

Inclusive Entrepreneurship Policies,
Country Assessment Notes

Estonia

2020



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 seek to ensure that everyone has an opportunity to create a sustainable business for those with realistic potential, regardless of their background. Business creation by people from under-represented and disadvantaged groups (e.g. women, youth, seniors, immigrants, the unemployed, people who experience disability) helps generate jobs, thereby fighting social and financial exclusion while stimulating economic growth.

These policies have become much more relevant with the COVID-19 pandemic, which has led to rapidly increasing unemployment and inactivity. Addressing this jobs crisis is one of the top policy priorities in European Union and OECD countries and inclusive entrepreneurship schemes have strong potential for moving some unemployed people back into work. Moreover, these policies can be leveraged to help re-boot economies as there is untapped growth potential among some of the target groups.

This note is the fourth country assessment note prepared by the Organisation for Economic Co-operation and Development (OECD) in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each EU Member State. Each note provides an overview of the entrepreneurship activities by women, youth, seniors, immigrants and the unemployed. It also provides an 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 2020 notes include a special section on entrepreneurship support for people who experience disability. This section provides an overview of the entrepreneurship activity levels, obstacles faced and policy responses. It also contains a new section on entrepreneurship framework conditions to provide additional context for interpreting the tailored policies and programmes.

These country-specific notes are part of a wider programme of work by the OECD and the European Commission that includes “The Missing Entrepreneurs” publications, the Better Entrepreneurship Policy Tool (www.betterentrepreneurship.eu), a series of Policy Briefs on specific target groups, policies and issues, and national policy reviews of youth entrepreneurship and women entrepreneurship. This work stream examines 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. For more information please refer to: www.oecd.org/employment/leed/inclusive-entrepreneurship.htm.

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 were prepared by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director, as part of the programme of work of the OECD Local Economic and Employment Development (LEED) Programme, led by Karen Maguire, Head of Division. They 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.

This note was prepared by Marina Kaas. David Halabisky of the OECD CFE edited the note under the direction of Dr. Jonathan Potter, also of the OECD CFE.

An online seminar was organised to review the draft note on 17 July 2020. Feedback was received from representatives of Ministry of Economic Affairs and Communications, Estonian Unemployment Insurance Fund, KredEx financial services, JA Alumni Estonia, Estonian Chamber of Disabled People, and Estonian Women's Studies and Resource Centre (ENUT).

Much of the data contained in this note were prepared under the direction of Dr. Jonathan Levie of the Global Entrepreneurship Monitor.

Finally, this note benefited from feedback and suggestions provided by Julien De Beys and Guy Lejeune of the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

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Key messages

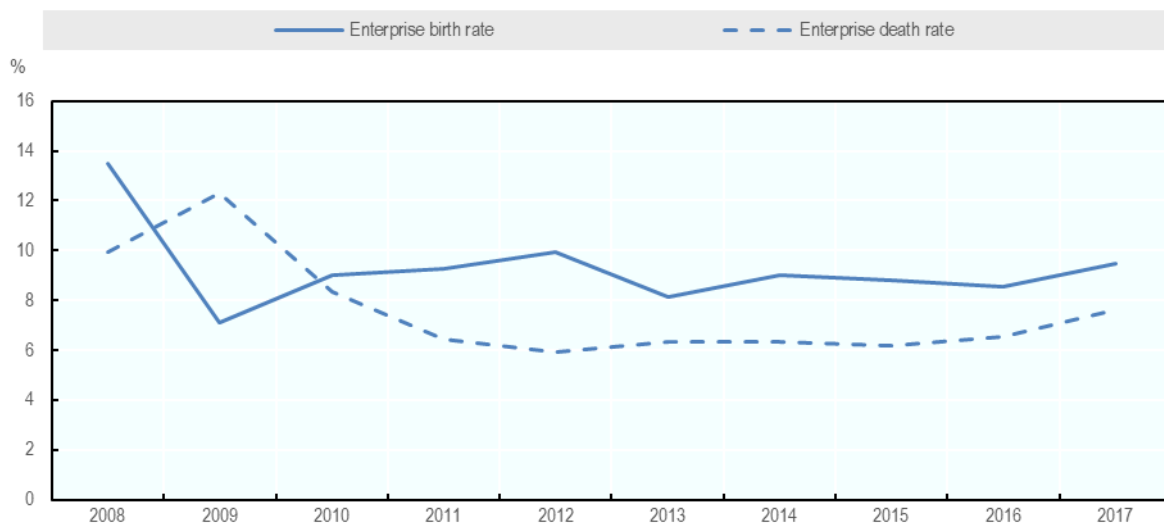
- The conditions for entrepreneurship are generally considered favourable relative to other European Union (EU) countries. However, Estonia is rated equal to the EU average on several indicators including administrative burden on start-ups and the share of the population with entrepreneurship skills.
- Data from the Global Entrepreneurship Monitor suggest that there are currently about 133 300 early stage entrepreneurs, i.e. those involved in starting a new business or managing one that is less than 42 months old. Of these about one-third are women, 25% were 18-30 years old and 13% were over 50 years old. Compared to the EU average, a greater share of the population reported being involved in early-stage entrepreneurship (16.1% vs. 6.8%) and a high proportion of youth were engaged these activities (22.6% vs. 7.9%). However, new Estonian entrepreneurs were less likely than the EU average to expect high-growth (in terms of employment).
- Closing all of the gaps in early-stage entrepreneurship activity rates would (i.e. applying the early-stage entrepreneurship rate of men who are 30-49 years old to the whole population) result in about 68 400 additional entrepreneurs. Among these “missing” entrepreneurs, 75% are female and 60% over 50 years old.
- Entrepreneurship policies are generally designed to increase innovation within SMEs and to support firm growth at large. There are few tailored and targeted policies and initiatives that seek to support specific social target groups in business creation, with the exception of several support measures developed for youth entrepreneurs as well as a very small number of initiatives to support the unemployed in business creation.
- To strengthen inclusive entrepreneurship policy, it is recommended that the government:
 - Design dedicated support measures in order to facilitate business transfers to young entrepreneurs;
 - Provide more tailored entrepreneurship training, coaching and mentoring for women;
 - Increase the accessibility of entrepreneurship training and coaching for seniors; and
 - Update the business start-up support package to unemployed persons in light of the COVID-19 crisis.

1 Inclusive entrepreneurship trends

Conditions for entrepreneurship

Business entry and exit rates have been fairly stable since 2010, with business entry rates exceeding business exit rates (Figure 1.1). Therefore, the business population has had positive growth over these eight years. Business entry and exit rates are approximately the same at the overall entry and exit rates at the European Union (EU) level.

Figure 1.1. Business entry and exit rates



Note: Enterprise birth rate is the share enterprise births in the reference period (t) divided by the number of enterprises active in t. Enterprise death rate is the share enterprise deaths in the reference period (t) divided by the number of enterprises active in t. The construction sector is excluded from these rates.

Source: Eurostat (2020), Business demography statistics, <https://ec.europa.eu/eurostat/web/structural-business-statistics/data/main-tables>.

The low cost of starting a business and the ease of complying with taxes means that the regulatory environment for entrepreneurship is among the most favourable in the EU. Regulatory simplification and digitalisation of public services has further supported this position. However, the level of administrative burden on new start-ups is about equal to the EU Median (Figure 1.2). The government is actively reducing administrative burden through its Zero-Bureaucracy project initiated in 2015. A notable recent is the Reporting 3.0 programme, which will automate business reporting from 2018 onwards by transferring information directly from accounting software to tax and statistics services. The initiative is expected to reduce accounting time and costs for entrepreneurs and SMEs by up to 20% (OECD, 2019).

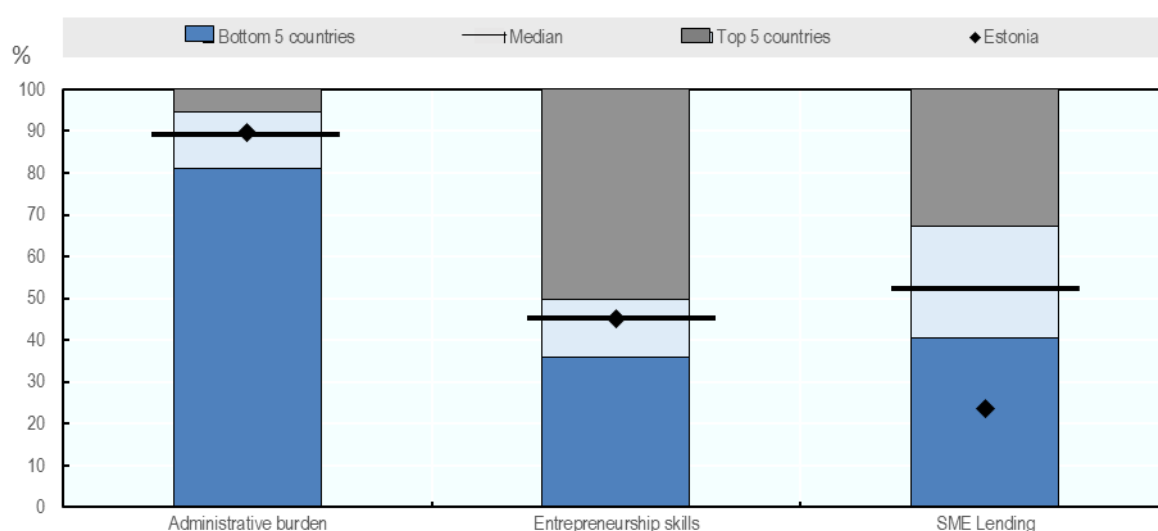
Estonians are about as likely as the EU median to report that they have the skills and knowledge to start a business (Figure 1.2). Therefore, it would be expected that entrepreneurship rates would be

approximately equal to the EU average. Similarly, Estonia is at the median when it comes to ICT skills proficiency and tertiary educated workforce, and human resource development is a government priority (OECD, 2019).

SME access to credit has improved in recent years in Estonia and new SME lending, albeit below pre-crisis levels, was among the highest in the OECD in 2016. However, the share of SME loans to total business loans remains among the lowest in the EU (Figure 1.2). The availability of venture capital (VC) was on par with the OECD median in 2016, and at its highest level ever in Estonia. The EstFund fund of funds was introduced in 2016 to further increase VC investment, in particular for SMEs. Set up jointly by the government and the European Investment Fund, it will invest EUR 60 million into VC funds, to be complemented by private investors (up to EUR 40 million). Investments began at the end of 2017 (OECD, 2019).

Figure 1.2. Conditions for business creation, 2019

Ranking relative to other European Union Member States



Note: The median score reported represents the median among EU Member States. Administrative burden is a score of 1 to 6 given to a country to reflect the relative scale of the administrative burden that new start-ups face. Entrepreneurship skills is the share of the population who report that they have the skills and knowledge to start a business. This indicator is an average of the period 2015-19. SME lending is share of loans to SMEs as a percentage of total outstanding business bank loans.

Source: World Bank (2019), Ease of Doing Business Survey; GEM (2020); Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD; OECD (2020), Financing SMEs and Entrepreneurs 2020.

Recent labour market trends

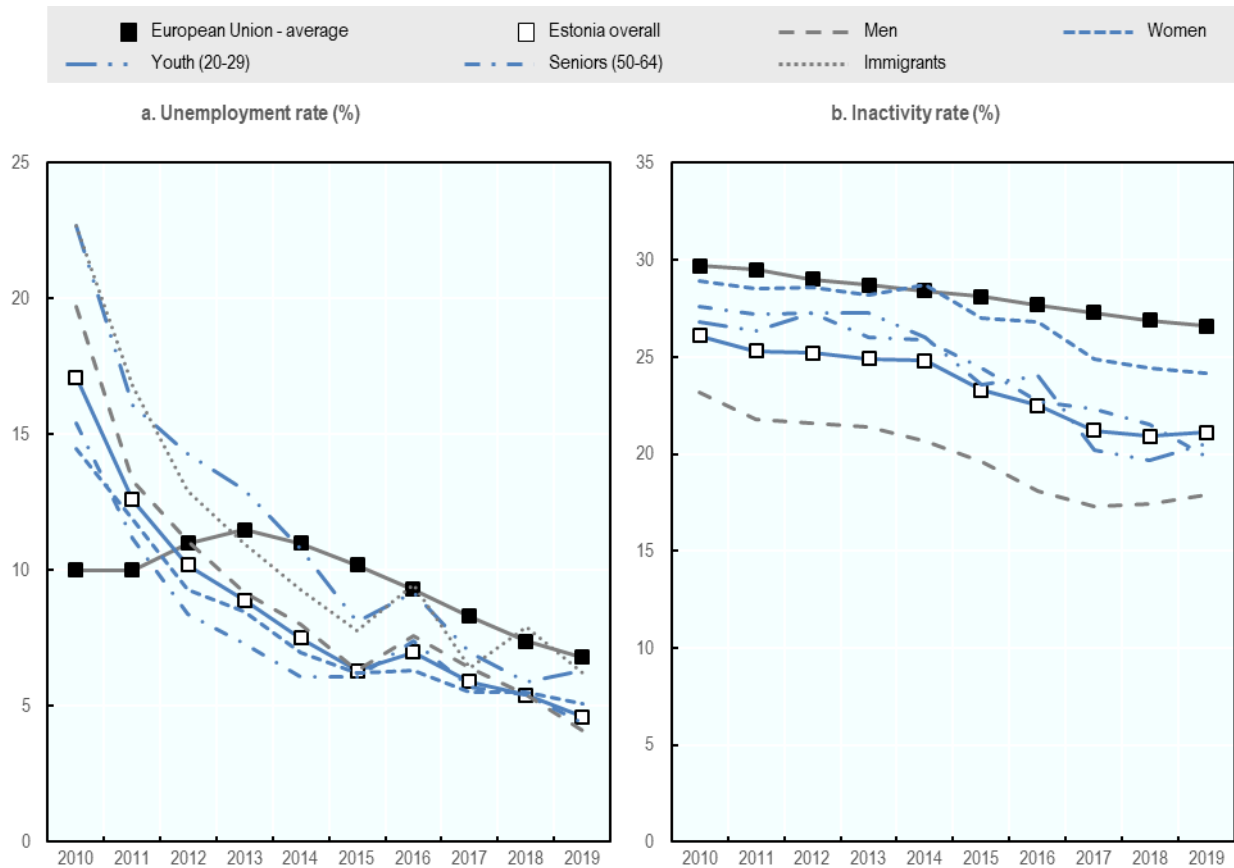
The unemployment rate in Estonia increased rapidly following the onset of the economic crisis in 2008, reaching a peak of 17.1% in March of 2010 before falling to 4.6% in 2019 (Figure 1.3). The unemployment rate in 2019 was below the EU average of 6.8%. The unemployment rates for key social target groups (i.e. women, youth and older people) were also below the EU averages. However, unlike in the previous decade, the unemployment among women was above the unemployment rate for men in 2019 (5.1% vs. 4.1%).

Similarly, the inactivity rate fell over the past decade, and at a much faster rate of decline than the overall inactivity rate for the EU. Overall inactivity rates were below the EU average. The inactivity rate fell most markedly among youth and seniors. These strong labour market conditions likely exert a negative influence

on entrepreneurship activities since relatively few people would start a business because they cannot find employment.

Figure 1.3. Unemployment and inactivity

Proportion of the labour force that is unemployed and proportion of the working age population that is inactive



Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Self-employment activities

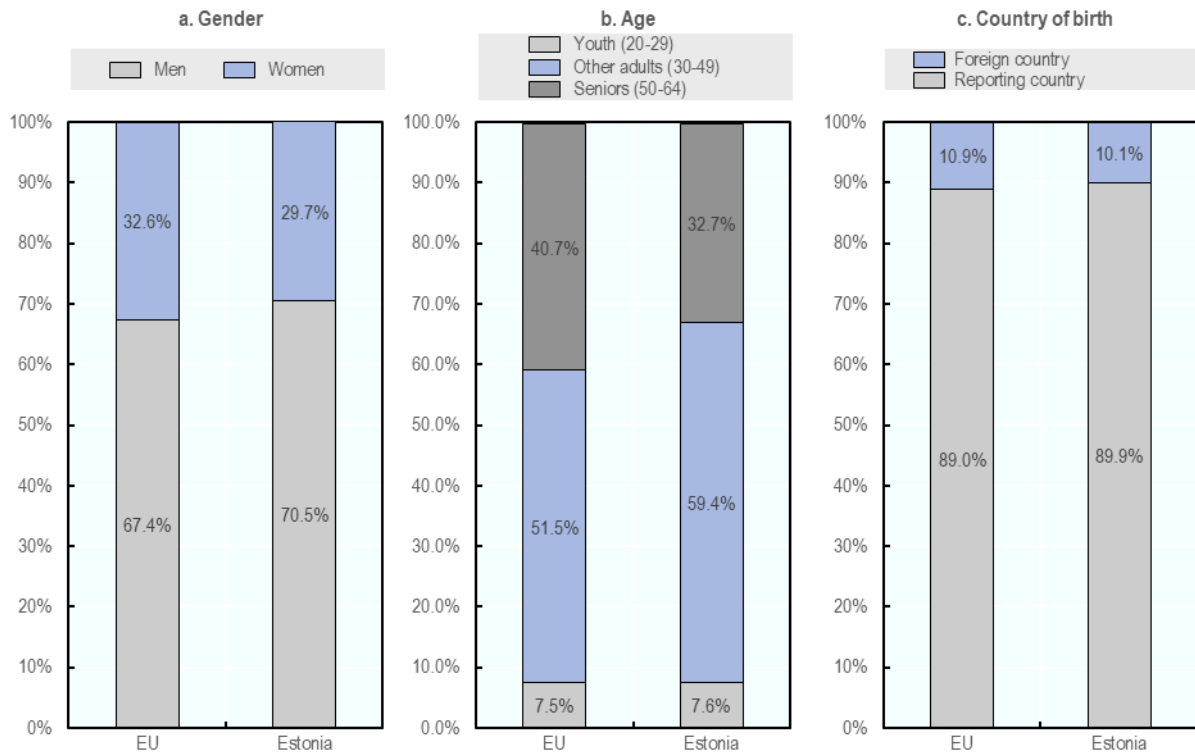
The profile of the self-employed differs from that of the EU overall in several notable ways. First, the gender gap in self-employment was greater than the EU average in 2019 (Figure 1.4). Further, core-age adults (30-49 years old) accounted for a greater share of the self-employed while there were relatively fewer seniors.

There was an upward trend in the self-employment rate over the last decade (Figure 1.5). The self-employment rate reached 10.3% in 2019, which is more than 1.5 times greater than the rate in 2010 (6.8%). However, the proportion of the working population that are self-employed was below the EU average (12.5% in 2019). Men were more than twice as likely to be self-employed than women in 2019 (14.0% vs. 6.4%). The self-employment rate for older people was slightly above the national average (10.9% in 2019) while youth (20-29 years old) had a very low self-employment rate (4.6% in 2019). The lower self-employment figures compared to EU average can be explained by the legal specifics of this form of

entrepreneurial activity, whereas it is more safe and less expensive to operate as one-person company rather than to be self-employed.

Figure 1.4. Composition of the self-employed

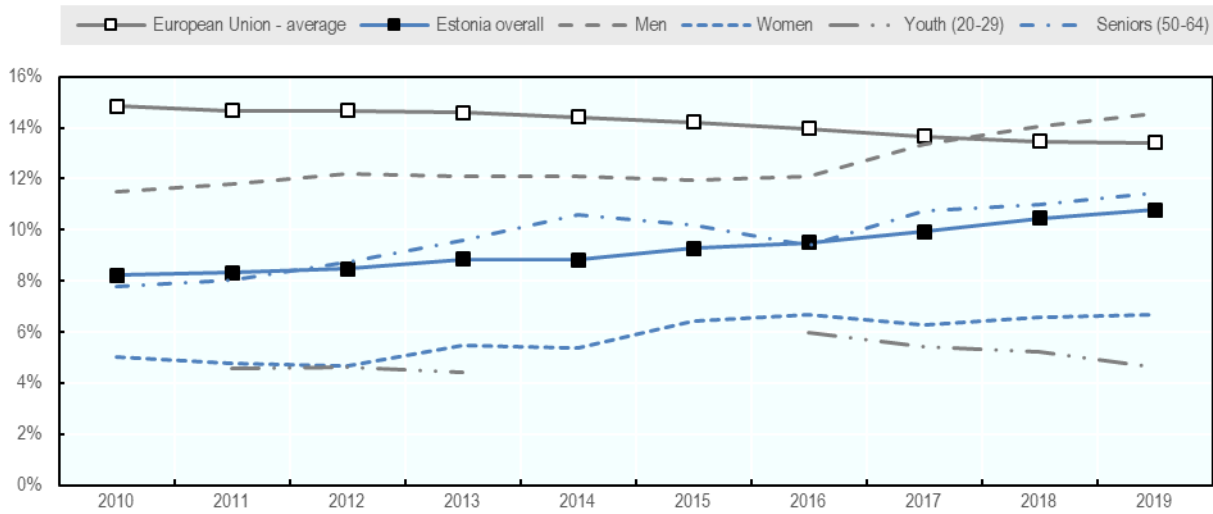
Proportion of self-employed workers, 2019



Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Figure 1.5. Self-employment rate

Proportion of employment that is self-employed

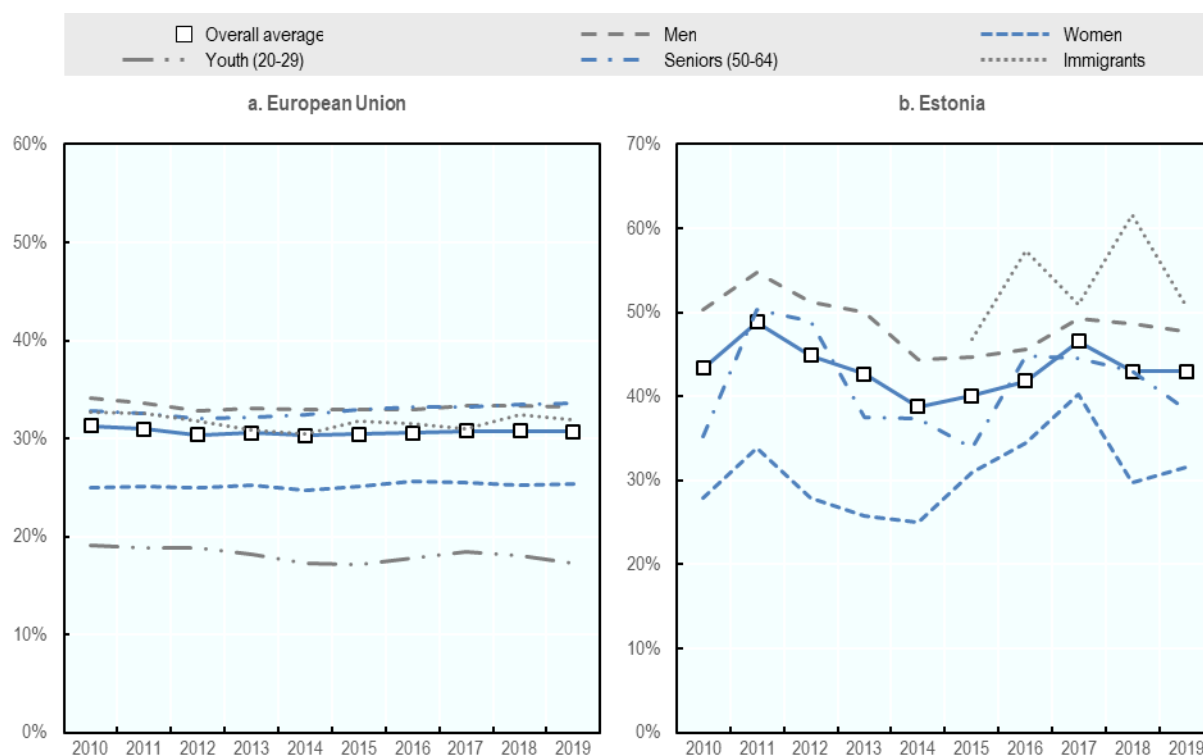


Note: Data for youth includes data for the age group 20-24 which is of low reliability.
 Source: (Eurostat, 2020₍₁₎)

The self-employed were more likely than the EU average to employ others (Figure 1.6) in 2019. More than 40% of the self-employed had at least one employee relative to 30.7% in the EU. Self-employed immigrants were the most likely to have employees (50.7%) while self-employed women were the least likely (31.5%). The gap between the share of self-employed men and women who are employers is much larger in Estonia than for the EU overall (16.2 percentage points vs. 8.0 percentage points). Data for youth are not available.

Figure 1.6. Self-employed as employers

Proportion of the self-employed who employ others



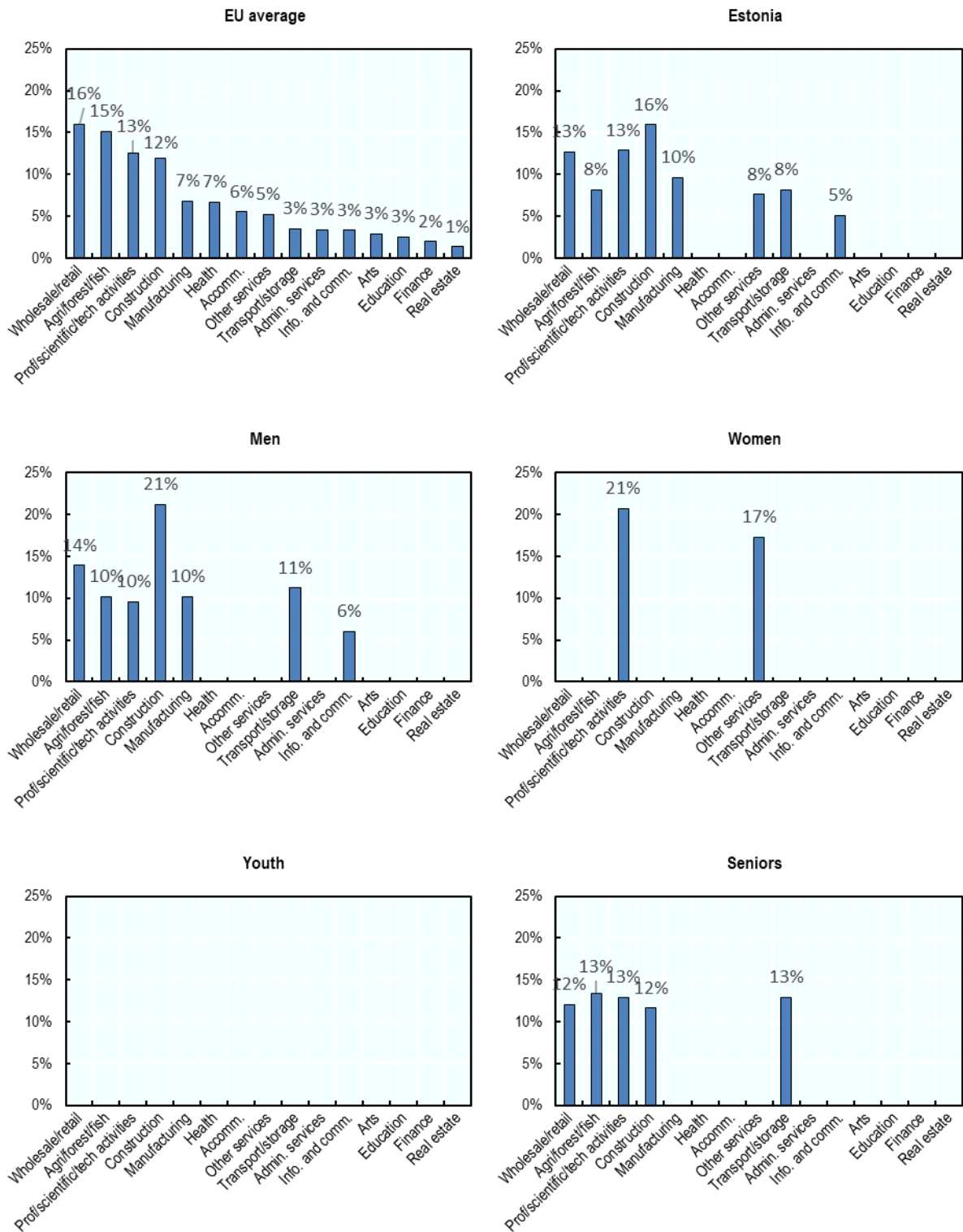
Note: Reliable data for youth are not available. Reliable data for immigrants are not available for 2010 and 2012-14.

Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

The predominant sectors for self-employment activities in 2019 were Wholesale and retail trade; Construction; Professional, scientific and technical activities; and Manufacturing, which was similar to the top sectors across the whole EU (Figure 1.7). However, some gender and age differences can be observed. For example, self-employed men were concentrated in Construction, which can be partially explained by the tax treatment of self-employed workers relative to employees. Self-employed women and older people were concentrated in Wholesale and retail trade, and Professional, scientific and technical activities. Women were also very active in Human health and social work and Other service activities, which includes a range of activities such as recreational, artistic, hairdressing and other beauty treatment, washing and dry-cleaning of textiles.

Figure 1.7. Self-employment by economic activity

Distribution of the self-employed by sector, 2019



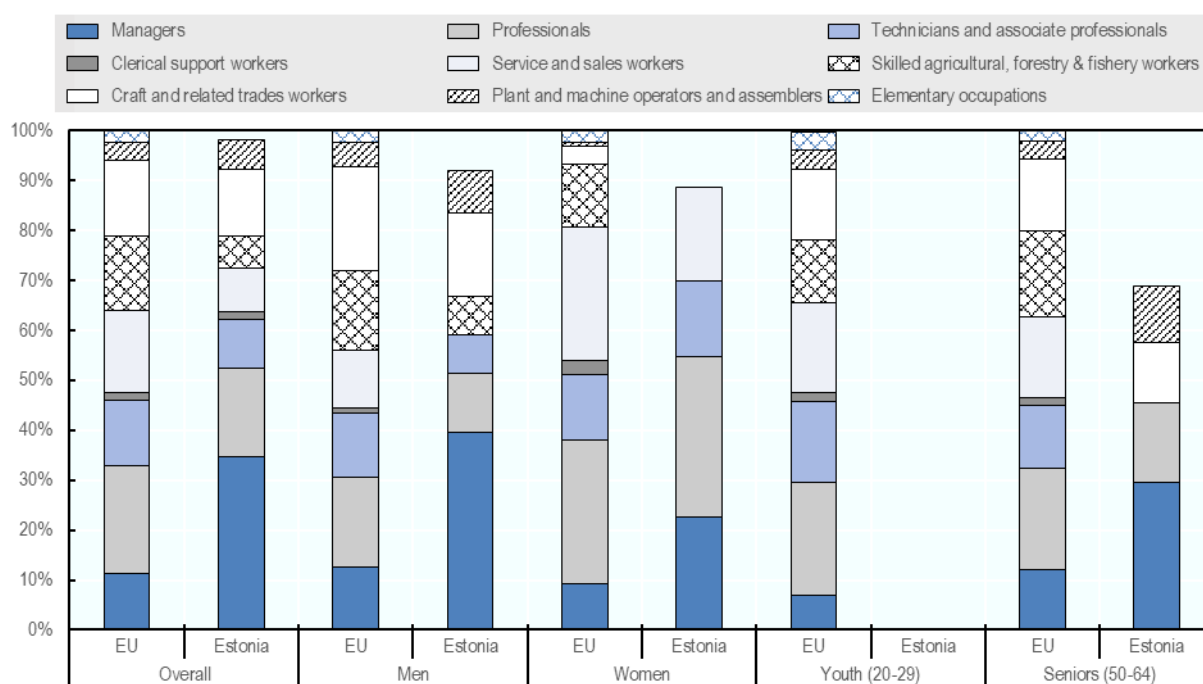
Note: Reliable data for youth are not available and some data for men, women and seniors are suppressed due to the quality of the estimates.
 Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

This distribution of the self-employed across occupations differs from the EU average in several ways (Figure 1.8). First, there were more than three times as many Managers in Estonia in 2019 (34.6% vs. 11.1%) and second there were far fewer Skilled agricultural, forestry and fishery workers (6.6% vs. 14.8%). Self-employed women were less likely to be Managers than men (22.7% vs. 39.6%), but were nearly three times as likely to be Professionals (32.0% vs. 11.8%). Self-employed seniors were most likely to be Managers (29.5%), and Professionals (16.1%).

The self-employed are well-educated in Estonia. In 2019, 47.5% had completed upper secondary school and another 47.4% had completed tertiary education. Both of these proportions are above the EU averages (Figure 1.9). Self-employed women were more likely than men to have completed tertiary education (63.5% vs. 40.5%). Small sample sizes make it difficult to draw conclusions based on age.

Figure 1.8. Self-employment by occupation

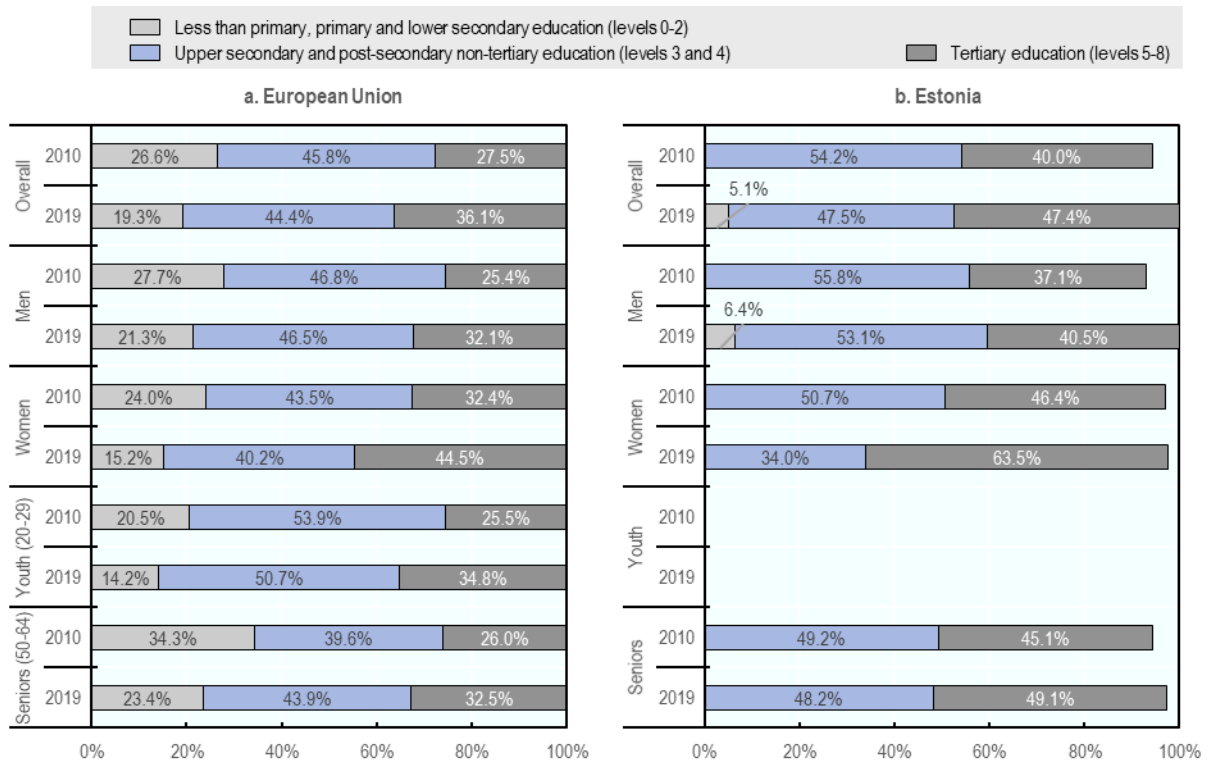
Distribution of the self-employed by occupation



Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Figure 1.9. Self-employment by education level

Distribution of the self-employed by educational attainment



Note: Reliable data is not available for youth.

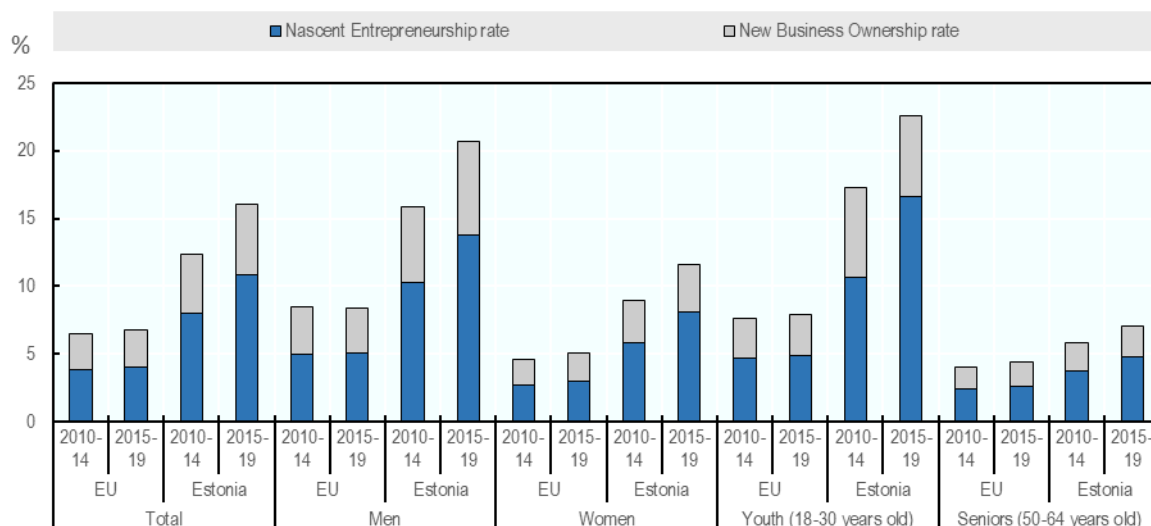
Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Entrepreneurship activities

Despite the lower than average self-employment rates, the Total early-stage Entrepreneurial Activities (TEA) rate in Estonia (Figure 1.10) was more than double the EU average for the period 2015-19 (16.1% vs. 6.8%). This can be explained by differences in the two measures. The TEA rate measures pre start-up activities and new business ownership, but does not pick-up the stock of entrepreneurs in an economy. Men had a substantially higher TEA rate than women over this period (20.7% vs. 11.6%). Youth were the most active population group in starting a business or operating a new business (22.6%), while older people had relatively low rates of entrepreneurial activity (7.1%). To certain extent this is the result of the implementation of the policies focused to a great extent on start-ups by youth.

Figure 1.10. Nascent entrepreneurship and new business owners

Proportion of the population (18-64 years old) that self-report being engaged in nascent entrepreneurship activities or new business owners



Note: The nascent entrepreneurship rate is defined as the proportion of the adult population (18-64 years old) that is actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months. The new business ownership rate measures the proportion of the population (18-64 years old) that is currently the owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months. All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19) Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

Over the period 2015-19, 16.3% of the Estonian 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 (Figure 1.11). This was lower than the EU average (18.8%). Youth and women entrepreneurs were much less likely than the EU average to have started their businesses out of necessity, but older entrepreneurs were slightly more likely than the EU average (26.5% vs. 23.4%).

How many “missing” entrepreneurs are there?

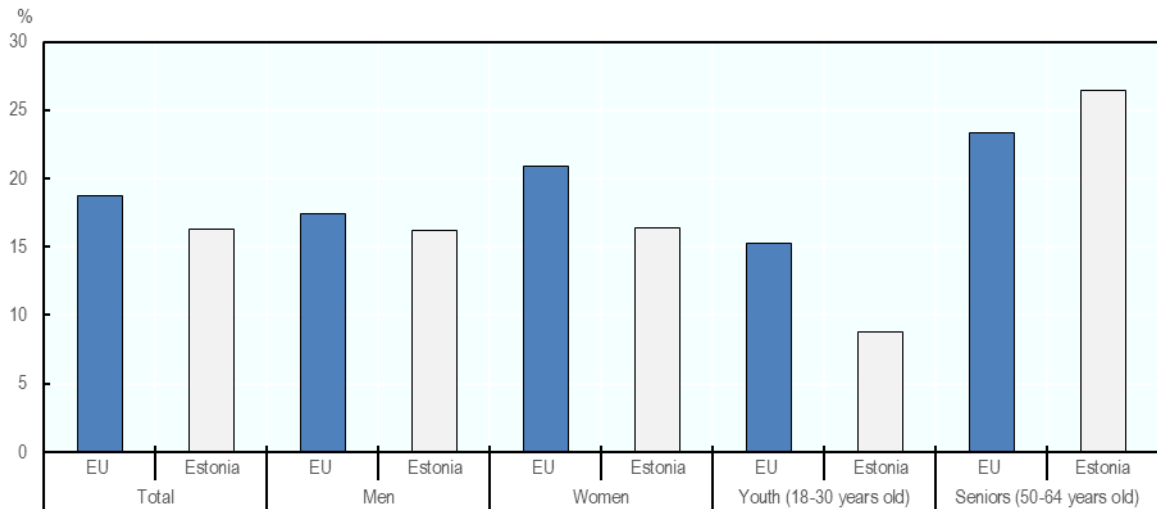
The gaps in early-stage entrepreneurship rates across population groups suggest that there are many “missing” entrepreneurs. There are currently about 133 000 early-stage entrepreneurs in Estonia (i.e. those starting or managing a business that is less than 42 months old) and this number would increase by about 68 400 if the early-stage entrepreneurship rate for core-age males (30-49 years old) was applied to the whole population.

A similar exercise can be done for each population group by applying the rate for core-age males to each group (i.e. women, youth, seniors, immigrants). This shows that about three-quarters of these “missing” entrepreneurs are female and 60% are over 50 years old.

Public policy should not seek to convert all of these “missing” entrepreneurs into actual entrepreneurs. Entrepreneurship is a labour market activity that involves risk and it is not suitable for everyone. Nonetheless, the exercise of estimating the number of “missing” entrepreneurs can illustrate the scale of entrepreneurship gaps and the potential benefits if some of the gaps in activity rates were reduced.

Figure 1.11. Necessity entrepreneurship

Proportion of nascent entrepreneurs and new business owners (18-64 years old) that self-report that their entrepreneurship is necessity-driven, 2015-19



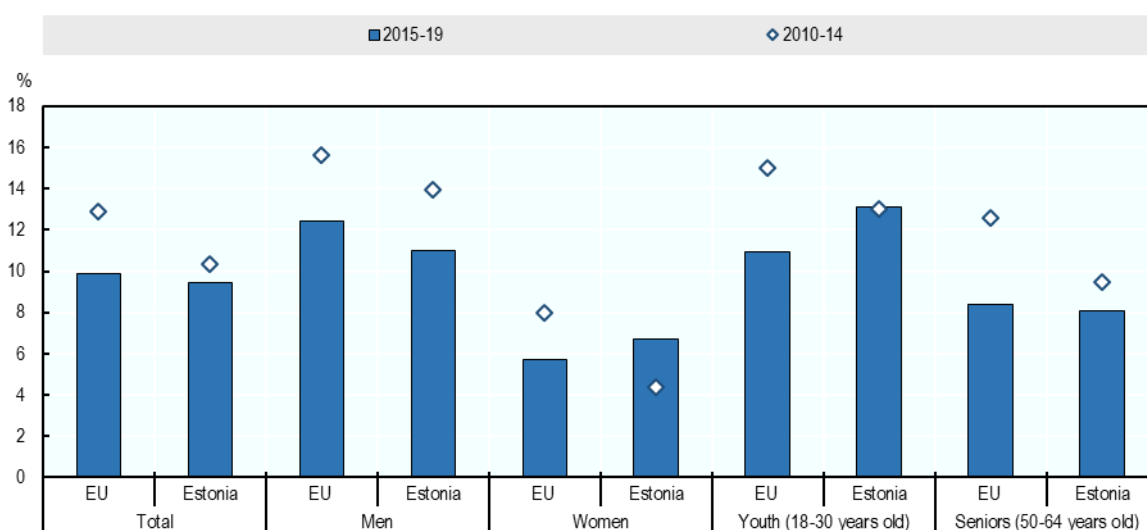
Note: Necessity entrepreneurship is defined as entrepreneurship activities that were launched because there were no other options in the labour market. All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19) Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

Estonian entrepreneurs appear to be less likely to expect to create substantial employment in their new start-ups (Figure 1.12). This result is paradoxical because Estonian entrepreneurs are more likely to report offering new products and services, as well as more likely to report having customers in other countries (OECD/EU, 2019). Therefore, greater growth expectations would have been anticipated. Youth entrepreneurs were the most likely population group to expect to create at least 19 new jobs over the next five years between 2015 and 2019 (13.1%). This was slightly above the EU average for this period (10.9%). Women were also about as equal as the EU average to expect to create this number of jobs and this gap has closed significantly since earlier in the decade (2010-14).

Figure 1.12. Growth-oriented entrepreneurship

Proportion of nascent entrepreneurs and new business owners (18-64 years old) that expect to create at least 19 new jobs over the next five years



Note: All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19) Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

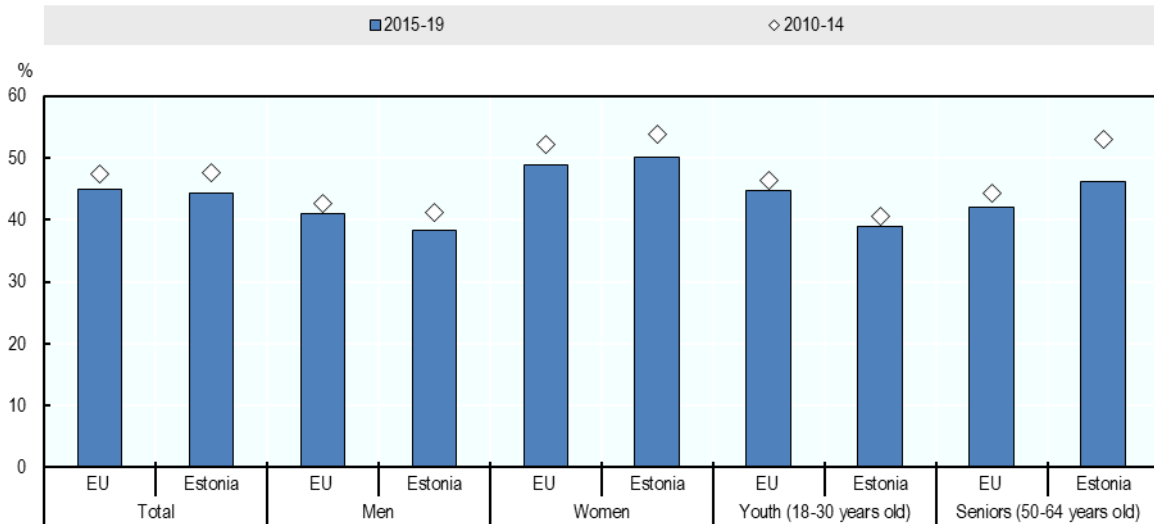
Barriers to business creation

Potential entrepreneurs in Estonia about as likely as the EU average to report a fear of failure as a barrier to business creation for the period 2015-19 (45%) (Figure 1.13). Youth (38.9%) and men (38.3%) were less likely to cite fear of failure than women (50.0%) and older people (46.1%) as a barrier.

Another important barrier to entrepreneurship for many people from under-represented and disadvantaged groups is a lack of entrepreneurship skills. Over the 2015-19 period, adults in Estonia were slightly more likely as the EU average to report that they have the skills to start a business than the EU average (45.9% vs 42.5%) (Figure 1.14). Women were less likely than men to report that they had sufficient skills to create a business (39.6% vs. 52.4%), but were more likely than the EU average for women (36.0%). Youth had a much stronger self-confidence on their knowledge and skills to start a business relative to the EU average (47.7% vs. 37.2%).

Figure 1.13. Fear of failure

“Does a fear of failure prevent you from starting a business?”
 Percentage of population who responded “yes”, 18-64 years old

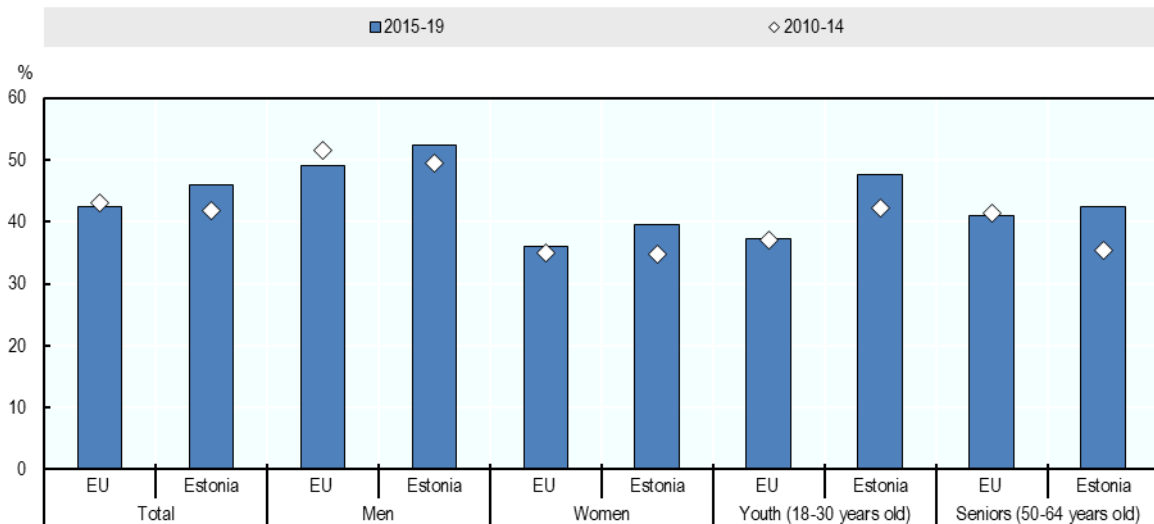


Note: All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19) Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

Figure 1.14. Entrepreneurship skills

“Do you have the knowledge and skills to start a business?”
 Percentage of population who responded “yes”, 18-64 years old



Note: All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19) Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

2 Inclusive entrepreneurship policy framework

Overview and assessment

Table 2.1. Characterisation of the inclusive entrepreneurship policy context

		Women	Immigrants	Youth	Seniors	Unemployed
1. Entrepreneurship policies for each target group are under the responsibility of the following level(s) of government (multiple levels can be checked)	National	✓	✓	✓	✓	✓
	Regional					
	Local					
2. A group-specific entrepreneurship strategy has been developed (either stand-alone or embedded in another strategy)		✓				
3. Clear targets and objectives for entrepreneurship policy have been developed and reported for different target groups						
4. Monitoring and evaluation practices for entrepreneurship support are strong and wide-spread						

Note: A check-mark indicates the level policy responsibility for tailored entrepreneurship policy (multiple selections are possible) and characteristics of the entrepreneurship policy framework.

Policy responsibility

Entrepreneurship and SME policy in general is the responsibility of the **Ministry of Economic Affairs and Communications**. At the same time, most of the disadvantaged target groups of inclusive entrepreneurship fall under the policy responsibility of the **Ministry of Social Affairs**. The Enterprise Growth Strategy 2014-20 emphasises support for innovative start-ups and is mainly fostering high-growth businesses. It uses universal approach to all target groups and is not gender-sensitive.

There are several important actors that support the implementation of the Growth Strategy including **Enterprise Estonia** (EAS), which is responsible for implementing much of the strategy, as its mandate is to support innovation and entrepreneurship. Therefore, it delivers several entrepreneurship support schemes, including business counselling and entrepreneurship training, as well as some grants and activities supporting innovation and exports by Estonian companies. In addition, **KredEx** (a public financing institution) provides state-backed loans and guarantees, as well as performs public investments in the venture capital market. Some of the support schemes (e.g. start-up grants and regional support programmes) have been recently moved from Enterprise Estonia to **State Support Service Center** (RTK), which acts under the **Ministry of Finance**. Enterprise support programmes related to environment and resource efficiency are administered by the **Center for Environmental Investments** (KIK), belonging to the **Ministry of Environment**. Finally, the start-up programmes for the unemployed are administered by the Unemployment Insurance Fund, under the Ministry of Social Affairs.

Very little co-ordination of activities between different ministries and stakeholders takes place in this regard, the few examples being support programmes for youth and unemployed. However, **non-governmental organisations** have an important role in delivering complementary support to various disadvantaged groups to help them to better integrate into the labour market and entrepreneurial community. This includes entrepreneurship training, mentoring, networks and even micro-credit facilities.

Inclusive entrepreneurship strategies and objectives

SME and entrepreneurship policy in Estonia is outlined in the **Enterprise Growth Strategy 2014-20**¹ and focuses on supporting innovative and high-growth start-ups and SMEs. The principal policy objective is to increase the growth potential of the Estonian economy through SME innovation, digitalisation of the economy and higher productivity.

One of the aims of the Estonian Enterprise Growth Strategy 2014-20 is to instil the sense of entrepreneurial spirit among youth and other target groups, which is connected to the **Youth Field Development Plan 2014-20**² and its goal of supporting creative, enterprising and initiative-taking attitudes to life.

In addition to these two strategies, the **Welfare Development Plan 2016-23**³ outlines actions to support female entrepreneurship. It outlines plans to examine the factors behind the low level of entrepreneurial activities by women, and also foresees some small-scale promotional activities to encourage female entrepreneurship. These activities are expected to include training for business advisors in County Development Centres to offer specific advice to starting female entrepreneurs, supporting mentoring and networking opportunities for women in business.

There is no dedicated national strategy for inclusive entrepreneurship. While there are no tailored entrepreneurship measures for groups that are under-represented or disadvantaged in the labour market, the Growth Strategy includes some measures to strengthen entrepreneurship education and to promote innovative financing instruments. These actions are relevant for potential youth entrepreneurs, as well as those from disadvantaged groups since they are more likely to have difficulty accessing financing. However, specific targets of inclusive entrepreneurship have not been identified for these measures, nor for the overall objectives of the Growth Strategy.

One of the gaps in the current enterprise policy is the lack of support to business transfers to younger generation (with a small exception of farming enterprises). With an aging population, many older entrepreneurs are expected to retire in the coming years and many of them will rely on the sale of their business to fund their retirement. However, SME surveys identify regulatory challenges related to business transfers and exits, especially for those that are not transferred within a family. There is scope for policy actions to support business transfers, which could also support youth entrepreneurship.

Monitoring and evaluation practices

Monitoring and evaluation of public policies is relatively strong in Estonia compared to other EU Member States, which is reflected in a sound monitoring system of the Estonian Enterprise Growth strategy, including *ex-ante* analysis of the strategy, continuous monitoring of output indicators and strategic evaluations every two years.

¹ Ministry of Economic Affairs and Communications, 2013, https://kasvustrateegia.mkm.ee/index_eng.html

² https://www.hm.ee/sites/default/files/nak_eng.pdf

³ <https://www.social-protection.org/gimi/ShowRessource.action;jsessionid=T6DQnRdLnC6zm9xVttvj3UIAVu0a1MEQITbtyj3vJT4Jw9dYbJWF!-1463413688?id=55820>

Recent developments

For the new financing period of 2021-27, no dedicated Inclusive entrepreneurship strategies or other policy documents are being developed or foreseen. On the contrary, the Entrepreneurship Strategy will cease to exist as a stand-alone policy document. All entrepreneurship-related issues will be embedded into the Research, Development, Innovation and Entrepreneurship Strategy, prepared jointly by the Ministry of Education and Research and the Ministry of Economic Affairs and Communications (“TAIES” in Estonian). Thus there seems to be even less policy focus on inclusive entrepreneurship in future.

Policy measures in response to COVID-19 to support entrepreneurs and the self-employed⁴

The COVID-19 crisis measures in Estonia were mostly designed with universal approach and no special provisions for the disadvantaged groups. The only exception being self-employed, who were given a short-term social tax-relief, as their social tax advanced contribution for the second quarter of 2020 was waved by the government. This was, however, the only specific measure to help self-employed and they were excluded from most of the crisis aid programmes – both grants and loans. The exclusion of the self-employed from public COVID-support measures (especially – loss of salary compensation) has been raised by the national SME association EVEA. Consequently, the government started the process of reforming the unemployment insurance system, in order to make possible the participation in the system by self-employed and business owners without employment contracts.

Entrepreneurs belonging to the disadvantaged groups and complying to the criteria of the general crisis support measures to SMEs, could apply for some limited scope of crisis grants, loans and guarantees, available to all businesses and ranging from flat-rate crisis-damage compensation grants to support to renewing the operational and business models in tourism sector. As the initial scope of measures and the available budgets were limited, there was strong pressure from the business community to introduce additional measures, targeted at the sectors that were the hardest hit and for SMEs.

⁴ Policy measures up to mid-July 2020 have been considered. However there might be changes in duration and amount of existing measures respectively new measures upcoming.

3 Assessment of current and planned inclusive entrepreneurship policies and programmes

Developing entrepreneurship skills

Overview and assessment of policies and programmes

Table 3.1. Characterisation of schemes for developing entrepreneurship skills

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Entrepreneurship training		✓		✓	✓		✓		
	2. Entrepreneurship coaching and mentoring		✓		✓	✓		✓		
	3. Business consultancy, including incubators/accelerators		✓		✓	✓		✓		
Immigrants	1. Entrepreneurship training				✓				✓	✓
	2. Entrepreneurship coaching and mentoring	✓			✓				✓	✓
	3. Business consultancy, including incubators/accelerators								✓	✓
Youth	1. Entrepreneurship training	✓	✓	✓	✓	✓		✓	✓	✓
	2. Entrepreneurship coaching and mentoring	✓	✓	✓	✓	✓		✓	✓	✓
	3. Business consultancy, including incubators/accelerators	✓	✓	✓	✓	✓		✓	✓	✓
Seniors	1. Entrepreneurship training									
	2. Entrepreneurship coaching and mentoring									
	3. Business consultancy, including incubators/accelerators									
The unemployed	1. Entrepreneurship training	✓		✓	✓	✓		✓	✓	✓
	2. Entrepreneurship coaching and mentoring	✓		✓	✓	✓		✓	✓	✓
	3. Business consultancy, including incubators/accelerators	✓		✓	✓	✓		✓		✓

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

Women

There are essentially no public entrepreneurship training or coaching programmes for female entrepreneurs despite repeated appeals from the interest groups and NGOs. However, the private and non-government sectors are active in this area. Two of the most successful schemes are:

- “Everything is possible!” (“*Kõik on Võimalik!*”) is a business development programme for women entrepreneurs. It was launched in 2018 by NGO BWP Estonia in co-operation with the Coca-Cola Foundation and The Estonian Business School and continued in 2019-20. In addition to its initial goal to provide knowledge, inspiration and encouragement to women to start a business, in 2019 the programme increased its focus on women entrepreneurs who wanted to grow their businesses. The initiative includes “inspiration trainings” in several regions, building teams and networks of female entrepreneurs, and a series of training webinars. In order to increase the impact and the outreach, a public agency StartUp Estonia and the leading Estonian media group Ekspress Media were invited for partnership to increase the scheme’s reach and impact. More than 2 000 women participated in the programme since its inception. It continues in 2020 and will be concluded with Women Entrepreneurs Memorandum inviting stakeholder organisations and female entrepreneurs to promote and support women’s entrepreneurship.⁵
- Future Heroes (formerly The Superheroes Estonia)⁶ programme is a growth mindset driven leadership & business accelerator for 13-17 year old girls to unlock their potential and create positive impact in the world. Started in 2017 as a private initiative, it is a four-month self-realisation and entrepreneurship programme with the aim of encouraging young people to be confident, co-operative and committed to the goal through inspiring role models, strong mentors and practical workshops. During the course of the programme, girls were given the knowledge needed to create their own project, including entrepreneurship, project management, teamwork, product development, media relations, critical thinking and public speaking.

Immigrants

Due to a very stringent immigration policy and scarce social benefits the flow of immigrants and refugees has been very modest over the years. Hence the need for special policy actions or public support measures for this target group is questionable. However, there are several initiatives by NGOs, which help immigrants to start their business or self-employment, and which are partially supported by public funding.

International House Tartu⁷ provides helpful information and advice to people who move to Tartu (Southern Estonia) from other countries. International House Tartu was established in 2015 to support foreigners moving to Estonia, as well as employers and authorities that work with newcomers. International House social enterprise KÕÖMEN supports those new to Estonia to learn or upgrade their skills that are needed for them to later establish their own business. This initiative is co-funded by the Asylum, Migration and Integration Fund of the European Union and Estonian Ministry of the Interior.

Estonian Refugee Council⁸ is an NGO which provides support services to beneficiaries of international protection in Estonia and humanitarian aid to people who have fled their homes abroad. It is one of the main competence centres on forced migration and integration in Estonia. Social enterprise Siin & Sääl⁹

⁵ <https://bpw-estonia.ee/naised-ettevotluses/>

⁶ <https://futureheroes.ee/#programme>

⁷ <https://www.internationalhouse.ee/en/>

⁸ <https://www.pagulasabi.ee/en>

⁹ <https://www.siinjasaal.ee/>

was founded by Estonian Refugee Council jointly with people with refugee or migrant backgrounds living in Estonia. Siin & Sääl has a café and provides catering, and holds workshops from African dance to Syrian food.

Youth

In addition to general enterprise support measures and some youth-specific public initiatives (i.e. school entrepreneurship curricula, business plan competitions, start-up and scale-up accelerators, etc.), there are several private sector initiatives and non-governmental organisations that are active in supporting youth entrepreneurship:

- NGO Junior Achievement Estonia,¹⁰ has developed entrepreneurship curricula for secondary schools and organises student business competitions and teacher training.
- Garage48 is a business incubator that organises weekend events where participants work in teams to develop business ideas and prototypes for a jury who picks winners;¹¹
- Numerous accelerators, including:
 - Prototron,¹² - a fund created in 2012, which aims to contribute to the birth of new start-ups and world-changing technologies through prototype financing;
 - Start-Up Wise Guys¹³ - accelerator is primarily sales and scaling focused with a fundraising component helping teams be in a position to raise the next funding round within six months;
 - Tallinn Technical University/Mektory Start-up Center programmes¹⁴ – a wide range of acceleration, pre-incubation services and business competitions for students.
- Youth entrepreneurship programme “Changemakers”, operated by Estonian Social Enterprise Network¹⁵ - its programmes are targeted at creating marketing solutions for social enterprises and organisations acting in the public interests.

Most of these initiatives are considered to be of high quality, but there is clearly a strong focus on promoting innovative projects. There is a risk that these measures will not be accessible or appropriate for youth that are at-risk of dropping out of the labour market.

Seniors

No dedicated entrepreneurship programmes for seniors are available. Most of the general business support schemes would allow applicants irrespective of age. On the other hand, there is an NGO that was started by retired senior executives and entrepreneurs who act as mentors and coaches for young entrepreneurs and leaders – *Kuldne Liiga MTÜ* (“Golden League”).¹⁶

¹⁰ <http://www.ja.ee/Eng>

¹¹ <http://garage48.org/>

¹² <https://prototron.ee/en/>

¹³ <https://startupwiseguys.com/about/>

¹⁴ <https://taltech.ee/en/mektory>

¹⁵ <https://www.changemakers.ee/>

¹⁶ <https://www.liiga.ee/>

The unemployed

An integrated scheme to support business creation by the unemployed is operated by the Unemployment Insurance Fund.¹⁷ It provides a training course, individual counselling, mentoring and a small start-up grant (EUR 4 474).

Recent policy developments

In the past three years no new policy actions or dedicated public support schemes were initiated. Most support mechanisms were in place already in the beginning of the financing period, in 2014. Several private sector and NGO-driven initiatives were however launched in the past three years, some of which also receive partial public funding on project basis.

A notable positive development is the growth of entrepreneurship education in the secondary- and vocational schools' curricula. However, there is a tendency to focus on IT-based, high-growth start-ups and scale-ups, which excludes many potential youth entrepreneurs.

¹⁷ <https://www.tootukassa.ee/content/teenused/evat-taotlemine-ja-kasutamine#Tingimused>

Financing entrepreneurship

Overview and assessment of policies and programmes

Table 3.2. Characterisation of schemes for facilitating access to finance

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Grants for business creation				✓					
	2. Loan guarantees									
	3. Microfinance and loans			✓	✓					
	4. Other instruments (e.g. crowdfunding, risk capital)									
Immigrants	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Youth	1. Grants for business creation	✓	✓	✓	✓					
	2. Loan guarantees	✓	✓	✓	✓					
	3. Microfinance and loans	✓	✓	✓	✓					
	4. Other instruments (e.g. crowdfunding, risk capital)	✓	✓	✓	✓					
Seniors	1. Grants for business creation	✓			✓					
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
The unem- ployed	1. Grants for business creation	✓		✓	✓					
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)	✓			✓					

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

Although the availability of start-up financing has increased in the recent years, the majority of entrepreneurs and SMEs in Estonia still perceive access to finance as a significant obstacle for doing business. This is especially true for new start-ups and very small businesses.

Since 2014, policy makers have clearly put an emphasis on shifting from grants to state-backed loans and guarantees. Approximately one-third of all enterprise-related funding from the European Regional

Development Fund for 2014-20 was assigned to a public financial institution KredEx. The main instruments for new and small businesses are publicly guaranteed start-up loan and small loan schemes which are delivered through private sector banks. However, a personal guarantee is required and the evaluation criteria used to assess loan applications are very stringent – about 30% of loan applications that are accepted by the banks are rejected by KredEx. Consequently, there is a risk that this scheme provides access to finance to those who would have been able to access bank loans without the guarantee. Moreover, it appears unlikely that this scheme supports entrepreneurs from under-represented and disadvantaged groups.

The supply of risk capital has been continuously growing in the recent years with the support of the Baltic Innovation Fund (established in 2013) and the Est Fund (established 2016), both co-financed by the public sector and international financial institutions. The Est Fund also has seed capital and business angel facilities. A national business angel network EstBan has increased to 147 members by the end of 2019, a 15% growth compared to 2018. However, this type of financing is not commonly used by most target groups of inclusive entrepreneurship policies.

There are also a number of microfinance schemes available. Notable schemes include offers from MES (Rural Development Foundation) to farming and food-processing enterprises and KredEx (start-up loan). These schemes, however, are typically open to all entrepreneurs.

Importantly, the Estonian Ministry of Finance launched a programme promoting financial literacy among Estonian people for the period 2013-20. The Financial Supervision Authority (FSA) is operating a financial literacy website¹⁸ providing objective and reliable information and guidance on budget planning, saving, borrowing, investing, pensions and insurance products. All financial services are explained in detail and complemented with several tools, calculators, comparison tables, games and tests. The comparison tables of bank fees, savings accounts and deposits, credit cards, consumer loans and fees on selling or buying stocks are created in cooperation with the Estonian Banking Association. Data is inserted and updated directly by the banks. However this programme, like others, is not targeted to any specific population groups.

Women

According to NGO Business and Professional Women Estonia, access to financing is gender-balanced, but on the take-up side the women are less willing to take risks and invest. The only tailored financing scheme is provided to female entrepreneurs by *ETNA Eestimaal*, the Association of Rural Women Entrepreneurs, which also offers entrepreneurship training and networking opportunities. The association also operates a small micro-credit scheme.¹⁹ The scheme was established with support from the Open Estonia Foundation and has also established loan groups for women in ten rural regions. Participants in the microfinance and loan group schemes are also supported with entrepreneurship training and individual mentoring. A notable feature of these schemes is that repayment is flexible and can be adjust if the women face difficulties.

Youth

Several programmes, both public and private, are in place to offer financing to youth entrepreneurs. For example, small generic public grants are available for starting a business via RTK – State Support Service Centre. In addition, special young entrepreneur grants in farming sector are available via PRIA under the Ministry of Rural Affairs. Seed capital is available to successful participants in accelerators, several semi-public venture capital funds have been established and target mainly young entrepreneurs with ambitious

¹⁸<http://www.minuraha.ee/>

¹⁹<http://www.fem.ee/index.php?id=103616>

projects. Also generic public loans and guarantees are available, subject to eligibility of the applicant and the project. These financial instruments work quite well for businesses with growth or export potential, but it is very difficult to get external capital for a new business which targets only domestic or even local market, despite high qualifications of the young owners or proven demand. However, a challenge remains for many young entrepreneurs since most financial intermediaries, both public and private, require liquid collateral and personal guarantee by the owners, which often is not available or deemed an unreasonable risk by the entrepreneur.

Seniors

There is a provision for support to business start-ups by unemployed persons in retirement age in the framework of the programme operated by the Estonian Unemployment Insurance Fund (see the description and the reference in the next section).

The unemployed

An integrated scheme to support business creation by the unemployed is operated by the Estonian Unemployment Insurance Fund.²⁰ It provides a training course, individual counselling, mentoring and a small start-up grant (EUR 4 474). Take-up, however, has been quite modest as less than 0.5% of registered unemployed have been provided with a grant.²¹ Only a small proportion of the total number of unemployed people move into self-employment (approximately 2% in Estonia).

²⁰ <https://www.tootukassa.ee/content/teenused/evat-taotlemine-ja-kasutamine#Tingimused>

²¹ See the impact analysis for more information:

https://www.tootukassa.ee/sites/tootukassa.ee/files/evatanalyys_ingl.pdf

Entrepreneurship culture and social capital

Overview and assessment policies and programmes

Table 3.3. Characterisation of public policy actions to promote entrepreneurship and develop networks

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Entrepreneurship campaigns, including role model initiatives	✓			✓					
	2. Networking initiatives	✓			✓					
Immigrants	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives				✓					
Youth	1. Entrepreneurship campaigns, including role model initiatives	✓	✓	✓	✓	✓	✓	✓	✓	✓
	2. Networking initiatives	✓	✓	✓	✓	✓	✓	✓	✓	✓
Seniors	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives									
The unem- ployed	1. Entrepreneurship campaigns, including role model initiatives	✓		✓	✓				✓	✓
	2. Networking initiatives	✓		✓	✓				✓	✓

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

Overall, entrepreneurship is viewed positively and is promoted by government and others as an important activity for society and the economy. However, entrepreneurship and business start-up promotion is mostly oriented towards innovative scale-ups and high-tech businesses. Of all the target groups of inclusive entrepreneurship, youth has been receiving the most of attention on the policy level so far. The use of entrepreneurship as means to integrate disadvantaged groups into the labour market is not part of the public policy strategy on entrepreneurship, nor labour market policies.

No public initiatives exist to support network-building within the target groups. Some target group-specific networks exist as private initiatives or are supported by NGOs. Some generic business associations further provide platforms for networking, such as the Estonian Association of SMEs, Estonian CCI, some sectoral and regional associations.

Women

No dedicated public initiatives are currently in place to promote entrepreneurship to women. Moreover, in July 2020 the Ministry of Finance announced the intention to terminate public funding agreements with some of the NGOs dealing with gender equality, including ENUT. This is an important gap because research by BPW Estonia identifies a need for mentors and mentoring programmes to help female entrepreneurs to grow their businesses.

However, there are several NGOs that actively promote female entrepreneurship and providing networking platforms for business and professional women. Examples include: The Estonian Association of Business and Professional Women (BPW Estonia)²² (*EENA*), The Estonian Women's Studies and Resource Centre (*ENUT*),²³ QUIN-Estonia, a local chapter of the Global Women's Inventors and Innovators Network,²⁴ Female Investors' Club (*Naisinvestorite Klubi MTÜ*) – a networking and training platform for promoting financial literacy and investment activities among women.²⁵

The Estonian Women's Studies and Resource Centre (ENUT) is a non-profit organisation that promotes gender equality, including in self-employment. Since 2017 it organises the annual conference "Full speed to female entrepreneurship!" (*Hoogu naisettevõtlikele!*). In 2019 it was also combined with celebrating of the UN Women's Entrepreneurship Day on 19 November. These conferences have become very popular and bring together most of the actors involved in promotion of female entrepreneurship and in the development and implementation of SME policies in general.²⁶ In 2018, the conference was attended by a group of female entrepreneurs from Georgia and in 2019, from Moldova.

Immigrants

Some activities targeting immigrants and refugees as potential entrepreneurs have evolved in the past years. This includes, for example, activities by the Estonian Refugee Council,²⁷ International House Tartu,²⁸ social enterprise "*Siin ja Sää!*".²⁹ However, these are mostly project-based private initiatives run by NGOs, some of which are partially supported by EU programmes or public administrations. In view of the small size of the immigrant community, the level of activities is likely sufficient.

Youth

The needs of this target group are well-served by the public policies and programmes. In addition to the dedicated programmes, young entrepreneurs, as a rule, have access to most of the general enterprise support programmes. There are also numerous NGOs promoting entrepreneurial mindset among youth.

Business plan competitions have become one of the most popular ways to raise entrepreneurial spirit of the young people. Examples of business competitions for youth include *Ajujaht* ("Brain hunt"),³⁰ which has

²² <https://bpw-estonia.ee/>

²³ <http://www.enut.ee/en>

²⁴ <http://www.quinest.ee/>

²⁵ <https://naisinvestoriteklubi.ee/>

²⁶ <https://enut.ee/ettevotluskonverents2019/>

²⁷ <https://www.pagulasabi.ee/en>

²⁸ <https://www.internationalhouse.ee/en/>

²⁹ <https://www.siinjasaal.ee/>

³⁰ <http://www.ajujaht.ee/en>

been the largest competition of business ideas in Estonia. It was initiated by Enterprise Estonia in 2007. However, there are many other business competitions including Youth Start-up Competition Bright Minds, *Mektory* Start-up competition.

Another important instrument for promoting youth entrepreneurship is The Youth Prop Up (*Noorte Tugila*) Action Plan.³¹ The action plan is part of the wider Estonian Youth Guarantee National Action Plan initiated by the EU. The programme attempts to assist them in realising their potential and return to being a productive member of society as quickly as possible, raising their confidence and self-esteem. Though not directly related to developing entrepreneurial skills, the programme contributes indirectly to unveiling the entrepreneurship potential among NEET youth. The programme is approved by the Ministry of Education and Research and co-financed by European Social Fund. Programme is led by Estonian Youth Work Centre.

Other well-known initiatives that promote youth entrepreneurship include:

- “Changemakers”, which is focussed on developing marketing skills and providing marketing support to social enterprises and is operated by Estonian Social Enterprise Network;³²
- The Junior Chamber International provides an international network for young entrepreneurial people;³³
- Garage48 is a business incubator that organises weekend events where participants work in teams to develop business ideas and prototypes for a jury who picks winners.³⁴

While there are many activities to promote youth entrepreneurship, most are mainly on innovative and high-tech entrepreneurship. This potentially leaves a gap in the support system for those who are interested in pursuing other types of entrepreneurship (e.g. social entrepreneurship, life-style entrepreneurship) as well as those who would benefit from a business activity to maintain attachment to the labour market.

Seniors

Despite the common recognition of the need to keep seniors longer active in work-life and in entrepreneurship due to demographic shifts in Estonia, actions have not yet been taken. Moreover, none of the Operational Programmes address this issue.

The unemployed

Although there is a comprehensive package of support services to starting a business by an unemployed person, as described in the previous sections, no further development of these services has taken place since 2013 and the unemployment rate was exceptionally low all these years. But in Spring 2020, COVID-19 crisis has dramatically changed the situation on the labour market and the number of people out of work will grow several times in the second half of the year. Therefore a quick overhaul of the support package is needed, to keep up with the new trends and the changes of the business models.

³¹ <https://tugila.ee/support-program-youth-prop/>

³² <https://www.changemakers.ee/>

³³ <http://www.jci.ee/>

³⁴ <http://garage48.org/>

Regulatory measures

Overview and assessment of regulatory environment

Table 3.4. Characterisation of regulatory measures used to support entrepreneurship

			Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Support with understanding and complying with administrative procedures					✓					
	2. Measures to address group-specific regulatory challenges	Maternity leave and benefits for the self-employed Access to childcare				✓	✓		✓		
Immigrants	1. Support with understanding and complying with administrative procedures		✓								
	2. Measures to address group-specific regulatory challenges	Entrepreneurship visa Administrative and tax obligations can be met in several languages									
Youth	1. Support with understanding and complying with administrative procedures		✓								
	2. Measures to address group-specific regulatory challenges	Student business legal form Reduced tax and/or social security contributions for new graduates	✓								
Seniors	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Medical leave schemes for the self-employed	✓								
The unemployed	1. Support with understanding and complying with administrative procedures		✓								
	2. Measures to address group-specific regulatory challenges	Welfare bridge to support those moving into self-employment Mechanisms for regaining access to unemployment benefits if business is not successful									

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

The regulatory environment for entrepreneurship is considered to be strong. Decreasing the regulatory burden on businesses has been on political agendas of virtually all governments. During the past three years the government was implementing the so-called “Zero-bureacracy project”, reducing the unnecessary reporting obligations and control procedures and improving the use of already collected information (“only once” principle).

However, regulatory measures are based on the principle “one size fits all” and concessions are rarely made for different types of entrepreneurs or businesses. The World Bank’s Doing Business report ranks Estonia 14th in terms of administrative burden related to business creation in 2019. This is due to advanced e-government services, including the Company Registration Portal,³⁵ which is one-stop-shop for business creation and registration as well as public support services for new start-ups and SMEs. This portal allows entrepreneurs to submit documents electronically to the Business Register for registering a new company, changing registry data, liquidating a company and deleting a company from the registry without the need of notarisation. Administrative procedures following the company establishment (e.g. licences, taxation, reporting etc.) are quite SME-friendly and mostly based on e-services. While there are no specific measures to support entrepreneurs from under-represented or disadvantaged groups with administrative procedures, the regulatory environment is not viewed as a significant obstacle to business creation and self-employment.

People from under-represented and disadvantaged groups are more likely to receive financial support from the social welfare system but there are two strong disincentives for benefit recipients to move into self-employment. First, the self-employed and small business owners do not have the same access to all of the social benefits as employees. Second, there are currently no mechanisms such as welfare bridges that can help transition benefit recipients (e.g. unemployment benefits, disability allowances) into self-employment. This could result in an individual abruptly losing the benefits even if they are not earning an income from self-employment (as is common during the early stages of business ownership).

Recent policy developments

There have been no new policy developments in this area in the past three years, but some substantial changes are expected to happen in the second half of 2020, related to the planned reform on unemployment insurance system. This is expected to allow self-employed and owners not being on the payroll to join the system.

³⁵<http://www.rik.ee/en/company-registration-portal>

4 Supporting people who experience disability in entrepreneurship

Self-employment and entrepreneurship activities

As of 1 May 2020, there were 29 104 self-employed registered in the national Business Register. There are also approximately 40 000 economically active limited liability companies without salaried employees, where owner(s) is working, which makes them similar to self-employment. According to the data obtained from the Ministry of Social Affairs, in 2019 there was 109 700 people with disability in the age range of 15-74 years in Estonia. Among them 6 200 were involved in entrepreneurship, including 1 100 businesses with employees and 5 100 – self-employed or sole proprietors. This means that nearly 6% of people who experience disability were entrepreneurs.

According to the Chamber of Disabled People, there is evidence on some barriers to business creation faced by people who experience disability. For example, the self-service Business Register portal on internet is not easily accessible to visually impaired people. Also, there is some evidence that banks and other financial intermediaries are less willing to offer start-up loans to disabled persons, whose only income is disability pension and if there is no regular salary. The acquisition of insurance cover is also difficult for people with disabilities or chronic health problems – the premiums are higher.

Though it is difficult to distinguish between different types of disability (physical vs. mental health; temporary vs. permanent), people with vision and hearing impairments can be identified as a risk group in terms of accessibility of information and services. This means that all the information needed to start and deal with entrepreneurship is not equally accessible to them.

Policy framework

Table 4.1. Characterisation of the entrepreneurship policy context for people who experience disability

		People who experience disability
1. Entrepreneurship policies for each target group are under the responsibility of the following level(s) of government (multiple levels can be checked)	National	✓
	Regional	
	Local	
2. A dedicated entrepreneurship strategy has been developed (either stand-alone or embedded in another strategy)		
3. Clear targets and objectives for entrepreneurship policy have been developed and reported		

Note: A check-mark indicates the level of policy responsibility for tailored entrepreneurship policy (multiple selections are possible) and characteristics of the entrepreneurship policy framework.

The overall entrepreneurship policy is the responsibility of the Ministry of Economic Affairs and Communications and it uses a universal approach, regardless disadvantages, disabilities or size of the business. There are no entrepreneurship policies for people who experience disability.

The public support programmes are non-discriminative and open to all target groups, who can “keep the pace”. This, in turn, means, that those, who cannot “keep the pace”, have no service or helpdesk to turn to. In this respect, the employees with disabilities are much better supported, than employers or business owners.

Overview and assessment of policies and programmes

Table 4.2. Characterisation of entrepreneurship schemes for people who experience disability

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Skills	1. Entrepreneurship training		✓	✓	✓					
	2. Entrepreneurship coaching and mentoring		✓	✓	✓					
	3. Business consultancy, including incubators/accelerators		✓	✓	✓					
Finance	1. Grants for business creation				✓					
	2. Loan guarantees				✓					
	3. Microfinance and loans				✓					
	4. Other instruments (e.g. crowdfunding, risk capital)				✓					
Culture	1. Entrepreneurship campaigns, including role models									
	2. Networking initiatives	✓	✓	✓	✓					
Regulations	1. Support with understanding and complying with administrative procedures	✓			✓					
	2. Measures to address group-specific regulatory challenges	Mechanisms to move back into disability benefit system if business is not successful								
		Mechanisms to move regain access to other social security supports (e.g. housing benefits) if business is not successful								
		Medical leave schemes for the self-employed								

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

One of the very few programmes dedicated to supporting entrepreneurial activity of people with disability is a new project SENSationalSTEM, implemented from April 2020 by The Estonian Chamber of Disabled People.³⁶ The project aims to help talented young people with special educational needs to find their place in society, to start cross-border enterprises in the field of science, technology, engineering and mathematics. The curriculum is created to encourage SEN (Special Educational Needs) students to become entrepreneurs. The young Finnish, Latvian and Estonian students will develop business ideas in cross-border teams in bootcamps. There is an emphasis on STEM fields. The project is funded by the

³⁶ <https://epikoda.ee/en/mida-me-teeme/huvikaitse/tegevused-ja-projektid/2020/interreg-projekt-sensationalstem>

National Foundation of Civil Society (KYSK) and the EU Central Baltic Sea Region Programme. The project will last until 30 September 2022.

No other dedicated support schemes are available for entrepreneurs with disabilities. On the other hand, all generic business support programmes are available, such as start-up grants and loans, grants for creative businesses, R&D grants, training and mentoring programmes, grants and loans for agricultural and rural businesses etc. The adequacy of these programmes depends to certain extent on the nature of disability (in case of mental health problems they most probably would not be available).

In terms of access to other social security supports (e.g. housing benefits), if business is not successful, no guarantees exist and the person can end up at the end of the long waiting list, even if they were using this service before starting a business. In the same way, the municipalities often restrict the granting of aid (e.g. designation as a self-care, receiving a disability allowance) by a clause that the person in need cannot be a member of the board in a company, even if it is not economically active and no income is earned.

5 Policy recommendations

In order to strengthen the inclusive entrepreneurship support system, the following recommendations are offered:

1. **Design dedicated support measures in order to facilitate business transfers to young generation.** To help the transfer of businesses requires a transfer-friendly regulatory framework and appropriate support structures (e.g. database, matching events). Transfers can take place within the family, to employees or third parties and might be an opportunity to promote business transfer as an alternative to start-ups to young people. The government could support business transfers through tailor-made training and management tools on transfer of know-how, dedicated information for young entrepreneurs, matching platforms and free legal counselling service.
2. **Provide more tailored entrepreneurship training, coaching and mentoring for women.** There is a considerable untapped potential in developing entrepreneurship among women. Women are very active in entrepreneurship relative to other countries but are less likely to operate businesses that offer new products and services and much less likely to expect to create a substantial number of jobs. This calls for more tailored training and coaching and mentoring to improve the quality of businesses started by women. Special attention should be paid to motivating women to act in the areas of technology and innovation.
3. **Increase the accessibility of entrepreneurship support such as training and coaching for senior entrepreneurs.** Seniors are a growing group and more can be done to extend their work-life, including potentially through entrepreneurship. Self-employment can allow older people to gradually reduce their hours worked over time rather than abruptly exiting the labour force. Some dedicated pilot entrepreneurship schemes could be launched to verify the demand for support.
4. **Update the business start-up support package to unemployed persons in response to the COVID-19 crisis.**

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Annex A. Methodology

Each country report 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 policy officers, entrepreneurship support organisations and other stakeholders. The information was then verified by government ministries, programme managers and other inclusive entrepreneurship stakeholders, including through the circulation of draft reports for comment and online seminars that were organised between June and September 2020.

The reports are based on a common assessment framework that was developed by the OECD Secretariat. The framework contains five pillars:

1. Policy framework
2. Entrepreneurship skills
3. Financing entrepreneurship
4. Entrepreneurial culture and social capital
5. Government regulations

The reports provide an overview of the current inclusive entrepreneurship policies and programmes. They also notes assess programmes against the following international good practice criteria, considering the “typical” entrepreneur in each of the different target groups (i.e. women, immigrants, seniors, youth, the unemployed, people who experience disability), in the “typical” region in the country. It covers schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. The international good practice criteria used in the assessment are:

- **Tailored:** Are public programmes tailored for the target group (i.e. dedicated)?
- **Consultation:** Are the targeted entrepreneurs consulted during the design of programmes?
- **Outreach:** Are appropriate outreach methods used for different target groups?
- **Delivery:** Are specialist organisations used to deliver programmes?
- **Take-up:** Does the support have high take-up among target group?
- **Scale:** Is the scale of available support sufficient?
- **Impact:** Does evaluation evidence show a positive impact?
- **Integrated:** Is the programme delivered linked other related supports?
- **Links:** Do tailored programmes link to mainstream support programmes?

A focus is placed on the most commonly targeted population groups, namely women, immigrants, youth, seniors and the unemployed. Other groups such as the Roma are covered by the report when relevant. A special thematic section was added on entrepreneurship support for people who experience disability (Section 4) to highlight their potential as entrepreneurs and to showcase the variety of tailored entrepreneurship schemes that are in place around the European Union.