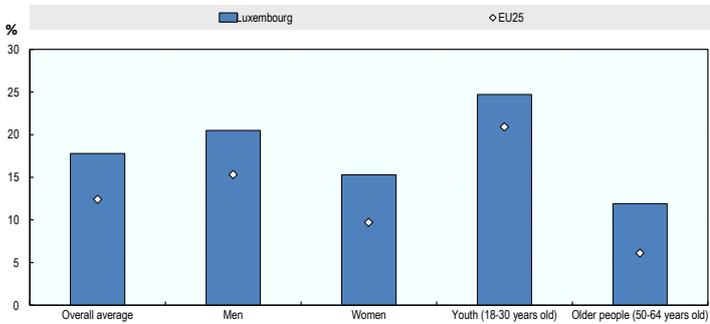
c. TEA Rate, 2010-14



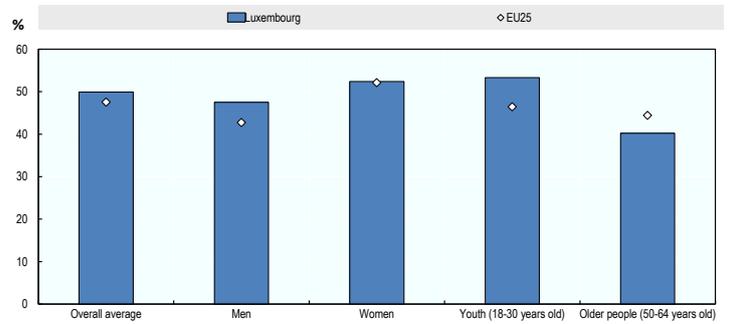
d. Proportion of TEA that is necessity entrepreneurship, 2010-14



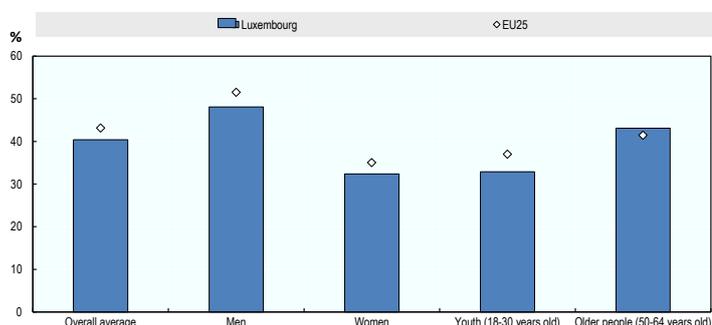
e. Proportion who expect to start a business in the next 3 years, 2010-14



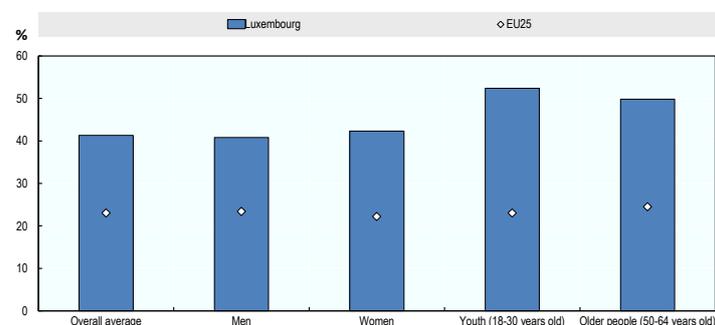
f. Proportion who report that a fear of failure prevents them from starting a business, 2010-14



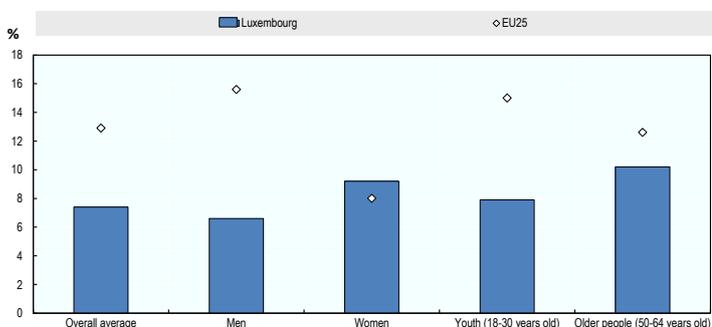
g. Proportion who perceive that they have the skills to start a business, 2010-14



h. 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, 2010-14



i. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years, 2010-14



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed. The TEA rate is the Total 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 c, d, e, f, g, h and i were pooled for the period 2010-14, producing an unweighted average. The EU25 average in panels c, d, e, f, g, h and i covers all EU28 countries, except Bulgaria, Cyprus and Malta.

Source: Panels a and b contain data from Eurostat (2016), Labour Force Survey; Panels c, d, e, f, g, h and i contain data from the 2010 to 2014 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2016).

The overall self-employment rate was below the European Union average in 2015 with 8.6% to 14.0%, but the self-employment gap between women and men in Luxembourg was less striking than for other European countries (7.5% vs 9.4% in 2015) (Figure 1b). Youth between 15 and 24 years old were half as likely to be self-employed as seniors (6.3% vs 12.2% in 2015).

Despite relatively low self-employment rates, many people appear to be involved in starting a business. The Total Entrepreneurial Activity (TEA) rate was above the EU average for the 2010-14 period and stood at 8.1% (EU: 6.5%) (Figure 1c). This difference can be explained by different interpretations of whether an entrepreneur is a self-employed person (and vice-versa) and that the TEA rate is more of a “flow” measure since it captures those involved in establishing or managing a new business. Another explanation could be that in Luxembourg there are many self-employed people who register their business in surrounding countries as they might have their principal location on the other side of the border. Thus the self-employment data may not pick-up all self-employed people.

One of the reasons why entrepreneurship activity levels may be low in Luxembourg is that there is a low level of “necessity” entrepreneurship (Figure 1d). Only 8.5% of entrepreneurs who were involved in setting-up a new business, or operating a business that is less than 42 months old, were motivated to start their business because they had no better options for work over the 2010-14 period. This was substantially lower than the European Union average (22.8%) and holds also true for key target groups such as women and older people. Youth reported however to a slightly higher percentage rate of 13% to be engaged in necessity entrepreneurship.

People in Luxembourg were more likely than the European Union average during the 2010-14 period to expect to create a business over the next three years. Men were more likely than women to create a business (20.5% vs 15.3%) and youth indicated twice as often as older people that they expected to start-up (24.7% vs 11.9%) (Figure 1e). “Fear of failure” as a barrier was reported more frequently than in other EU countries (49.9% vs 47.5%). This holds for all social groups except from older people (Figure 1f). Youth (53.3%) were the most likely group in Luxembourg to report this barrier. People in Luxembourg were also less likely to feel that they had the skills to start a business (Figure 1g). Less than one-third of women indicated that they had appropriate skills, which is approximately the proportion of youth.

Entrepreneurs in Luxembourg were nearly twice as likely as the European Union average to report that their business offered new products and services (Figure 1h). Remarkably, more than half of youth entrepreneurs reported this. However, new entrepreneurs in Luxembourg were not likely to report that they expected to generate a lot of job creation through their business. Men and youth were about half as likely as the European Union average over the 2010-14 period to indicate that they expected to create at least 19 jobs over the next five years (Figure 1i). Women were, however, more likely than the European Union average to expect this level of job creation. It is also one of the few EU countries where more women than men expected to create a high number of jobs.

Data on business dynamics reveal that there is an upward trend of business creations of about 10% per year in relation to the total stock of businesses. In parallel, the survival rate of firms is increasing and latest data from 2012 indicate a survival rate of 84% for firms born between 2007 and 2012. Higher entry and survival rates can be an indicator of a positive business environment for entrepreneurship and SMEs and might be traced back to recent engagements in entrepreneurship training and finance programmes and promotion efforts through role models and success stories.

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

3.1. Policy framework

Entrepreneurship priorities and objectives of the Luxembourg government are outlined in the 4th National Action Plan to support SMEs, which was adopted in March 2016. It outlines 99 measures on ten priority axes ranging from the promotion of an entrepreneurial spirit to adapting regulations to changing labour markets, better access to finance and setting up an environment conducive to research and innovation (Ministère de l'Économie, 2016).

While the action plan covers entrepreneurs and SMEs in general, it contains some objectives related to youth and women entrepreneurship. For youth, the plan calls for improved promotion of entrepreneurship through the education system, role models and existing networks (such as *Jonk Entrepreneuren*). Support to women entrepreneurship is envisaged through better childcare facilities and better work and family reconciliation. The government also announced the promotion of measures that favour hiring disadvantaged and under-represented groups for SMEs, such as the elderly and people with disabilities.

Entrepreneurship and SME policy is co-ordinated by the Ministry of Economy and implemented through a range of public and private actors and associations, including the national innovation agency LuxInnovation, the Chambers of Commerce, Chamber of Crafts, the public employment service (ADEM - *Agence pour le développement de l'emploi*) and the recently established one-stop shop “House of Entrepreneurship”.

The government generally promotes a positive climate for entrepreneurship and has undertaken a number of measures to foster self-employment and business creation. Overall, entrepreneurship policy is focused on supporting growth and innovation and initiatives are typically developed for the whole population of entrepreneurs. The exception is youth, who benefit from increased attention to entrepreneurship education and training within schools and higher education.

3.2. Government regulations

The government of Luxembourg has a number of regulatory measures aimed at supporting new entrepreneurs. For example, the introduction of the new “1-1-1” law significantly reduced the steps involved in the registration process for starting a business. It allows for the creation of an enterprise in one day at the cost of EUR 1. Another important measure is the introduction of an online platform that explains how to start a business. A new publicly-funded “House of Entrepreneurship” (2016) has been set up as a one stop shop for all support needs related to starting a business. This initiative was implemented because support infrastructure for start-ups was rather fragmented with many different agencies involved. These are significant step in reducing the administrative burden for start-ups and will be disproportionately beneficial for entrepreneurs from under-represented and disadvantaged groups.

In addition, the government announced in the 2016 SME action plan to undertake an analysis of barriers for self-employment in the social security system compared to employees and to take steps that secure equal benefits for self-employment and employees. The action plan also outlines measures to support to women entrepreneurship, including an extension of childcare facilities to allow for better work and family reconciliation.

3.3. Financing entrepreneurship

The general perception on access to finance is that access to start-up finance is not a significant barrier for most entrepreneurs. Loans are widely available, and there is strong collaboration between companies, banks and public actors. Nevertheless, access to seed and risk capital could be improved and many recent efforts seek to promote and support innovation in SMEs. For example, new loan instruments for SMEs have been introduced by the *Société Nationale de Crédit et d'Investissement* (SNCI) to strengthen research development and innovation activities in SMEs. Other examples are the Luxembourg Future Fund and the Luxembourg Business Angel Network, which both seek to stimulate venture capital and risk capital investments in Luxembourg.

The main financial instrument for supporting start-ups is “Fit For Start”, which is an integrated support programme that is managed by the Ministry of Economy. The programme provides a grant of EUR 50 000 and also includes 16 weeks of training and individual coaching. Participating entrepreneurs and SMEs are required to invest EUR 10 000 of their own equity capital into their business. Entrepreneurs from under-represented and disadvantaged groups will likely have difficulty participating in this programme since many will have difficulty raising enough owner equity.

However, there are a small number of financial instruments that are tailored to the needs of people from disadvantaged groups. The unemployed who have been unemployed for at least six months, and have worked for at least six years in Luxembourg, can receive a grant for business creation that is equal to their entitlement of their remaining unemployment benefits. This grant is provided in a single payment by the Ministry of Labour.

3.4. Entrepreneurship skills

Many entrepreneurs who seek training, coaching or advisory services go to the online portal “House of Entrepreneurship”. However, there are few entrepreneurship training, and coaching and mentoring programmes offered by government. The main support programme is the integrate programme “Fit For Start” (see section 3.3).

This programme is complemented by tailored entrepreneurship training for youth and for the unemployed. For youth, the support is provided through the Junior Chamber International Luxembourg and the association of young entrepreneurs (*Jonk Entrepreneuren*). The mission of the Junior Chamber International Luxembourg is to provide young people with development opportunities. Members, aged 18 to 40 years old, can access various initiatives, including entrepreneurship workshops and training. *Jonk Entrepreneuren* is a publicly supported non-profit organisation founded in 2006 with the objective of developing an entrepreneurial culture in Luxembourg and to promote self-employment as a viable alternative to employment. The association offers 11 entrepreneurship education programmes and more than 9 600 young people participated in programmes in 2015.

Entrepreneurship education is further strengthened through the ESF funded “Youth Start - Entrepreneurial Challenges” project, which developed practical experiential learning programmes at the compulsory school level in Austria, Luxembourg, Portugal and Slovenia. The programme is designed to be flexible in its application and encourages teachers to use Youth Start Entrepreneurial modules with their students.

For unemployed people, the Ministry of Labour developed the initiative “Fit4Entrepreneurship” for those unemployed who are interested in self-employment. The programme offers entrepreneurship coaching for those who have been registered as unemployed for at least six months. Coaches come from the “House of Entrepreneurship” initiative and the first edition of the programme in 2015-16 supported the creation of 40 businesses.

3.5. Entrepreneurial culture and social capital

The promotion of an entrepreneurial culture is driven by a high number of non-profit and private associations, with some of them having a specific focus on key target groups of inclusive entrepreneurship. Overall, media attention to entrepreneurship is generally high. This is especially the case since the creation of the new online magazine “Silicon Luxembourg”, which publishes success stories of start-ups in Luxembourg. It also includes special features on entrepreneurial individuals, including women and people with disabilities.

Youth entrepreneurship is mainly promoted through the Youth Chamber, notably through the yearly organisation of the Creative Young Entrepreneur Luxembourg Award (CYEL), which aims to promote new businesses that contribute in strengthening the local economy. This is complemented by the Youth Entrepreneurship Contest in schools. It is sponsored by the US embassy in Luxembourg and the top five students are invited each year to attend the Free Enterprise Leadership Challenge, a one-week entrepreneurship camp in the US.

Entrepreneurship is also promoted for other population groups by non-governmental organisations. This includes promoting entrepreneurship for women and for people with disabilities.

Networks are also another mechanism for promoting entrepreneurship and supporting entrepreneurs. There are approximately 20 networks, associations and initiatives related to women entrepreneurship. Opportunities for social capital development and exchange for women-only groups is well developed. Examples of prominent networks for women are the *Network – Connecting Women in Luxembourg* and the *Federation of Women Entrepreneurs in Luxembourg*. The Connecting Women Network brings together women business leaders and professionals residing in Luxembourg and the surrounding region to provide networking opportunities, promotes personal and career development among its members. The Federation of Women Entrepreneurs in Luxembourg was established in 2004 and aims to promote equal economic opportunities for women and men. It encourages women to take on leadership roles across the different sectors of the economy; helps them to grow their network in Luxembourg and abroad; and seeks to influence those in power to pass laws encouraging female entrepreneurship.

4. POLICY RECOMMENDATIONS

Entrepreneurship policies and programmes in Luxembourg tend to favour support for innovative and high tech start-ups. To strengthen inclusive entrepreneurship policies and programmes, the following recommendations are offered:

1. *Extend and adapt generic entrepreneurship programmes and to the needs of different target groups.* Tailored modules should be developed for current entrepreneurship training programmes and more efforts are needed to use targeted outreach methods to ensure that various population groups (e.g. migrants, the unemployed) are aware of available support offers. For example, the programme “Fit4entrepreneurship” could be extended beyond its current eligibility to also include unemployed persons and actively involve disabled and seniors in transition to new career path.
2. *Define specific policy objectives and targets for supporting key social target groups in business creation.* Encourage an inclusive culture of entrepreneurship with an enhanced focus on the target groups of inclusive entrepreneurship. More role models for Luxembourgish entrepreneurs from under-represented and disadvantaged groups (in particular female, disabled, and seniors) could be promoted. More media attention could be given to young people, disabled, senior entrepreneurs and unemployed persons who have moved into self-employment.

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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 by government partners, programme managers and other inclusive entrepreneurship stakeholder 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

- 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?
- 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?
- 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

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

3. Financing entrepreneurship

- Are there grants for business creation offered to support entrepreneurs from under-represented and disadvantaged groups?
- Is microcredit for business creation available to support entrepreneurs from under-represented and disadvantaged groups?

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

4. Entrepreneurship skills

- Are there entrepreneurship training initiatives for entrepreneurs from under-represented and disadvantaged groups?
- Do high potential entrepreneurs from under-represented and disadvantaged groups have access to one-to-one or group coaching and mentoring?
- 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?
- Are there business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups?
- Are there business incubators for entrepreneurs from under-represented and disadvantaged groups?

5. Entrepreneurial culture and social capital

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