

Inclusive Entrepreneurship Policies,
Country Assessment Notes

Lithuania

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 Dr. Boguslavas Gruzevskis of the Lithuanian Social Research Centre. 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 24 July 2020. Feedback was received from representatives of Ministry of Social Security and Labour, The Employment service and the Lithuanian Disability Forum.

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.

Table of contents

Foreword	2
Acknowledgements	3
Key messages	5
1 Inclusive entrepreneurship trends	6
2 Inclusive entrepreneurship policy framework	20
3 Assessment of current and planned inclusive entrepreneurship policies and programmes	27
4 Supporting people who experience disability in entrepreneurship	41
5 Policy recommendations	47
Annex A. Methodology	49

Key messages

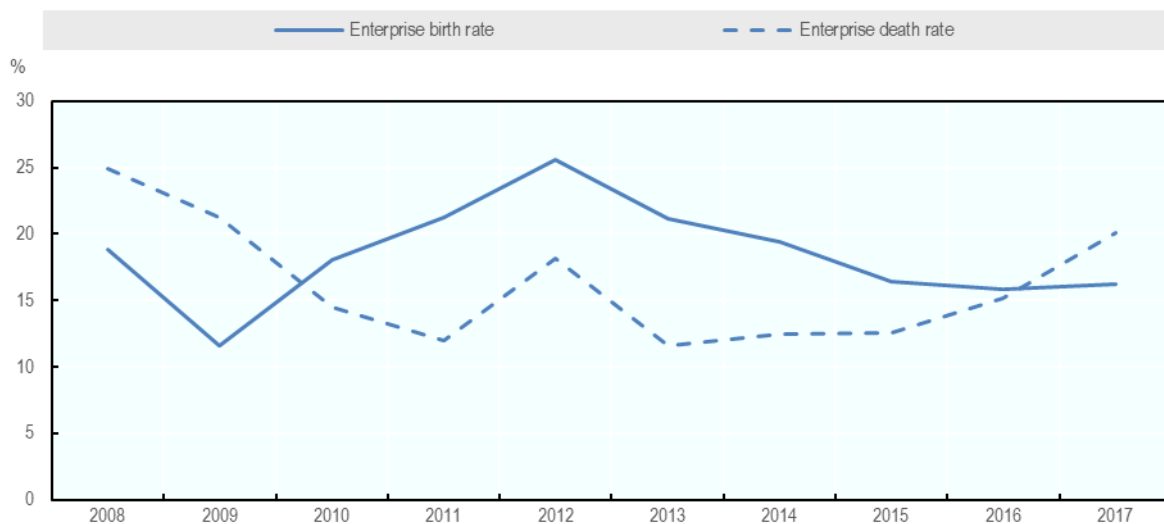
- Some of the framework conditions for entrepreneurship are fairly strong, notably the level of administrative burden on new start-ups. However, there are low levels of entrepreneurship skills in the population and access to finance for new start-ups is below the European Union (EU) median.
- In 2019, there were about 145 000 self-employed people. Slightly more than one-third of the self-employed were female, which was approximately equal to the EU average. The self-employment rate in Lithuania was slightly lower than the EU average in 2019 (10.2% vs. 12.5%).
- The proportion of adults involved in starting a business in Lithuania was among the highest in the EU over the 2014-18 period (11.4% vs. 6.8%). Youth, in particular, were very active in starting businesses and managing new businesses relative to the EU average (16% vs. 7.8%).
- Eliminating the differences in entrepreneurship activity rates across population groups, as measured by self-employment (i.e. applying the self-employment rate of men who are 30-49 years old to the whole population), would result in another 45 000 self-employed people. These “missing” entrepreneurs are virtually all female while about one-third were between 20 and 30 years old and another one-third were between 50 and 64 years old.
- A lack of entrepreneurship skills appears to be a significant barrier across many population groups. Only one-quarter of women believed that they had the skills to successfully start a business (24.7%) between 2014 and 2018, which was below proportion of men (44.1%) and the EU average for women (34.5%).
- Entrepreneurship policy and programmes are mostly targeted at promoting competitiveness and innovation. In the face of demographic challenges, some progress has been made in implementing an integrated approach to the development of the country's human resources and designing measures for individual target groups in order to exploit their potential. Some tailored measures for business creation and self-employment exist for youth, and to a lesser extent, for the unemployed and people with disabilities. There is a room to increase the availability of entrepreneurship support for other target groups, notably women and older people.
- Moreover, support schemes are not integrated into a coherent system. Each institution has its own areas of responsibility, but there is no clear activities' mainstreaming mechanism. The integrated monitoring and *ex-post* evaluations are not fully exploited as evidence-based tools for inclusive entrepreneurship policy.
- To strengthen inclusive entrepreneurship policies and programmes, it is recommended to:
 - Promote entrepreneurship to target groups in a more tailored and targeted way;
 - Increase efforts to encourage entrepreneurship among older people;
 - Strengthen co-ordination across inclusive entrepreneurship schemes; and
 - Strengthen monitoring and evaluation of inclusive entrepreneurship policies.

1 Inclusive entrepreneurship trends

Conditions for entrepreneurship

Business entry rates have exceeded exit rates for much of the past decade, indicating growth in the business population (Figure 1.1). However, the exit rate was greater than the entry rate in 2017 (the most recent year where data are available). Both business entry and exit rates are greater than the median among European Union (EU) Member States.

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>.

Since its independence in 1990, Lithuania has promoted market-friendly reforms; yet, stringent labour market regulations, complex licensing norms, and lengthy insolvency procedures weigh on business activity and contribute to informality (OECD, 2019). According to the World Bank, there is very little administrative burden on new business start-ups and Lithuania is ranked among the most favourable EU countries in this respect (Figure 1.2). Ongoing reforms in licensing procedures should further reduce the administrative burdens for firms.

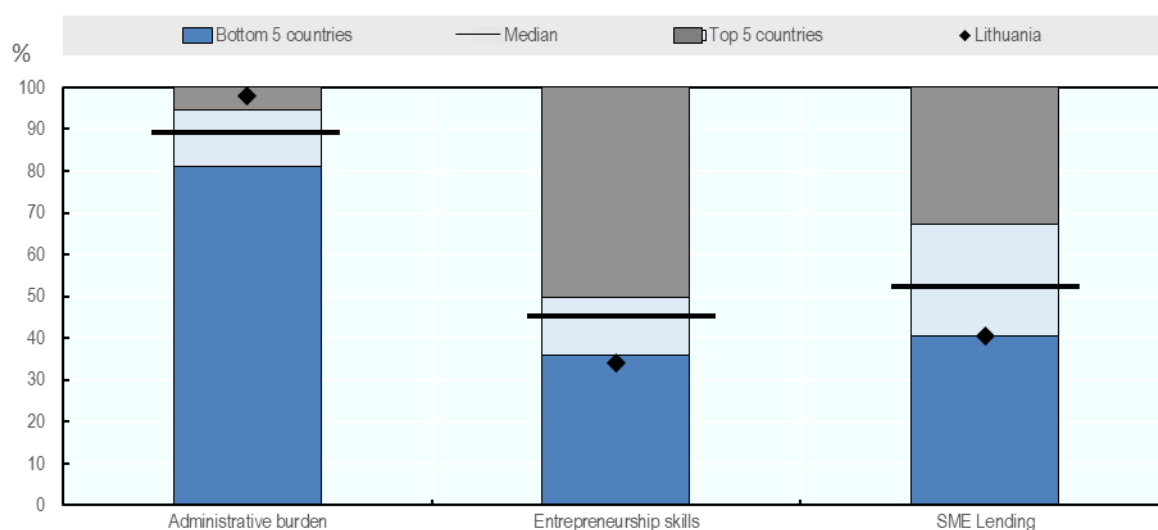
Fewer people in Lithuania self-report that they have the skills and knowledge to start a business (Figure 1.2). Only 34% of adults reported having entrepreneurship skills over the period 2015-19, which was one of the lowest proportions in the EU. This is consistent with several other indicators on skills levels.

Education performance in Lithuania is below peer countries, and gaps between students from rural and urban areas persist (OECD, 2019). However, there is a high share of tertiary graduates in the workforce.

New business lending in Lithuania declined sharply after the crisis and recovered only slowly as of 2014, despite interest rates at historic lows. In 2018, more than a half of SMEs surveyed by the Bank of Lithuania stated that lending to them is fully or partially limited (OECD, 2019). However, the share of loans to SMEs relative to total business loans remained well below the EU median in 2019 (Figure 1.2). INVEGA, a state-established enterprise, continues to offer individual and portfolio guarantees to facilitate access to finance and the government adopted a law on crowd-funding in 2016 to foster alternative financing sources. It also established three new venture capital instruments in 2017 and five new venture capital instruments in 2018.

Figure 1.2. Conditions for business creation

Ranking relative to other European Union Member States, 2019



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 population is nearly 2.8 million people. Between 2002 to 2018, the population of Lithuania decreased by nearly 700 000. Of this, about 200 000 was due to natural population change (i.e. negative birth and death balance), which about 500 000 was due to net migration. Net migration was mainly influenced by migration trends of those under 54 years old and the reasons for emigration were mainly economic. These population changes impact the working-age population affected the labour force, which decreased by about 170 000 people between 2002 and 2018. However, this also resulted in an increase in activity rates.¹

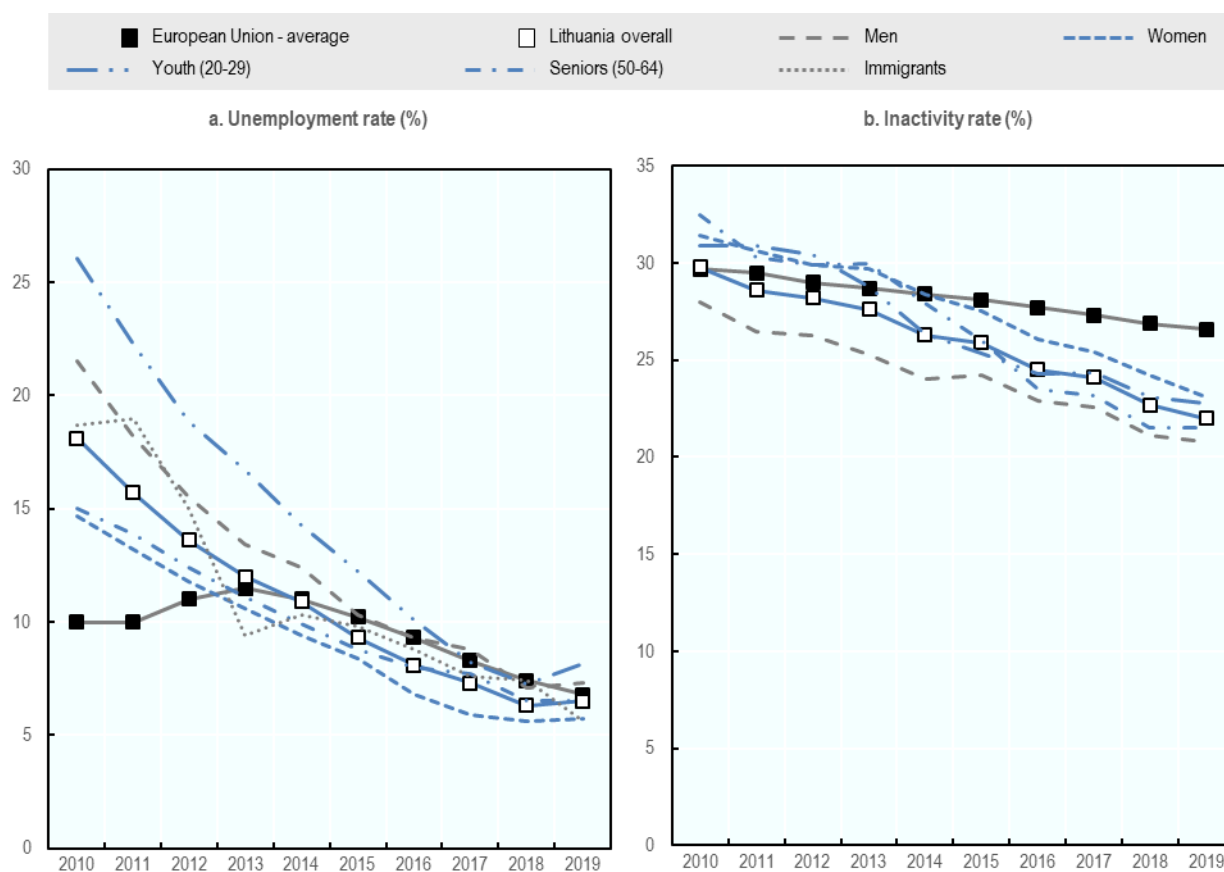
¹Lithuanian economy: export and labour markets long-term developments. The *Enterprise Lithuania* review; 31 December 2019. https://www.versli Lietuva.lt/wp-content/uploads/2020/01/2019.12.31_ekonomikos_apzvalga.pdf

The labour market performed well during the last two years. The unemployment rate in 2019 was 6.5%, nearly 12 percentage points (p.p.) lower than in 2010 (Figure 1.3). In contrary to most EU Member States, the unemployment rate for men has been higher than that of women over the past decade. However, the gap narrowed and the difference was slight in 2019 (7.3% for men and 5.7% for women). Similarly, the unemployment rate for youth declined from 26.0% in 2010 to 8.2% in 2019.

As already noted, inactivity rates declined across all population groups and remained slightly below the EU average (Figure 1.3). The inactivity rate among those aged 15-64 years old in 2019 was 38.4%, a decrease of 1 p.p. relative to the previous year. The inactivity rate of men fell by 0.3 p.p. to 20.8% in 2019, while the female employment rate even more by 1.2 p.p. over the year to 23.1%. The inactivity rate for people 50-64 years old in 2019 was 21.5% (the same as in 2018).

Figure 1.3. Unemployment and inactivity rates

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



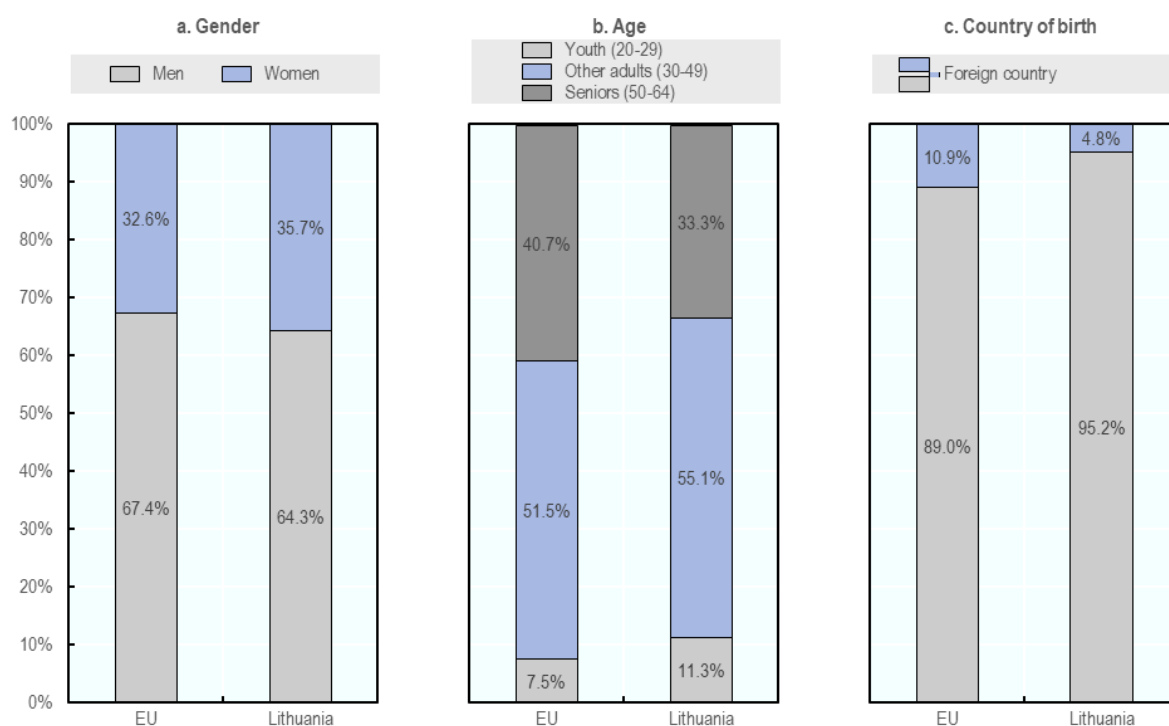
Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Self-employment activities

Overall, the typical self-employed person is a middle-aged man (24-49 years old) who was born in Lithuania (Figure 1.4). However, the share of self-employed young people in Lithuania is higher than the EU average likely in part due to increased policy actions that support youth entrepreneurship. Although demographic trend and the ongoing pension reform have led to a steady increase in the share of older people in the labour force structure, the share of self-employed seniors is still lower than the EU average.

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>.

The self-employment rate in Lithuania has been lower than the EU average over the last decade (Figure 1.5). In 2019, 10.9% of workers were self-employed, compared to 13.4% across the EU. Approximately 7.7% of women were self-employed in 2019, but that was well below the proportion of men (14.2%). The self-employment rate was lowest among youth (7.6%). About 10.7% of working seniors were self-employed in 2019.

The Law No IX-1007 on Personal Income Tax distinguishes the following types of individual activities: independent commercial or production activity; independent creative activity; independent sports activities; independent activity of the performer. The legislation defines two forms of individual activity: (1) performed on the basis of an individual activity certificate; (2) carried out under a business license. The essential difference between the two methods is that when acquiring a business license, a person has to pay a flat-rate income tax in advance (regardless of the planned income) and can only engage in strictly defined activities. In the case of individual activity certificate, income tax must be paid on the income actually received at the end of the year, also the certificate gives the right to engage in a wider range of activities.

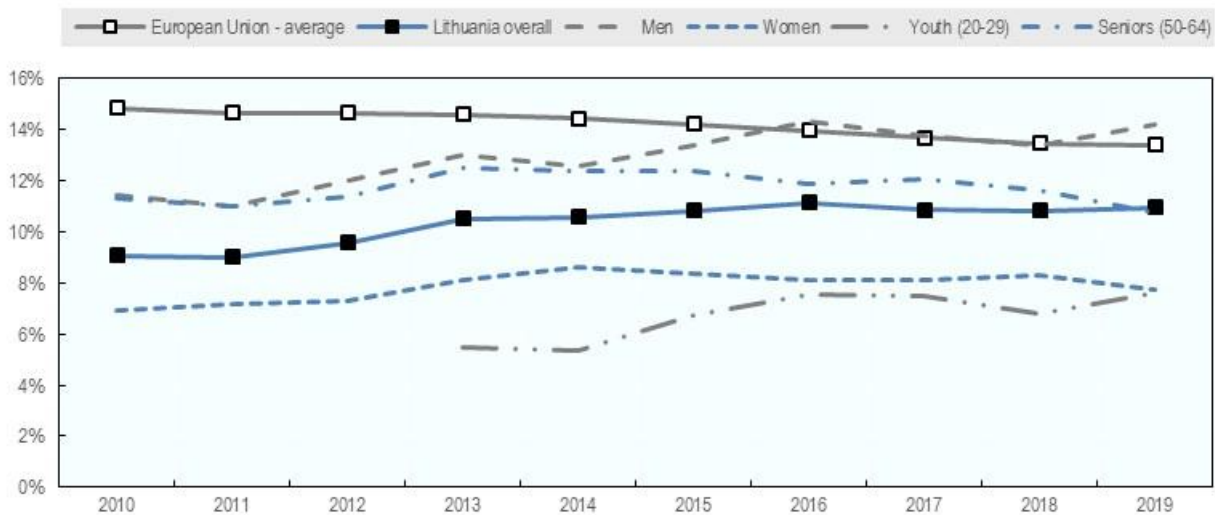
The State Tax Inspectorate (STI) reported that the number of self-employed persons in the country's economy increased in 2019 by 6.3 p.p. and consists of about 377 000 persons. The number of residents engaged in individual activities according to the certificate increased by 13.8 p.p. In total, about 143 633 people have registered individual activities according to the certificate by the end of 2019. The number of people acquiring business licenses has also increased by 7.5 p.p. (compared to December 2019 to December 2018), but in reality, the number of people operating under this legal form every year has remained stable over the last three years at around 100 000.

However, the 2019 increase may be short-lived. To a large extent the construction sector, which is characterised by seasonality and cyclicity, led a positive change in self-employment in 2019.

About 84 900 companies operated in Lithuania at the beginning of 2019; where about 80% were very small (with 0–4 employees) and small (with 5–9 employees). The number of operating companies increased by 1.7 p.p. during the year, mainly due to the increase in the number of very small enterprises (with 0-4 employees). The share of operating enterprises employing up to 250 employees (this is one of the criteria for the definition of small and medium-sized enterprises) in the national economy since 2011 remained almost unchanged at over 99%. Recent trends show that business enterprises in Lithuania have a tendency to shrink (the share of very small enterprises in the economy has increased by 1 p.p. over the year), but there are no obvious tendencies that this should continue in the future, so far.²

Figure 1.5. Self-employment rate

Proportion of employment that is self-employed



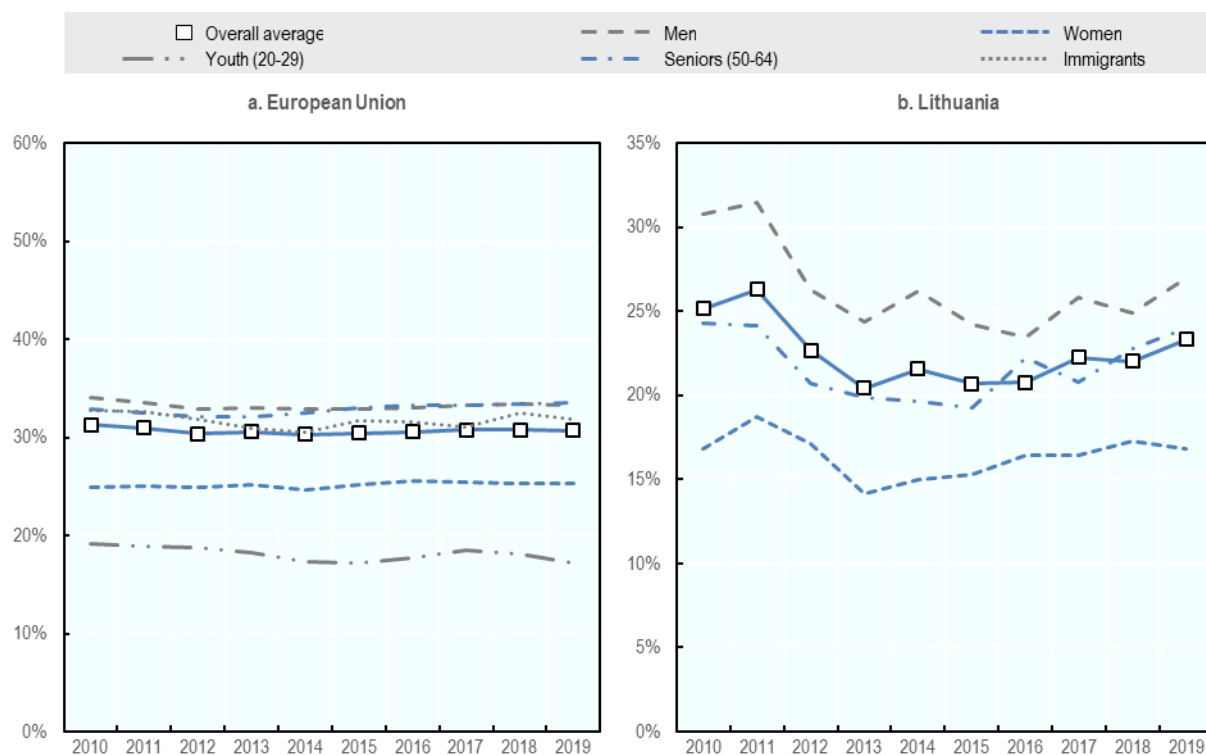
Note: Data for youth for 2013 includes data of low reliability for the age group 20-24. Reliable data is not available for youth for 2010-12.

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

The share of self-employed people employing others in the country was lower than on average in the EU during the past decade (23.3% vs 30.7% in 2019) (Figure 1.6). In general, the distribution of this indicator across different target groups is in line with EU trends. Thus, the share of self-employed employers among men and seniors is higher than average (26.9% and 24% vs. 33.3% and 33.5%). However, unlike in the EU on average, immigrants in Lithuania are significantly more successful in creating jobs than other target groups. This tendency was especially evident in 2019, when for the first time a positive migration balance was observed for many years. It can be assumed that entrepreneurs who have returned to home country (partially because of BREXIT) successfully relocated their businesses and have even been able to create jobs for other people.

² Entrepreneurship trends in Lithuania at the beginning of 2019. The *Enterprise Lithuania* review; 30 September 2019. https://www.verslijetuva.lt/wp-content/uploads/2019/10/2019.09.30_verslumo_apzvalga.pdf

Figure 1.6. Self-employed as employers



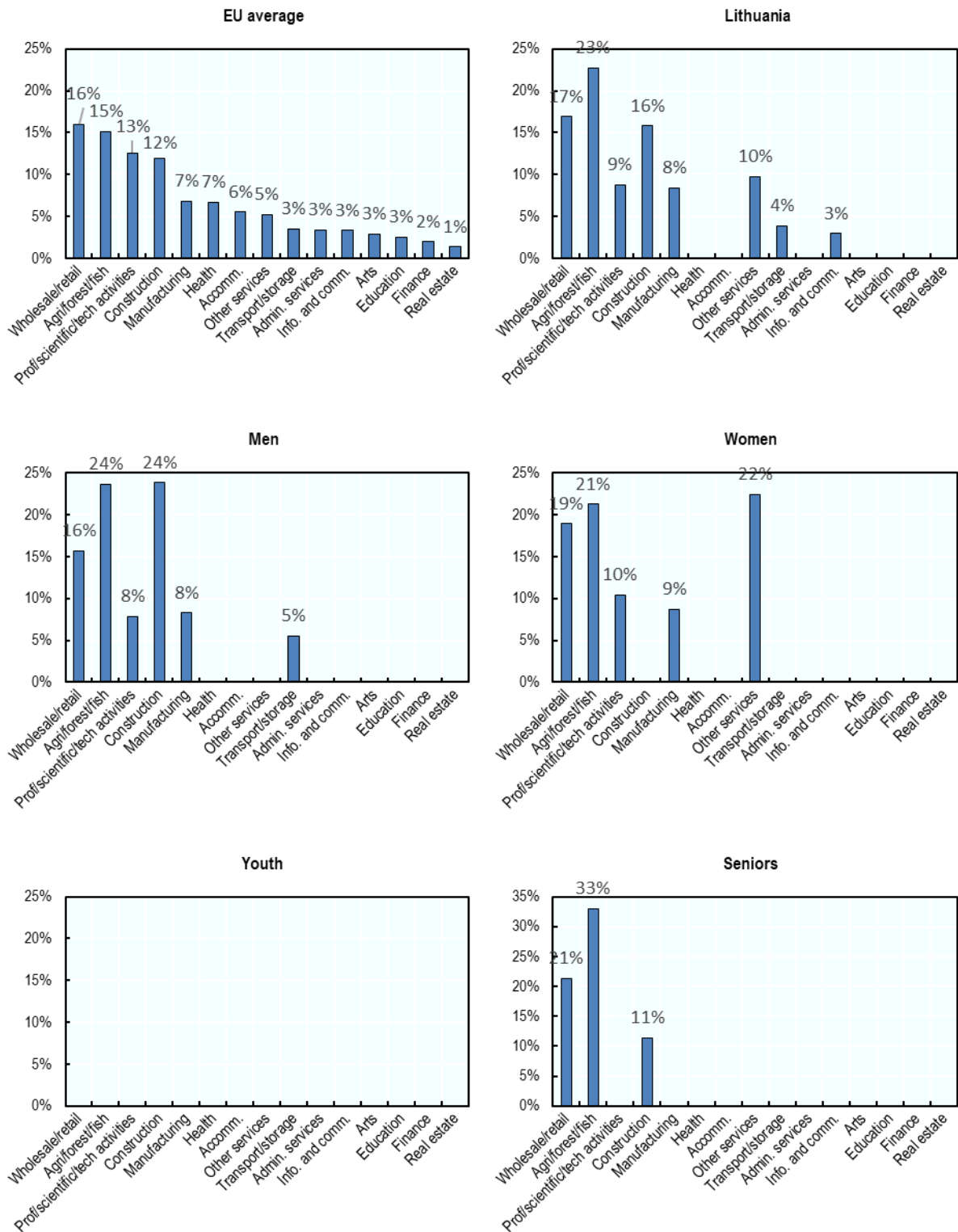
Note: Reliable data for youth and immigrants are not available.

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

The distribution of self-employment by sector in Lithuania differ significantly from the EU average, but reflects the structure of the national labour market (Figure 1.7). Thus, the average self-employment among Agriculture, forestry and fishing (22.8%) was above the EU average (15.1%) and more than twice high for older people (32.9%) in 2019. Self-employment among the Professional, scientific and technical (8.8%) was about 30% below the EU average (12.6%). Self-employed women and seniors in Lithuania were more likely to work in Wholesale and retail trade (18.9% and 21.3% respectively vs. 16.0% for both in the EU). Many self-employed women also worked in Other service activities (22.4%).

Figure 1.7. Self-employment by economic activity

Distribution of the self-employed by sector, 2019

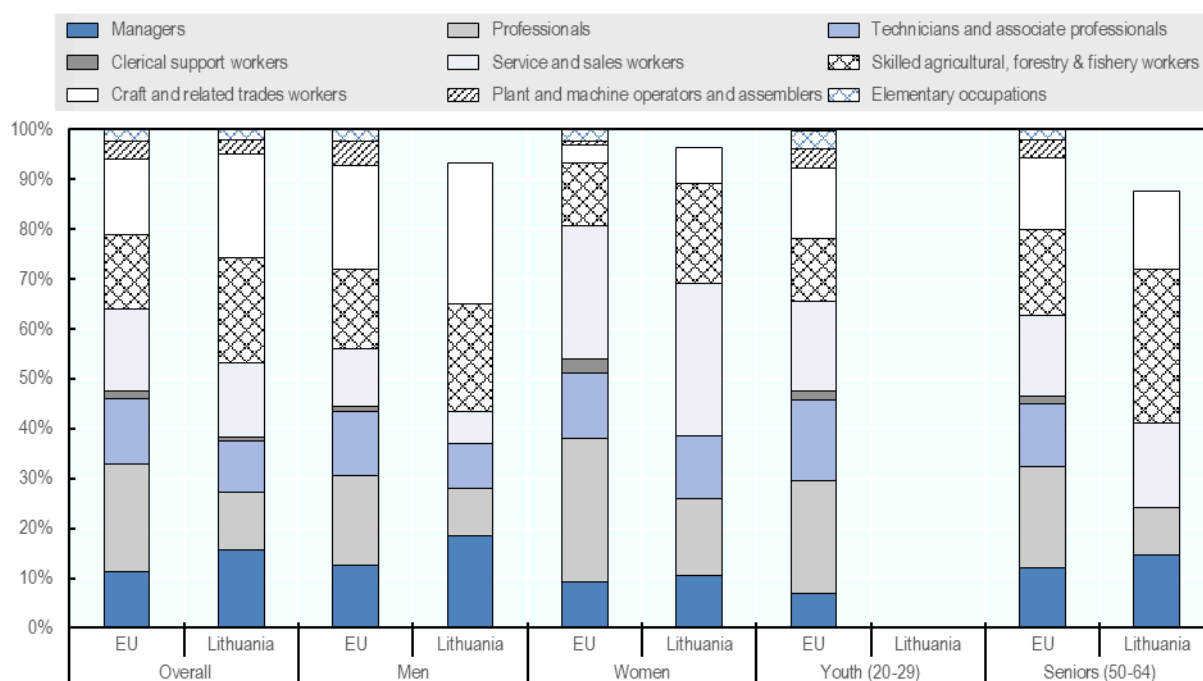


Note: Reliable data for youth are not available and some data for men, women and seniors are suppressed due to the quality of the estimates.
 Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

The distribution of the self-employed by occupational category has changed quite rapidly over the decade, both in the country and in the EU in average (Figure 1.8). Although the general trends were similar (the shares of managers and skilled agricultural forestry and fishery workers have relatively decreased (by 2.4 p.p. and 19.8 p.p. in Lithuania vs. 11.8 and 2.8 p.p. in EU), while the shares of professional and technicians and associate professionals have increased (by 5.7 p.p. and 10.3 p.p. in Lithuania vs. 7.1 p.p. and 0.6 p.p. in EU), but the pace of these changes was different. As a result, the national structure is now much closer to the EU average than in 2010.

Figure 1.8. Self-employment by occupation

Distribution of the self-employed by occupation



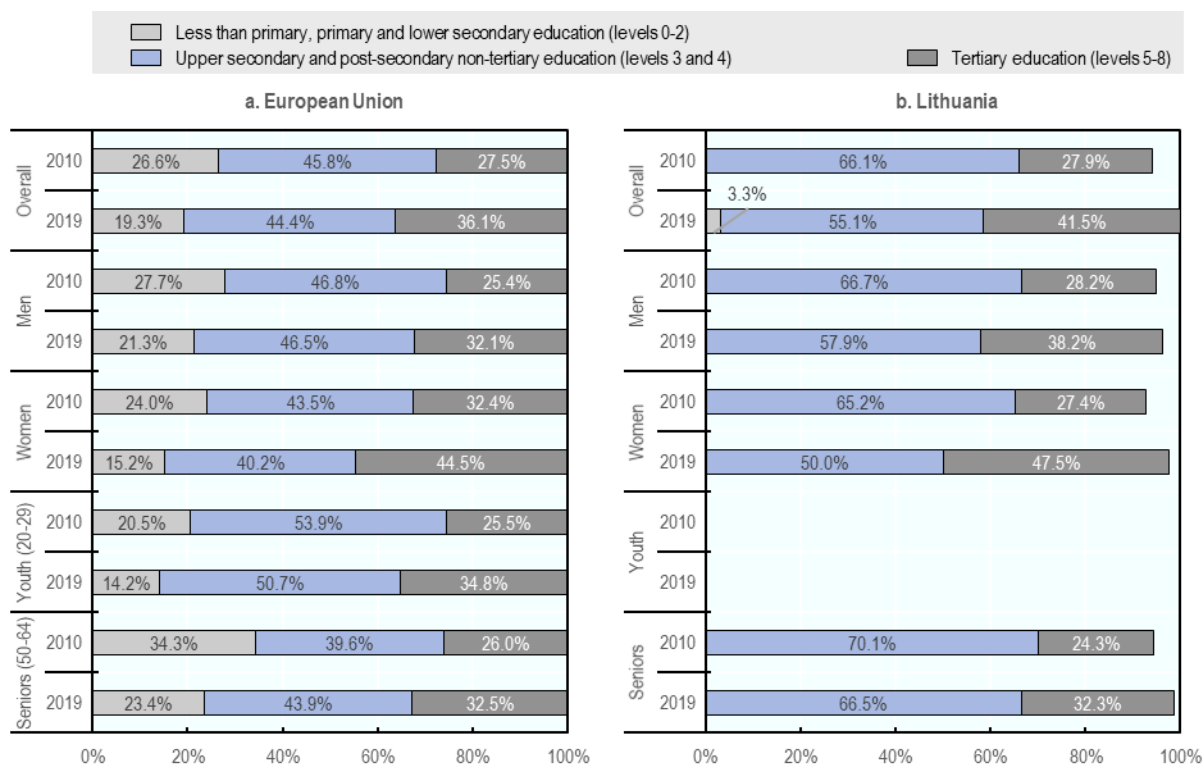
Note: Reliable data for youth are only available for 1 ISCO08 occupation out of 10. Data are also limited for men, women and seniors.
Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

The share of self-employed people with tertiary education (41.5%) was higher than EU average (36.1%) in 2019 (Figure 1.9). At the same time, the share of self-employed people with less than primary, primary and lower secondary education was relatively small (3.3%) compared to the EU average (19.3%). Over the past decade, the share of self-employed people with tertiary education has increased more rapidly than average in EU (13.6 p.p. vs. 8.6 p.p.). These trends reflect the overall trends in the national labour market.³

³ Human capital in Lithuania 2020, STRATA, 2020. <https://strata.gov.lt/images/tyrimai/2020-metai/zmogiskojo-kapitalo-politika/20200511-zmogiskasis-kapitalas-Lietuvoje.pdf>

Figure 1.9. Self-employment by education level

Distribution of the self-employed by educational attainment



Note: Reliable data is not available for youth. Reliable data for levels 0-2 is only available for 2019 and at the national level.

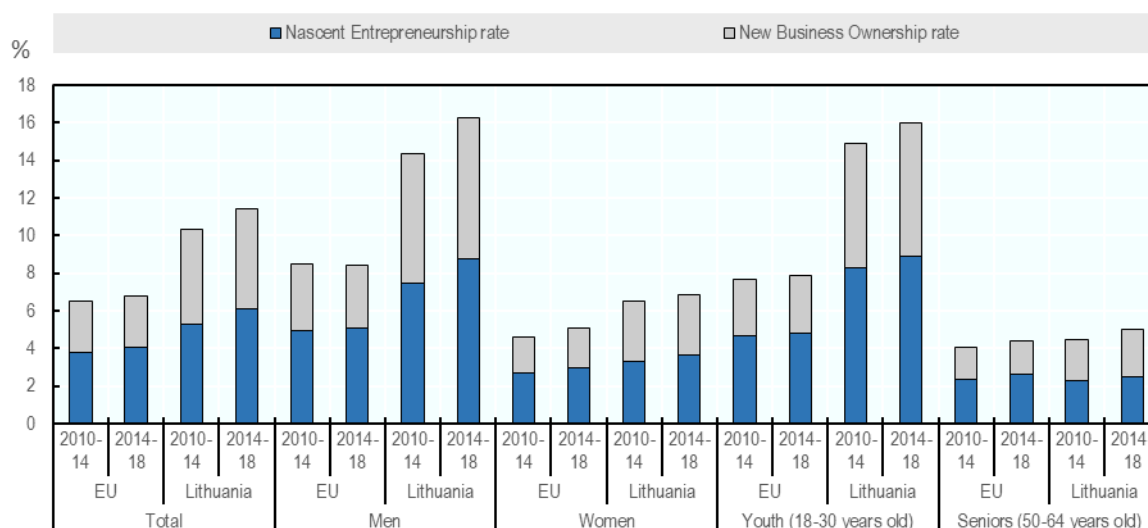
Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Entrepreneurship activities

Despite the low overall self-employment rate, the proportion of adults involved in starting or managing a new business up to 42 months old was well above the EU average during the period 2014-18 (Figure 1.10). The highest rates for nascent entrepreneurship and new business ownership were observed among men (8.7% and 7.5% relative to 5.2% and 3.5% for the EU) and youth (8.9% and 7.1% relative to 4.7% and 3.1% for the EU). Moreover, the gap in entrepreneurship rates with the EU average is growing. The nascent entrepreneurship rate for Lithuania grew faster than the EU average over the past decade, due largely to growth in the rates for men and 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 2014 and 2018 except the Czech Republic and Malta. Several countries did not participate in the survey in every year: Austria (2015, 2017), Belgium (2016-18), Bulgaria (2014), Cyprus (2014-15), Denmark (2015-18), Estonia (2018), Finland (2017-18), France (2015), Hungary (2017-18), Latvia (2014, 2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-18).

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

How many “missing” entrepreneurs are there?

The gaps in entrepreneurship rates across population groups, as measured by the self-employment rate, suggest that there are many “missing” entrepreneurs. There are currently about 145 000 self-employed people in Lithuania and this number would increase by about 45 000 if the self-employment rate for core-age males (30-49 years old) was applied to the whole population.

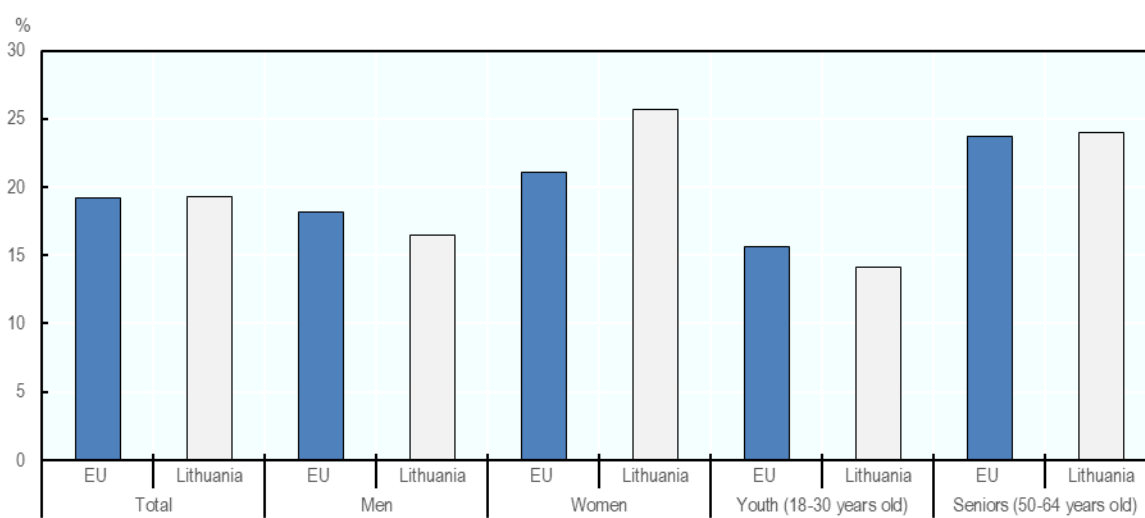
A similar exercise can be done for each population group by applying the rate for core-age males to each group (i.e. women, youth, seniors, immigrants). This shows that virtually all of these “missing” entrepreneurs are female and they were distributed across all age categories. About one-third were between 20 and 30 years old and another third were between 50 and 64 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.

The proportion of early-stage entrepreneurship that was launched due to the lack of other opportunities in the labour market between 2015 and 2019 (i.e. “necessity entrepreneurship”) was in line with EU average (Figure 1.11). Approximately 19.3% of early-stage entrepreneurs launched their business out of “necessity” (compared to 19.2% of the EU average). Women were the most likely group to report starting a business due to a lack of opportunities in the labour market (25.7%).

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, 2014-19



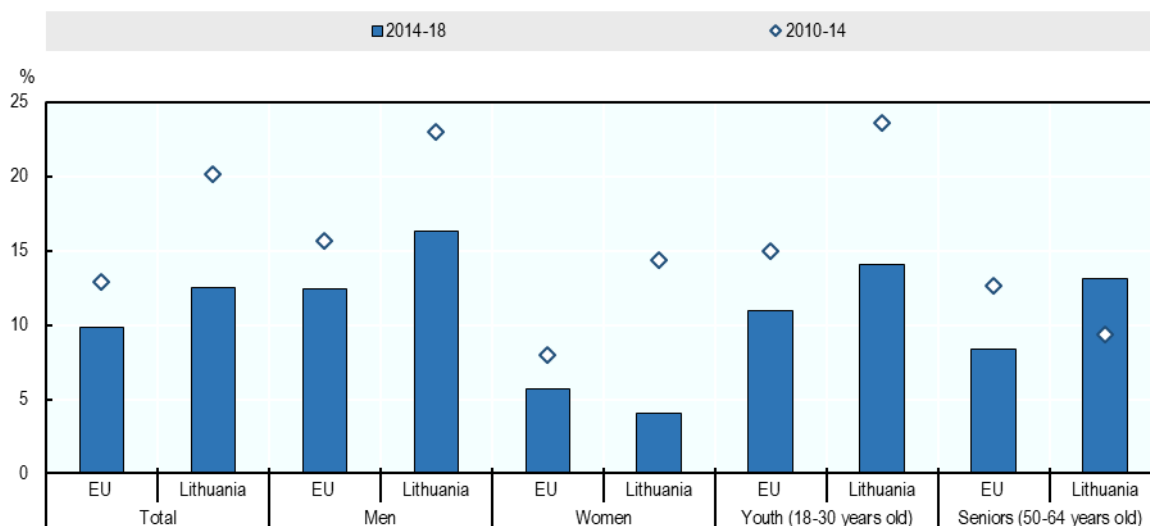
Note: Necessity entrepreneurship is defined as entrepreneurship activities that were launched because there were no other options in the labour market. All EU countries participated in the GEM survey between 2014 and 2018 except the Czech Republic and Malta. Several countries did not participate in the survey in every year: Austria (2015, 2017), Belgium (2016-18), Bulgaria (2014), Cyprus (2014-15), Denmark (2015-18), Estonia (2018), Finland (2017-18), France (2015), Hungary (2017-18), Latvia (2014, 2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-18).

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

Early-stage entrepreneurs were quite optimistic about their potential for creating at least 19 jobs over the next five years during the period 2014-18. Overall, about 13% of entrepreneurs expected to create at least 19 jobs over the next five years, relative to an EU average of about 10% (Figure 1.12). Youth, men and older people were the most likely to expect to create a high number of jobs, while women were three times less as likely to expect this level of job creation. This is consistent with the high share of early-stage entrepreneurs who report innovative activities and selling to foreign markets (OECD/EU, 2019). It should be noted that during 2014-18 compared to the period 2010-14, optimism across all groups decreased significantly and approached the EU average, except among seniors.

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 2014 and 2018 except the Czech Republic and Malta. Several countries did not participate in the survey in every year: Austria (2015, 2017), Belgium (2016-18), Bulgaria (2014), Cyprus (2014-15), Denmark (2015-18), Estonia (2018), Finland (2017-18), France (2015), Hungary (2017-18), Latvia (2014, 2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-18).

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

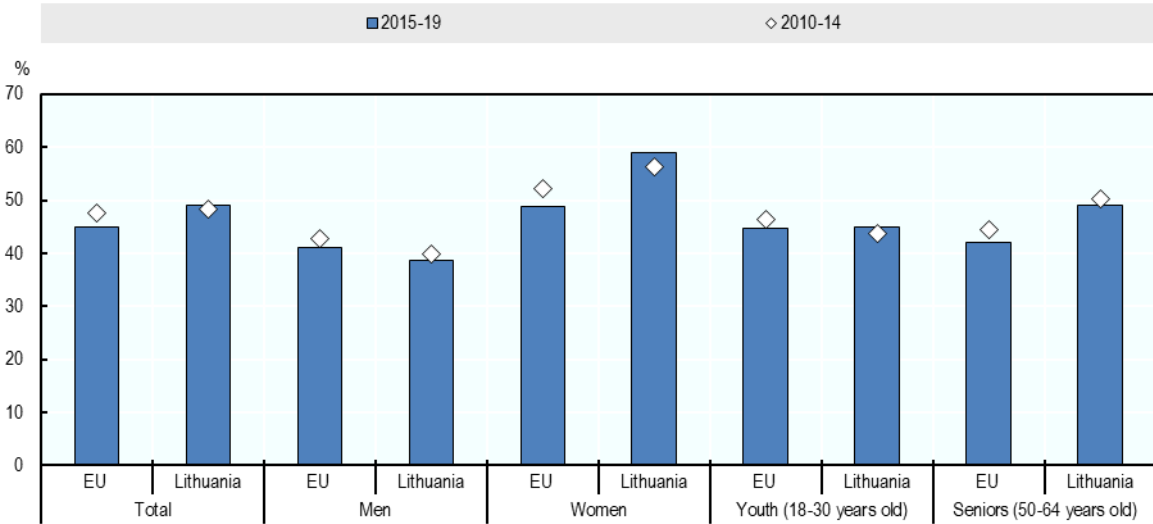
Barriers to business creation

Over the period 2015-19, about half of people (49.1%) reported that a “fear of failure” was a barrier to business creation (Figure 1.13). This was a slightly higher proportion than the EU average for the same period (45%). Women were the most likely to report this barrier (58.9%), which was also above the EU average during this period (49.3%). About 39% of men reported this barrier, which was essentially equal to the EU average (40.6%).

Although the proportion of people who indicate that they involved in setting up a business they will own or co-own is about 1.5 times higher than the EU average, Lithuanians were less likely to report that they had the skills and knowledge to start a business (Figure 1.14). Only one-quarter of women believed that they had the skills to successfully start a business (24.7%), which was below the EU average (34.5%). About one-third of youth and older people indicated that they had the skills to start a business; both proportions were below the EU averages.

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

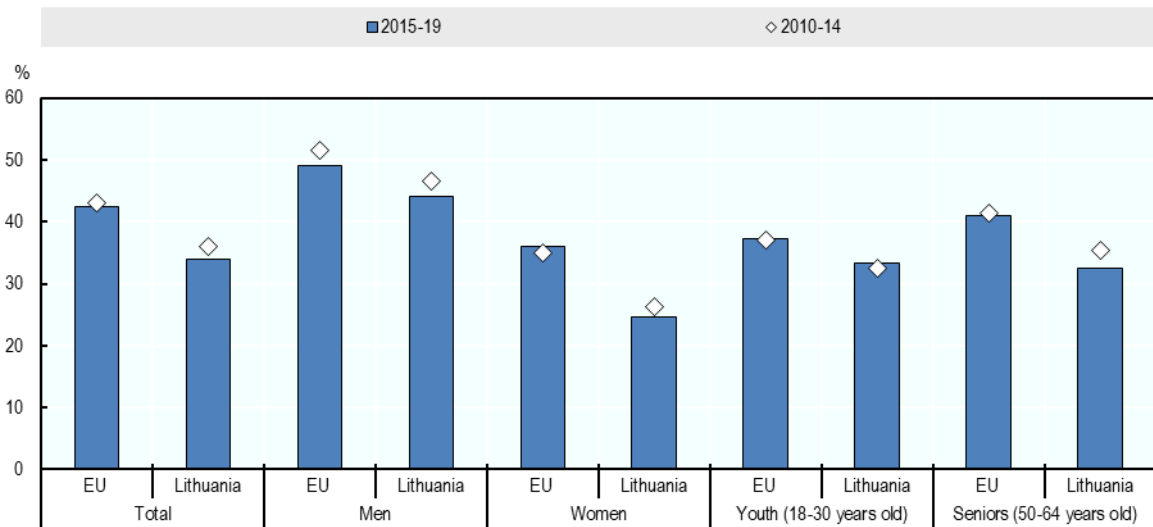


Note: All EU countries participated in the GEM survey between 2014 and 2018 except the Czech Republic and Malta. Several countries did not participate in the survey in every year: Austria (2015, 2017), Belgium (2016-18), Bulgaria (2014), Cyprus (2014-15), Denmark (2015-18), Estonia (2018), Finland (2017-18), France (2015), Hungary (2017-18), Latvia (2014, 2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-18).

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 2014 and 2018 except the Czech Republic and Malta. Several countries did not participate in the survey in every year: Austria (2015, 2017), Belgium (2016-18), Bulgaria (2014), Cyprus (2014-15), Denmark (2015-18), Estonia (2018), Finland (2017-18), France (2015), Hungary (2017-18), Latvia (2014, 2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-18).

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

A national entrepreneurship survey in 2018⁴ found that 38% respondents are considering starting their own business or are absolutely confident that they will do so in the next five years.⁵ The main motivation cited was to be independent of an employer, which was identified by more than half (55%) of those considering or working towards self-employment. Other reported motivations included combining work and hobbies (48%). Only a minority of respondents indicated that self-employment was a way to earn a high income (34% of those who already own a business; 38% of those who are employees).

The survey also investigated barriers to entrepreneurship. Respondents noted lack of capital as the biggest obstacle to starting their own business, which was cited by 40% of respondents. Excessive risk, fear of failure, uncertainty about the economic situation and lack of good business ideas were also identified.

The PES reported that 83 500 people started independent activities after acquiring short-term (up to six months) business licenses in 2019. Almost every third self-employed person is over 50 years old. The number of young people working under business licenses is more than twice as low (12.3%). On the one hand, when starting a business, young people take more and easier risks because they are not yet committed to the family, do not have a lot of material assets, adapt more quickly to changing conditions, but usually lack experience and competence, which older people usually have. On the other hand, older people are more cautious about cardinal change and are reluctant to take it.

⁴ A representative survey of the Lithuanian population was commissioned by Swedbank and conducted by the public opinion and market research company "Kantar Emor" in October 2018. About 1 000 respondents aged 18 to 74 were interviewed; <https://blog.swedbank.lt/spaudos-pranesimai-finansu-laboratorija-asmeniniai-finansai-verslas/apie-nuosava-versla-svajojia>

⁵ Most probably those expectation has been affected negatively by COVID19.

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

The Law No XII-2470 on Employment outlines the legal framework for the labour market and employment policy. It defines the main forms of employment (including self-employment), the relevant legal framework, policy objectives related to supporting job seekers, and the provision of employment support measures, and more. The Law allows for support for job seekers for business creation and self-employment, including a small subsidy.

Support for SMEs is generally established in Law No VIII-935 on the Development of Small and Medium Business. The Law provides for the following forms of support for small and medium-sized business entities (SMEs): tax credits and tax concessions, financial support (e.g. soft loans, partial compensation of interests, issue of guarantees, export credit insurance), public services for business (e.g. in business incubators, business information centres, science and technology parks), and other forms of support.

In general, policy on promoting entrepreneurship falls within the remit of the **Ministry of the Economy and Innovation (MoEI)**, while actions to support the social integration of under-represented and disadvantaged groups are covered by the **Ministry of Social Security and Labour (MoSSL)**. The MoSSL designs measures and strategies oriented towards labour market integration of these groups and reduction of poverty and social exclusion, of which entrepreneurship is one of many instruments. However, the

MoSSL runs strategies and policies for different target groups – youth, unemployed persons, seniors and people with disabilities. Some measures identified as relevant for certain groups (e.g. youth, unemployed) place adequate focus on entrepreneurship development. The **Ministry of Education, Science and Sport (MoESS)** is responsible for education policy, including developing youth entrepreneurship programmes delivered through schools. The **Ministry of Agriculture (MoA)** is responsible for co-ordinating the issues related to the employment of the rural population, for the development of SMEs and encouraging entrepreneurship in rural areas, including complementing agricultural with alternative economic activities.⁶ Specialised agencies, subordinated to the responsible ministries, implement the policies.

It is also critical to recognise the role of municipal governments in supporting entrepreneurship. The Law No I-533 on Local Self-Government establishes municipalities' responsibility for creating conditions that facilitate business development and promoting of tourism in their territory. They also influence business development by setting local fees and issuing permits (business licenses). Setting of labour market, employment and youth policy is the prerogative of the central government, municipalities can only participate in the implementation.

Inclusive entrepreneurship strategies and objectives

Lithuania's Progress Strategy "Lithuania 2030", approved by the Parliament (*Seimas*), prioritises the building "smart" economy through the intensive application of scientific knowledge and innovation-driven entrepreneurship. The Strategy emphasises the need for a business-friendly environment and calls for efforts to simplify business regulations, but does not outline specific measures to foster entrepreneurship among key social target groups such as youth, women, migrants, long-term unemployed, older people, and people with disabilities.

The XVII Government approved an implementation plan for its political programme for the period from 2016-20.⁷ This included identifying relevant indicators to monitor the progress towards achieving the goals of the Strategy, including in the areas of business development, entrepreneurship and employment (Table 2.2).

Table 2.2. Lithuania development goals 2016-20

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

⁶ Government Resolution Nr 1120, 15 September 1998; <https://www.e-tar.lt/portal/lt/legalAct/TAR.64CF02BD2377/asr>

⁷ Parliament Resolution No XIII-82, 13 December 2016.

Another key strategic policy document is the **National Progress Programme for 2014-20** (NPP), which sets a priority of creating of an “environment favourable for economic growth.” This includes creating favourable conditions for entrepreneurship and businesses. Measures foreseen include business-facilitation services for business start-ups and ensuring the availability of financial sources for starting and developing business. The NPP also highlights the development of entrepreneurial skills for children and youth by supporting integrated programmes to foster entrepreneurial skills. Responsibility for the implementation is shared between the MoEI, the MoSSL and the MoESS.

The **Entrepreneurship Action Plan of Lithuania for 2014-20**⁸ defines actions towards consistent growth and promotion of entrepreneurship. The Plan sets out three tasks focusing on raising the level of entrepreneurship in the country: (i) to establish a consistent and continuous system of entrepreneurship education; (ii) to create a favourable environment for starting and developing a business, and (iii) to promote entrepreneurship by ensuring accessibility of public services to businesses, distinguishing entrepreneurship of target groups (youth, women) and start-ups, as well as social and regional entrepreneurship, and developing a positive public image of the entrepreneurs. The plan covers two terms of office for the Government, but has not undergone significant revisions.⁹

Entrepreneurship is also covered by key labour market strategies such as **The Programme’s for Increasing Employment for 2014–20**.¹⁰ One of its goals is to strengthen labour demand and create jobs by developing entrepreneurship mindsets among students and the population, and by supporting business creation initiatives. Relevant measures in the Program implementation plan¹¹ include business start-up advice, improved access to business services and financial resources for persons starting and developing business activities, and embedding entrepreneurship in the national education system. The Programme’s measures focus on promoting entrepreneurship among youth, in rural territories and in regions with high unemployment levels. The MoSSL, the MoEI, the MoA and other ministries are involved in implementation.¹³

There are also a number of youth policies that cover entrepreneurship promotion and support. For example, youth entrepreneurship support is outlined in the **National Youth Policy Development Programme for 2011-19**.¹² The Programme’s Action Plan foresees entrepreneurship support and responsibility for the implementation is shared between the MoA¹³ and the Department of Youth Affairs under the MoSSL (DYA).¹⁴ In order to ensure the involvement and representation of youth non-governmental organisations, the Youth Affairs Council is formed from the representatives of state institutions and Lithuanian youth organisations on the principle of equal partnership. The Council examines key youth policy issues and makes proposals for the implementation of youth policies that meet the needs of young people and youth organisations. Similarly, a municipal youth council may be formed in municipalities. At the local level, municipal administrations set and implement municipal youth supportive

⁸ The MoEI Decision Nr 4-850, 26 November 2014; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/311ec59075b811e4b615a833d6e7da3d/asr?positionInSearchResults=0&searchModelUUID=38f607fc-65a4-4380-95ed-f26fd7440511>

⁹ To date, monitoring has shown successful implementation, but the impact of the COVID-19 pandemic has led to significant risks to the achievement of the set targets.

¹⁰ Government Resolution Nr 878, 25 September 2013; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.456810?positionInSearchResults=5&searchModelUUID=f2efe4a8-052b-41d7-9679-ed84ff862a97>

¹¹ Government Resolution Nr 204, 26 February 2014; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/b1e2ed32a52c11e383c0832a9f635113/asr?positionInSearchResults=0&searchModelUUID=e1cdbfb2-010c-462b-9410-d770f3266d9d>

¹² Government Resolution Nr 1715, 1 December 2010; <https://www.e-tar.lt/portal/lt/legalAct/TAR.10A2087E3527/xbTThuOxdF>

¹³ <http://www.zum.lt/>

¹⁴ <http://www.jrd.lt/>

measures with the help of a youth affairs co-ordinator, who develops and maintains co-operation network between municipal politicians, civil servants and young people. The Youth Co-ordinator of almost all 60 municipalities is united by the National Association of Youth Co-ordinators.¹⁵

The **Youth Guarantee Initiative Implementation Plan 2014-20**¹⁶ was prepared to support the implementation of the Council of the European Union 22 April 2013 Recommendation on the establishment of a Youth Guarantee Initiative. The Plan aims to strengthen entrepreneurial mindsets and the promotion of self-employment among youth. It is envisaged to create opportunities for students of higher education institutions to acquire as many as possible practical skills and entrepreneurial competencies in the workplace. The Youth Guarantee is supported through the European Social Fund (ESF) and the Youth Employment Initiative (YEI).

The **National Programme on Equal Opportunities for Women and Men 2015-21**¹⁷ has as objectives to promote equal employment opportunities for women and men and to enhance opportunities to start and develop a business for women, especially those living in rural territories. In line with the Programme's implementation Plan for 2018-21¹⁸ initiatives have been implemented and envisaged to strengthen entrepreneurial women and to improve their financial literacy and other competencies. This includes actions such as events, consultations and seminars.

In addition to government strategies, the **Operational Programme for the EU Structural Funds' Investments in 2014-20** (the SF OP 2014-20) sets several objectives related to the promotion of entrepreneurship. It seeks to increase the level of entrepreneurship, increase labour demand by promoting entrepreneurship in the population – especially for those who face difficulties in the labour market – and promoting social entrepreneurship and social responsibility.

Finally, the **Action Plan for the Integration of Foreigners into Society for 2018–2020**¹⁹ contains a planned measure to develop training for immigrants on how to set up and run a business. Additionally a description of project financing conditions is being prepared at the moment for a mentoring/training project to increase the entrepreneurship of immigrants, especially refugees. It is planned to be financed from Asylum, migration and integration fund.

According to the established practice the wide range interested institutions are involved in the preparation of strategic documents. Depending on the importance of the document, coverage and time horizon, the lead institution might organise public discussions, round tables and Internet platforms opening to the social and economic partners and the general public the opportunities to submit their proposals concerning state's vision, priorities, implementation means and progress indicators in selected areas. However, strategy papers are usually intended to present the actions of public authorities and the allocation of public funds to achieve the agreed objectives. Nonetheless, there are many cases where the specifics of the policy is developed together with social partners, including municipalities.

¹⁵ <http://nrka.lt/>

¹⁶The MoSSL Decision No A1-692, 16 December 2013; <https://www.e-tar.lt/portal/lt/legalAct/b4432c10722e11e3bd0ecaffd80c672a/xQoijDjwE>

¹⁷ Government Resolution Nr. 112, 4 February 2015; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/ad5ad9c0b1ca11e486d695b7d843f736?jfwid=-16pzb4n0y>

¹⁸ The MoSSL Decision Nr. A1-331, 27 June 2018; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/42152cc27bd311e89188e16a6495e98c?jfwid=-16pzb4n0y>

¹⁹

<https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/31d148100a1911e98a758703636ea610?positionInSearchResults=6&searchModeUUIID=e27a4cd7-4ffa-4784-ba08-210980bd79ec&fbclid=IwAR1NSNs7gcW7ecN2juis0SaYJhRKQIDcpdIIRCs-dBa6lfjPUbcFyjqCcn0>

The greatest challenge in developing a more supportive policy framework for inclusive entrepreneurship is in setting clear leadership and defining institutional responsibilities, as well as develop corresponding administrative capacities in this area. Under existing institutional set-up there are different motives for promoting entrepreneurship. On one hand, it is seen as a tool to boost and accelerate economic activity, and on the other, as an instrument to increase employment, develop alternative activities in rural areas and empower people from disadvantaged social groups. There are no clear co-ordination mechanisms for inclusive entrepreneurship policy actions across relevant national ministries yet. Coherent co-operation at the regional and local level is an even more complicated issue. Some functioning elements of vertical co-ordination for separate target groups (e.g. Youth Councils dealing with all issues related to youth policy) are rather effective but these are typically not well connected with horizontal entrepreneurship policy co-ordination. Experience gained in implementing the YEI illustrated the need to build capacities within the ministries and to strengthen linkages across the various actors involved in designing and delivering tailored entrepreneurship policy.

Even though the promotion of entrepreneurship is mainstreamed across many national strategic documents, their action plans often only contain formulations of a general nature (e.g. “organising information events” and “implementing entrepreneurship initiatives”). This shows disproportionately high attention paid to the strategic planning process while leaving aside the implementation mechanisms, which call for new ideas and assessment of the current situation. Youth, women and the unemployed over 45 years old are the most frequently targeted social groups. Entrepreneurship promotion measures for the unemployed (under 45 years old) and people with disabilities have also been envisaged but to a lesser extent. A small number of programmes for migrants are run by Enterprise Lithuania. There are no targeted programmes for seniors, but support to senior entrepreneurship is envisaged by the MoEI.

Monitoring and evaluation practices

According to the existing strategic planning system,²⁰ all long-term and medium-term strategic planning documents (strategies and development programs) are implemented through institutional action plans, which are the basis for budgetary planning. Therefore, the monitoring of all these documents and the analysis of implementation progress data are incorporated in the annual and three-year budget cycles. Every quarter, the appropriations' managers submit data on the fulfilment of measures and results achieved to the automated monitoring information system. The semi-annual and annual performance reports shall be accompanied by explanatory information indicating the reasons for not reaching or exceeding the target values. Recent findings and recommendations are regularly considered by the Government and Parliament.

Official data from the Department of Statistics, Eurostat, sociological surveys and surveys are used to monitor and evaluate the implementation of the strategies. Depending on the needs and international agreements, other analytical monitoring reports may be prepared (e.g. Progress towards the United Nations 17 Sustainable Goals 2030, EU Semester National Reform Programme). An important report on entrepreneurship is **The Entrepreneurship Review**, which is produced semi-annually by *Enterprise Lithuania*.²¹ However, at the moment, there are thematic “Inclusive Entrepreneurship” progress reports.

Ministries are required to carry out *ex-ante* regulatory impact assessment for all draft laws and Government resolutions, which will regulate previously unregulated relations, as well as when the legal regulation is substantially changed.²² Programme evaluations and budgetary expenditure reviews can also be launched based on monitoring data. Evaluations are also planned based government priorities, funding levels,

²⁰ Government Resolution No 827, 6 June 2020 21; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.168206/asr>

²¹ “The determinants of entrepreneurship in Lithuania in 2005-2016“; https://www.versli Lietuva.lt/wp-content/uploads/2018/01/2018.01.24_Verslumo_veiksniai_analize.pdf

²² Government Resolution Nr. No. 276, 2003 February 26; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.205970/asr>;

implementation risks and special requests. Evaluation procedures are typically well described and institutionalised, but there are capacity constraints within most ministries that hampers the scale and timeliness of evaluation practices. Nonetheless, evaluations initiated by the EU Structural Funds administration system generally function well. These typically cover a broad range of policies and programmes and occasionally cover aspects of inclusive entrepreneurship.²³

Recent developments

The **Strategy for the Demographic, Migration and Integration Policy for 2018-30**²⁴ aims to address country's demographic challenges, to increase the birth rate, to reduce emigration, to promote return migration and to improve the quality of life of the elderly. The Strategy implementation plan for 2019-21²⁵ outlines relevant measures from other strategic documents and also includes new measures on employment and entrepreneurship for seniors and immigrants.²⁶ It also proposes measures on providing the financial support to NGOs to encourage social entrepreneurship.

In April 2020 the Parliament adopted an **amendment to the Law No XII-2470 on Employment**, which reduced the age (from 50 years old to 45 years old) at which additional supports are offered to unemployed people. This allows the PES to provide more people with (i) subsidised employment and (ii) support for business creation and self-employment. It is estimated that more than 100 additional people will move from unemployment to self-employed due to this change.

Finally, an **amendment to the Law No I-442 on Corporate Tax** initiated by the MoEI has entered into force, allowing Lithuanian and foreign investors more flexibility investing in start-ups. The corporate tax relief now applies to venture capital and private equity entities that invest in both shares and convertible bonds. Until now, only venture capital and private equity entities that invested 70% of the capital value in equity securities (shares) have benefited from the corporate tax relief. Under the newly adopted legislative amendment, the 70% limit applies to both equity securities and convertible bonds together or if the investment portfolio is formed by only one of these investments. This amendment is expected to encourage increased investment by private and venture capital funds in early-stage start-ups. From the inclusive entrepreneurship perspective, this will mainly influence youth entrepreneurs, who often choose start-up form, as well as women-entrepreneurs.

Policy measures in response to COVID-19 to support entrepreneurs and the self-employed²⁷

Businesses and the self-employed facing liquidity and solvency problems due COVID-19, can benefit from a range of emergency measures.²⁸ These measures include tax and state social security deferrals, state-funded downtime, subsidies for small entrepreneurs and the self-employed, and measures to ensure business liquidity. Self-employed persons who do not have an employment relationship and do not receive

²³ Evaluations' reports' summaries in English can be found here: <https://www.esinvesticijos.lt/lt/dokumentai/vertinimo>

²⁴ Parliament Resolution Nr. XIII-1484, 20 September 2018; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/fbb35e02c21811e883c7a8f929bfc500?jfwid=-16pzxb4hdn>

²⁵ Government Resolution Nr. 1216, 5 December 2018; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/2a093814fc8411e89b04a534c5aaf5ce?jfwid=-16pzxb3tbs>

²⁶ <https://www.renkuosilietuva.lt/en/>

²⁷ The text was drafted in August 2020. Policy actions implemented after this date are not covered in this report.

²⁸ Law No XIII-4711(2) on the Impact of the Consequences of the New Coronavirus on the Application of the Law on Insolvency of Legal Entities; 21 April 2020; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/92e7dd9083c011eaa51db668f0092944?positionInSearchResults=3&searchModelUUID=f0f7e7f0-95c7-4507-86af-b74906fce7ab>

income from work can claim a flat-rate benefit of EUR 257 per month, which is paid by the PES. Moreover, the self-employed who qualify for this can also benefit from support for self-employment (subsidy for job creation). The amount of the subsidy is up to EUR 6 980, approved by the Government of the Republic of Lithuania. This is a recent change in the Law on Employment and is meant to mitigate the consequences of COVID-19. This is competence of MoSSL and the measure is implemented by PES.

From the beginning of April 2020, SMEs in difficulty due to COVID-19 were able to apply to INVEGA for the compensation of interest on deferred loans or finance lease payments. INVEGA also provides soft loans from state funds:

- crowdfunding loans “Avietė” under improved conditions;
- soft loans to the businesses most affected by COVID-19 (i.e. to finance operating costs such as staff salaries, rent, utilities, etc.); and
- accounts payable loans “ASAP”.

Moreover, INVEGA offers to businesses a state guarantee for loans provided by financial institutions. During the COVID-19 pandemic, the conditions for granting were extended, the terms of issuance were shortened, and the guarantees were adjusted for turnover financing.

The Lithuanian Banking Association has announced the private credit institution sector's moratorium, according to which, at the request of a client, the repayment term of loans up to EUR 5 million may be postponed for six months.²⁹ The moratorium was signed by the Lithuanian branch of *Citadele banka*, the Lithuanian branch of *Danske Bank*, the Lithuanian Central Credit Union and its financial group, the Lithuanian branch of *Luminor Bank*, *Medicinos bankas*, the Lithuanian branch of Corporate Bank plc, OP Finance, *SEB bankas*, *Swedbank*, *Šiaulių bankas*.

²⁹ Moratorium is based on the guidelines EBA / GL / 2020/02 of the European Banking Authority (EBA); <https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-legislative-and-non-legislative-moratoria-loanrepayments-applied-light-covid-19-crisis>.

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		✓	✓	✓	✓	✓		✓	
Immi-grants	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 unem-ployed	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.

The MoEI implements a number of initiatives to promote entrepreneurship. The entrepreneurship programmes offered are open to all, rather than tailored to the specific target groups as woman, immigrants, youth, seniors, and the unemployed.

To increase the accessibility and supply of support services for business, the **National Register of Consultants** has been created. Business consultants are selected by the Enterprise Lithuania³⁰, which is responsible for the Network. In June 2016, the MoEI opened calls for the first time for SMEs to express an interest of receiving high quality advisory services from consultancies listed in the Register (under the SF OP 2014-2020 measure 03.1.1-IVG-T-819 “Business Consultant LT”). Services offered have been grouped by follows target groups: entities operating for less than one year; entities in operation for one to three years; and entities operating for three to five years. Advisory services are provided in the form of a voucher of up to EUR 6 500. The Network currently consists of about 737 consultants and 11 375 consultations have been provided.

A **National Mentor Network** was established in 2016. The National Mentors Network enables new entrepreneurs to obtain consistent consulting on various matters from experienced business people and experts with experience in areas, from the management of a conventional business through the attraction of investments to the development of an innovative business. A special platform for communication with mentors has been created.³¹

To support entrepreneurship training, consultations, information events and more, Enterprise Lithuania created **Spiečius Co-Working Space** together with several municipalities. *Spiečius* is one of the most successful measures currently used to promote small business in the regions. In 2019, the seven *Spiečius* centres organised 102 information events (2 303 participants), 27 training sessions, 12 webinars, 28 mentoring sessions, 2 950 consultations for start-ups, and six entrepreneurship promotion camps. In addition, some of the centres provide incubation services and occasionally some studies are undertaken (e.g. research on the impact of corporate income tax relief).

The activities of *Spiečius* and the Network of Business Consultants have a significant impact on the results of start-ups. The turnover of businesses established in the centres grew by an average of 81% in 2018, while the total turnover of Lithuanian small and medium-sized enterprises grew by 12%. In 2017, the turnover of *Spiečius* residents grew by 53%, while the total turnover growth in Lithuania at that time was 13%. Furthermore, supported businesses have much higher survival rates. For example, the one-year survival rate for supported start-ups is above 98% relative to 52% overall.

Most of the support measures implemented by the MoEI and the Enterprise Lithuania are co-financed from the EU Structural Funds. In accordance with the requirements of the EU SF Regulation and the practice established during the EU 15 membership, the design of the provided support is widely discussed in advance with the representatives of socio-economic and, if appropriate, regional partners. Dedicated implementation monitoring mechanisms and procedures ensure timely correction and flexible response to changing market situation and beneficiary needs. Support measures are subject to strict transparency, publicity and information requirements.

Women

There are several ongoing initiatives to improve equality in the labour market, but few actions to provide tailored support to women entrepreneurs. Examples of general labour market initiatives include the 2017 recommendations by the **Equal Opportunities Controllers’ Office** (EOCO) that call for equal opportunities policies measures. The EOCO and the Ministry of Social Security and Labour also continued

³⁰ The procedure was established by the MoE Order No 4-558, 04 September 2015; <https://www.e-tar.lt/portal/lt/legalAct/9e586a4052de11e5b0f2b883009b2d06>

³¹ <https://mentoriai.verslii Lietuva.lt/>

to organise annual awards of equal work, awareness campaigns and training courses for state and private enterprise on gender equality planning in the workplace. Another example is the three-year project “Change in Business, the Public Sector, Society - New Standards for Reducing Discrimination” that was launched in 2017 by the EOCO with the Human Rights Monitoring Institute and the Lithuanian Gay League.

Despite progress in this area, women are still more likely to face greater difficulties in developing their businesses due to social and cultural barriers, difficulties in acquiring initial capital and lack of qualifications and additional responsibilities in the family (primarily for childcare). Targeted entrepreneurship training, education and mentoring, as well as business counselling programmes for women are limited but there are schemes aimed at women in rural areas.³² This could be expanded, as the areas of business chosen by women often differ from those of men, so specific knowledge is required for the organisation and implementation of activities.

Immigrants

Immigrants coming to live in Lithuania are usually provided with integration support, which includes training and counselling. However, there are currently no tailored entrepreneurship education or promotion programmes for immigrants. There are offered supported by their employers and there are few opportunities to develop entrepreneurial skills. However there is an online platform to support Lithuanians who have gone abroad and would like to return to start a business.³³ This is viewed by many as a strong initiative.

Youth

Many youth entrepreneurship programmes are implemented by the YEI, which was included in the Operational Programme for the European Union Funds' Investments in 2014-2020 (under objective 7.4.1. of Priority 7 “Promoting Quality Employment and Participation in the Labour Market”). These are typically aimed at NEETs up to 29 years old. The main intervention “**Discover yourself**” (09/2015–09/2018) was implemented by **Lithuania Labour Exchange**³⁴ with the participation of the DYA, 10 territorial labour exchanges and 58 youth and youth work organisations (partners). In total, 44 869 participants took part in the project activities: social, psychological, motivational activities, activation for inactive youth, volunteering, identification of professional skills and personal interests for unemployed, informal professional training for unemployed ready for labour market, motivation events, development of additional skills and competences for unemployed ready for labour market, etc.

A second project “**The New Start**” (12/2015 –11/2019) was implemented by the PES and targeted those young people, who participated in the first project. It offered a range of supports, including support for self-employment (337 participants). The project supported the most disadvantaged participants of the first YEI project.

These two projects are viewed as being successful, notably due the combination of supports that were provided, i.e. training, consultations and financial assistance.³⁵ However, the co-operation between the government, local organisations and social partners was critical for identifying inactive NEET youth and delivering tailored support. This partnership also improve the capacities of the PES and DYA co-ordinators.

³² Such specifically designed for women entrepreneurship training modules were financed through the 2004-06 and 2007-13 Structural Funds Operational Programmes.

³³ <https://www.renkuosilietuva.lt/en/>

³⁴ Lithuania Labour Exchange from 2018 10 01 was renamed to Public Employment Service under the MSSL (PES).

³⁵ Design of the project under YEI took into account the recommendation from the evaluation conducted in the first year of the implementation: Evaluation of the youth employment initiative in Lithuania, PPMI, 2015. <https://www.esinvesticijos.lt/lt/dokumentai/evaluation-of-the-youth-employment-initiative-in-lithuania-executive-summary>.

However, one of the challenges has been ensuring that projects are sustainable to ensure that there are no gaps in support.³⁶

These two projects are continued by “**Enhancing Youth Social Competencies**” (05/2019–05/2021) and “**Promotion of Youth Employment**” (03/2019–03/2021), and complemented by another new project “**Let’s move**” (04/2019–06/2021). These projects are primarily aimed at supporting disadvantaged youth in the labour market through a combination of support services, including some support for self-employment. However, the new PES project “**Be entrepreneurial!**” (01/2019–01/2021) is focussed on providing support for self-employment (for young people under the age of 29 and people who experience disability of working age) and is very popular among youth. It is expected that 1 800 people in total will take part in the project; 643 jobs have already been created in the first year of implementation.

In addition, the non-governmental organisation **Lithuanian Junior Achievement (LJA)** is very active in delivering economic education and entrepreneurship education programmes. Every year LJA programmes reach about 20 000 students from more than 350 schools, and more than 500 teachers are involved in the programme. Business leaders are also engaged and provide mentoring and internship opportunities.

In addition, entrepreneurship education is being strengthened in schools. The **Economics and Entrepreneurship programme** has been taught in 365 schools, graduating more than 12 000 students. The training of economics and business teachers has had a significant impact on the development of youth entrepreneurship. Further, bachelor studies on preparing entrepreneurship teachers for the country’s general education schools were launched at Lithuania Educational Science University in 1995. However, in 2018-19 through the higher education network reform in Lithuania, the Educational Science University has been merged with the Vytautas Magnus University, and the entrepreneurship Bachelor study programme has been closed in 2019.

The unemployed

The PES organised entrepreneurship training only for a certain segments of registered unemployed people. Thus, under the PES implemented “**The New Start**” project, which addressed the youth unemployment, young jobseekers-seeking self-employment had to pass a two-week preparatory programme aiming to provide them with basic entrepreneurship skills before submitting the application for support. As noted earlier, the results have been strong. This complements to “**Be Entrepreneurial!**” scheme for NEETs.

Recent policy developments

One of the local entrepreneurship promotion schemes is the measure “**Accelerated implementation of local development strategies**” financed through the SF OP 2014-2020. Under this measure, informal initiatives aimed at increasing community entrepreneurship (i.e. strengthening the skills needed for business creation and start-up development) are implemented. Economically inactive or unemployed people are one of the main target groups but certain sub-groups of beneficiaries are favoured through additional points during the appraisal of the applications (i.e. women, youth). The scheme offers information, business counselling (including mentoring), training and methodological assistance services to start-ups or young businesses, accompanied by subsidies for the acquisition of business start-up tools. The advantage of the applied scheme is the high intensity of support provided (up to 93%) and fast operation of the support mechanism. However, the limited amount of funding allocated to the scheme resulted in a relatively small number of support projects – only 39 local action groups strategies were implemented during 2018-19.

³⁶ In 2018–19 a social study on the effectiveness, efficiency and impact of YEI was conducted by „BGI Consulting“; <https://www.esinvesticijos.lt/lt/dokumentai/europos-sajungos-investiciju-ir-jaunimo-uzimtumo-iniciatyvos-veiksmingumo-efektyvumo-ir-poveikio-iskaitant-jaunimo-garantiju-iniciatyvos-igyvendinima-vertinimas-1>

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.

Financing remains one of the main challenges for the start-ups and affects key social target groups in entrepreneurship to a disproportionate extent. About half of SMEs finance business development solely by internal resources, while 38% would take out a loan from credit institutions. It is estimated that 9% SMEs intend to participate in public start-up financing programmes.³⁷ The survey also shows, that 18% of SMEs

³⁷ Executed by the Market Research Centre at the request of the LCCU.

expect to borrow between EUR 20 000 and EUR 50 000, while another 15% of SME would seek between EUR 50 000 and EUR 100 000, and 12% would seek EUR 10 000 and EUR 20 000.

Grants and subsidised supports

Lithuania has significantly cut the number of subsidies for the creation and maintenance of new jobs financed through the SF OP 2014-20 compare with previous periods. Currently, few grant-based options are still available only for those micro, small enterprises and self-employed people who apply and receive loans from relevant OP measures. Some subsidies are provided to a group of people facing difficulties in the labour market or in running their business (e.g. registered unemployed, people who experience disability, people under 29 years old, people over 54 years old, women) and those who create and/or will create "green" working places. Of the EUR 16 million allocated in total for start-up grants EUR 2.64 million was paid out in 2018; EUR 4.97 million – in 2019.

Entrepreneurs and SMEs can also access a range of subsidised supports. These includes a **Partial Interest Compensation Option** offered by INVEGA, **vouchers** to cover training, **reimbursement** of the cost of business counselling. In addition, the MoA supports start-ups in **rural areas**. This includes four subsidies under the 2014-20 Rural Development OP (co-financed by EU funds). A total of EUR 225 million is allocated these measures for period 2014-20. In 2018, 1 462 applications were received while 1 956 applications were received in 2019.

Social businesses are also eligible for some subsidies. From 2019, the European Social Fund Agency together with the MoEI has started to implement the 2014–20 Measure of the European Union Funds Investment Operational Programme "**Support for Social Entrepreneurship**", which provides subsidies to social business start-ups. It is expected that at least 100 social business entities in Lithuania will be created by the end of 2020 due to this measure. Training and consultations will also be provided to social business entities.

Microfinance and loans

INVEGA offers several financial instruments supporting entrepreneurship process in the country through the SF OP 2014-2020. The **Entrepreneurship Promotion Fund** is one of the main instruments and it provides loans up to EUR 25 000 for a maximum of 120 months period. The Central Credit Union of Lithuania (LCCU), which represents a consortium of 42 credit unions around the country, has provided loans since December 2016. Recipients can also benefit from the Start-up Grants measure, under which they can receive compensation for wage costs for each employee hired. The amount allocated for lending under this facility was EUR 20.55 million. By the end of 2018, EUR 41.79 million had been transferred to final beneficiaries and EUR 5.45 million was disbursed in 2019.

Soft loans from the **Open Credit Fund 2** (OCF-2) facilitate access to finance for business projects, especially in the early stages of development. The maximum loan amount is EUR 600 000. Financing in the form of a loan and leasing may be provided for a maximum of 120 months, and financing in the form of a credit line for a maximum of 36 months period. In order to take advantage of the facility, a company or a start-up entrepreneur must first apply to a credit institution with which a co-operation agreement has been concluded for the provision of soft loans. However, with the current absence of any in-built additional incentives, OCF-2 loans are less affordable for the disadvantaged groups. The amount allocated for lending under this facility was EUR 57.65 million. By the end of 2018, EUR 9.23 million had been disbursed and another EUR 5.83 million was disbursed in 2019.

"**Funded Risk Sharing Product**", financed by the European Regional Development Fund, offers for small and medium-sized enterprises soft loans of up to EUR 4 million for up to 120 months (with 45% of loans being lent free of charge and 55% with an annual market interest rate). Soft loans at below-market prices encourage lending to riskier projects, business operations and development. The amount allocated for

lending under this facility was EUR 74 million. By the end of 2018, EUR 11.68 million had been transferred to final beneficiaries and another EUR 7.15 million during 2019.

Aggregate loans measure “**Avieté**” enables small and medium-sized businesses to borrow through crowdfunding platforms. The financial intermediaries that have signed the Co-operation Agreement with INVEGA select business projects that would be financed by crowdfunding. A maximum of EUR 25 000 per loan may be granted and a maximum of 40% loan amounts may be financed. The loan can be granted for a maximum period of 36 months and is intended to finance both investments and working capital. The amount allocated for lending under this facility was EUR 4.62 million. By the end of 2018 EUR 60 000 was transferred to the final beneficiaries and more EUR 1 million was disbursed during 2019.

Loan guarantees

A state guarantee scheme was created (implemented by INVEGA), guaranteeing the repayment of the first part of the loan to the credit institution up to 80%. The minimum amount of the guarantee must be EUR 5 000. Loan guarantees can be individual or portfolio. The individual INVEGA guarantee can be used both for lending to businesses on market terms and for taking out any soft loan facility administered by INVEGA. Portfolio guarantees can be secured by credit institutions selected by INVEGA, which have a fixed loan portfolio and can include up to 80% loan size guarantee. In total 425 individual guarantees were issued for a total of EUR 38.55 million in 2018, of which 97% were designed to guarantee SME loans. Number of individual guarantees issued in 2019 decreased by 29% (by 301 loans), but again almost all guarantees (297) were provided to SMEs loans. In total 555 portfolio guarantees were issued in the amount of EUR 61.57 million in 2018, number of portfolio guarantees fell by 31 p.p. over the year.

Crowdfunding and risk capital

Several measures are in place to support risk capital investments, including “Participation in the Baltic Innovation Fund”, “Early Stage and Development Fund I”, “Co-Investment Fund”, “Early Stage and Development Fund II”, “Co-Investment Fund II”, “Co-Investment Fund R&D”, “Development Fund I”, “Development Fund II”, “Fund co-investing with business angels”. Most of these measures were launched at the end of 2018 only. In addition, these measures stand out for a long investment period - in the case of individual measures, the funds of the measures will be invested until 2027. Therefore, the utilisation of funds by the end of 2018 was limited to EUR 10.5 million (11% of the total allocated funds). During 2019 more EUR 22.27 million (16%) was paid to final beneficiaries.

Other measures

Municipalities can differentiate the price of a business license by offering **discounts** to selected groups. The main categories who benefit are people of retirement age, registered unemployed, students, people who experience disabilities (differentiated according to the working capacity scales: 0-25%; 30-45%; 45-55%). Applicants who belong to several categories can choose only one type of discount for one business certificate. In general, the scope and level of benefits for the acquisition of business certificates in municipalities do not have a direct correlation with the level of entrepreneurship counted in the municipality, but rather is the result of political decision-making.

Municipalities also offer other financial supports such as interest-free loans and **real estate tax exemptions**, as well as programmes that **fully or partially reimburse eligible costs** such as:

- Business plan and investment project preparation costs;
- Infrastructure adaptation (creation) costs;
- Certain marketing measures and expenditures on the development of online tools;
- Partial reimbursement of newly created jobs;

- Partial reimbursement of expenses for participation in fairs (exhibitions);
- Partial reimbursement of staff training costs; and
- Reimbursement of special training courses, seminars, consultations.

Women

There are no specific schemes offering business start-up grants, loan guarantees or microfinance. However, some of the general programmes do offer preferred access for women by awarding additional points during the assessment process (e.g. schemes offered by the Rural Development Programme). In addition, some municipalities offered preferred access to locally-run business development programmes (but there are very few tailored programmes).

Immigrants

There are currently no tailored financing programmes for immigrant entrepreneurs. However, there are several examples of municipalities offering some forms of financial support such as discounted business licenses. For example, the Vilnius municipality offers a special reduction on business certificates to Lithuanians returning from abroad (99% discount).

Youth

Promoting youth entrepreneurship through special schemes offering business start-up grants, loan guarantees or microfinance is also reflected in the award of additional points in the evaluation of youth business initiatives. Such elements apply to business financing from the Rural Development Programme funding schemes for start-up subsidies in rural areas and investment as well as under the EU SF OP measure "Implementation of Local Development Strategies". Additional points are awarded to applicants-natural person under the age of 29 or by an applicant legal entity whose major shareholder is more than 50% shares are under 29 years of age.

In addition, the PES provides a self-employment measure for 255 unemployed youth in 2019, of whom 237 persons (93%) are unemployed under 29 years of age.

Municipalities can also offer discounts on business licenses for youth. For example, the Akmene municipality offers a discounted business license for young people under 29 years of age (75% discount).

Seniors

Seniors are the main benefactor of municipal-level supports, including a discounted price of the business certificates.

The unemployed

Applications for self-employment support can be submitted by jobseekers in one of the following categories:

- individuals of working age with disabilities for whom a working capacity of up to 25% or a severe disability level was established;
- unemployed individuals who are individuals of working age with disabilities for whom a working capacity of 30-40 % or an average disability level was established;
- unemployed individuals who are individuals of working age with disabilities for whom a working capacity of 45-55 % or mild disability level was established;

- unemployed individuals of up to 29 years of age; and
- unemployed 45 years and older.

Priority is given to increasing employment in rural areas and areas with the highest unemployment. Other criteria for assessing applications are the applicant's own resources contribution, the amount of support requested, the number of persons planned to be employed in the established job, the applicant's ability to perform job functions in the intended job according to the qualifications and work experience. The costs provided for in the estimate of the submitted application must be intended for the establishment of the workplace or enable to perform direct work functions in the established workplace. The support may be used for the purchase, installation and adaptation of work equipment (disabled people may purchase technical assistance equipment); as well as for the repair and adaptation of premises required for the installation of the workplace and which are owned by the owner (up to 50% subsidy). The support for one planned job may not exceed of 31 times that MMW; the job must be established within ten months and maintained for at least 36 months.

Overall, these measures made a small contribution to boosting self-employment among the unemployed, as the number of unemployed beneficiaries is quite small. According to PES data, nearly 10 000 subsidies are provided annually but the number of people with disabilities who created jobs for themselves is less than 50 per year and the number of former unemployed persons who create jobs for other unemployed persons sent from the PES is less than 20 per year.

Municipalities are responsible for setting prices of business license for the independent individual activities that can be carried out with a business license. By providing the discounts or benefits the municipalities could encourage target groups for entrepreneurship activity. In practice, the capital (Vilnius) municipality is the only which sets the aim is to increase the level of entrepreneurship by offering a special fee off business certificate to the long-term unemployed (with 90% discount).

Recent policy developments

The procedure of issuing business licenses changed in 2019 as part of tax harmonisation efforts. Business licenses have been revoked in areas such as childcare (babysitting services), maintenance and repair of motor vehicles, construction-related repairs (plumbing, heating, electrical installation, construction finishing work). Instead, persons have to pay taxes applied to the people performed under individual activity certificate. It is expected that these changes affect around 20 000 people, who in fact will face higher administrative burden activities.

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.

Women

There are several initiatives that seek to promote women’s entrepreneurship. The Lithuanian Chamber of Commerce, Industry and Crafts Association (LPPARA) created the **Business Women Network**.³⁸ The main goal of the network is to help women entrepreneurs to start a successful business, to promote women’s business development initiatives and to become more actively involved in decision-making processes. Its establishment was prompted by the successful women’s network of the European Chamber of Commerce and Industry Association (Eurochambres). Currently, there are active groups of Kaunas, Šiauliai, Panevėžys, Vilnius Chambers of Commerce, Industry and Crafts and their branches.

³⁸ <https://www.verslomoters.lt/>

Other important initiatives include, the **Association of Business Women**³⁹ is a non-governmental organisation that promotes women's entrepreneurship. In addition, the **Business Woman Awards (BWA)** competition has been organised for the past five years. These awards offer visibility to innovative young businesses created by women.⁴⁰

Youth

There are a number of initiatives to promote entrepreneurship, including events for both starters and investors (e.g. The New Business Forum #Launch, Next Economy conference, The Grand Founders Day, etc.). These include Youth Business Clubs, and business competitions at business schools and technical universities. The **StartupFAIR** event is held every year as one of the main youth entrepreneurship campaigns. The aim of the event is to grow and develop the Lithuanian start-up ecosystem, to acquaint Lithuanian and foreign investors with start-ups with high potential. About 1 500 participants attended the event and about 300 meetings took place annually in 2018 and 2019.

Youth job centres operate according to the “one stop shop” principle and provide vocational guidance measures for students (guidance activities are regularly organised in educational institutions, communication is being developed with career counsellors in schools), inform and advise young people on labour market measures as well as implement activation and motivation measures for young unemployed people. Youth Job Centres that are part of Public Employment Service, have strong partnerships with employers, entrepreneurship organisations, local municipalities, labour inspectorates and other service providers (psychologists, legal advisors), universities, entrepreneurs. The centres provide services to all young people – registration is not mandatory. There are 45 Youth Job centres at the moment. YJC post information on their social media account regularly about trainings and events for youth aged 16-29. Youth Job centres apply innovative and creative methods of working with youth. Every year YJC also participate in International Exhibitions of Knowledge, Education and Career Planning - the largest international exhibition in the Baltic States and the most important event in knowledge and career planning in Vilnius. The representatives of education and research institutions, employers and students meet to discuss the possibilities of studies at higher and vocational education institutions and find out the up-to-date trends in labour market demand.

The bulk of information provision to disadvantaged groups about business creation and self-employment is done by non-government organisations. Such organisations are well-positioned to provide information to youth and the government uses these partnerships effectively.⁴¹ However, a gap remains in the communication approach to entrepreneurship since there is no strategy for a coherent mainstreaming of entrepreneurship at different levels for the education system.⁴²

The unemployed

Information about available support, including about entrepreneurship promotion measures for the unemployed, is available on the PES internet portal and can be obtained in person when stopping at local PES offices. In addition, specialised online portals for other groups (e.g. for immigrants, women, youth) always link to the PES website.

³⁹ <https://www.bwa.lt>

⁴⁰ About BWA-2019 read more: <https://www.delfi.lt/verslas/verslas/business-woman-awards-2019-ivertintos-inovatyviausiu-verslo-ideju-autores.d?id=81422975>

⁴¹ Supporting youth entrepreneurship in Lithuania. A review of policies and programmes. OECD, 2015

⁴² Impact Evaluation of the European Union Structural Support to Lithuania's Competitiveness. ESTEP, 2015

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.

Women

Self-employed persons are insured with sickness social insurance and maternity social insurance only during the period of their activity and if they have paid state social insurance contributions for the period (as specified in the Law No I-1336 on State Social Insurance) and have the required length of service for the benefit. In the case of maternity, benefits may continue to be paid in individual cases after the termination of employment, depending on the length of service required for maternity social insurance. In the case of childcare, if self-employment is terminated during the period of payment of childcare benefit, the benefit will continue to be paid.

Immigrants

A key government priority is the promotion of an attractive investment environment and a business-friendly eco-system for regional development and innovation. In this context, the **Start-up Visa** project launched at the beginning of 2017 to facilitate the immigration of those who intend to start businesses that introduce new technologies or other significant innovations. A portal⁴³ for the submission and evaluation of applications for Start-up Visa was created. In 2019, the Start-up Visa programme received 274 applications from foreign companies wishing to transfer their business to Lithuania, of which 71 applications were approved. 45 foreign citizens received permits to establish start-ups in Lithuania through this programme in 2019.

Youth

There is no special regulatory measures offered for young entrepreneurs. However, the Junior Achievement Economic Education and Entrepreneurship Education Programmes offers a pilot project on student-run companies as part of their training. In 2018, there were 194 training companies with 1 236 students.

Full-time students are covered by compulsory health insurance at the expense of the state. If a student decides to combine studies with independent economic activity, they have to pay compulsory health insurance contributions, the amount of which will depend on the form of activity and insured income.

Seniors

The state insures with compulsory health insurance only those pensioners who do not work and do not receive any other income apart from the pension. If the pensioner is working or earning an income working under a business license, under copyright agreements or carrying out individual activities under certificate, they must pay a fixed amount of compulsory health insurance contributions in order to be entitled to paid medical leave. Old-age pensioners or persons recognised incapable of work (60% incapacity for work and more), who are eligible for the researcher's pension benefit (it is granted to persons who have a degree or pedagogical title) lose a right for researcher's pension benefit for the entire period of self-employment.

The unemployed

Upon expiry of the business license or termination of the business license or individual activity, people may apply to the PES for the granting of unemployment status. Receiving this unemployment status would allow applicants to receive unemployment benefits and other services provided by the employment service. Unemployment benefit may be re-granted only after 12 months from the date of termination of the previous unemployment benefit payment.

⁴³ <http://startupvisalithuania.com>

Recent policy developments

The system of social insurance contributions has been harmonised for Individuals who have acquired business licenses since 2018, as well as for those, who perform on the basis of an individual activity certificate. The motivation for this change was that regardless of the form of self-employment, a person chooses the same amount of social insurance contributions would receive the same social guarantees. Individuals who have acquired business licenses must pay State Social Insurance (SSI) contributions even if they are working as an employee at the same time. The fee is calculated based on the number of days of validity of the business certificate. Previously, they were not required to pay SSI contributions if the employer had paid contributions at least from the MMW income. Persons working under the individual activity certificate never have been covered by this exemption, so, the conditions have now been harmonised.

Since 2018, the “vacation” of social insurance contributions has appeared for people starting their first business: they are allowed not to pay SSI contributions for one year from the beginning of their activity. Those working with business licenses are entitled to “leave” for one year from the date of entry into force of the first business license, regardless of the number of days during which the business license was valid. Since 2018, pensioners who are self-employed under individual activity certificate got a right not to pay SSI contributions.

4 Supporting people who experience disability in entrepreneurship

Self-employment and entrepreneurship activities

Overall, there are about 160 000 people who experience a disability of working age and about 46 500 of these are working – of which about 40 500 are working in the market and nearly 6 000 are working in job placements in social enterprises. Therefore about 115 000 do not work and as many as 35% live in poverty. The largest share of the employed is made up of those with mild disabilities (45-55%). About 40% of working disabled people receive a minimum wage. Only 26% of working people who experience disability have a salary of more than EUR 800 even though most work at least 8 hours a day. Moreover, most of them have completed higher education.

In 2018, 13 149 job-seekers with disabilities were registered with the PES. Of these, 9 137 returned to work in 2019: 5 633 returned to employment (of which 423 were job placements in social enterprises) and 2 149 are participating in active labor market policy measures. Nearly 80% of unemployed people who experience disability surveyed said they want to work and are looking for work. A minimum wage would motivate about 30% of unemployed people with disabilities to work, about 18% would like a salary higher than EUR 800, and 6% would like to earn more than EUR 1 000.

Of those who were job seekers in 2018, 1 354 (14.8%) returned to work under a business license. Women who experience disability appear to be under-represented among those working in self-employment. A 2018 survey women who experience disability found that about 5.5% working in their own business and another 6.2% worked in informal work.⁴⁴

⁴⁴ Analysis of the situation of women with disabilities, assessing the effectiveness of the implementation of the provisions of the United Nations Convention on the Rights of Persons with Disabilities in Lithuania. Performed by: Lithuanian Society of the Disabled. 2018. <http://www.ndt.lt/wp-content/uploads/Ne%20AFgali%20B3j%20B3-moter%20B3-ir-mergai%208Di%20B3-ataskaita-Galutin%2097-2018.12.17-1.pdf>.

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 **MoSSL** is the main institution responsible for setting the policy of social integration of the disabled, as well as implementing programmes. The **Department of Disability Affairs (DDA)** under the MoSSL plans and co-ordinates the implementation of social integration policy measures for the disabled in order to create equal rights and opportunities for the disabled to participate in public life. The DDA also monitor the results of social integration activities of persons with disabilities and prepare monitoring reports on the implementation of the United Nations Convention on the Rights of Persons with Disabilities and its Optional Protocol.

The **Disability and Working Capacity Assessment Service** determines the level of disability, the level of working capacity, the need for vocational rehabilitation services and the need for special needs. The municipalities offer social integration services in co-operation with non-government associations. The **Association of the Disabled** represents the interests of the disabled, helps to implement measures for the social integration of the disabled.

The **Law No XII-2470 on Employment**, the **Law No IX-2251 on Social Enterprises** and the Description of Criteria for Determining the Need for Vocational Rehabilitation Services and the Rules for Provision and Financing of Vocational Rehabilitation Services provide for active labor market policy measures aimed at persons with disabilities:

- 1) Subsidised employment measure;
- 2) Support for the acquisition of work skills;
- 3) Job creation subsidies;
- 4) Support for self-employment;
- 5) Vocational rehabilitation programme;
- 6) Social enterprises.

The public policy of promoting the employment of persons with disabilities is aimed both at measures that could increase the social integration of the disabled in the open labor market and at segregated work environments (i.e. social enterprises). The **National Programme for Social Integration of Persons with**

Disabilities for 2013-20⁴⁵ aims to ensure better employment opportunities for those who experience disability and to create favorable conditions for labor market participation. The main method of achieving this is through the improvement of the quality of vocational rehabilitation services.

The **Law No I-2044 on Social Integration of Disabled people**⁴⁶ establishes basic vocational rehabilitation services. People who experience disability are eligible for two main types of financial assistance: (i) social financial support to ensure guarantees of the financial situation of the disabled and (ii) targeted compensations of the costs of meeting special needs. Special benefits are provided in order to meet individual needs in cases when other special assistance measures do not provide opportunities to meet these needs.

Overall, a range of employment services are available. However they are usually linked to employers rather than to individuals who need support.

⁴⁵ Government Resolution No 1408, 21 November 2012; <https://www.e-tar.lt/portal/lt/legalAct/TAR.46B1FA2B9435>

⁴⁶ <https://www.e-tar.lt/portal/lt/legalAct/TAR.199156E4E004/asr>

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.

Entrepreneurship skills

The PES creates conditions for persons with disabilities to receive vocational rehabilitation or acquire a professional qualification but these measures focus on moving individuals into employment. To this end, the PES proposes measures including skills acquisition and various financial support to create employment places. If the need for vocational rehabilitation services is determined for the person, they can participate in a vocational rehabilitation programme and receive a vocational rehabilitation allowance for up to six months. This benefit is granted and paid regardless of other income. At the end of the vocational rehabilitation programme, a decision is made on the person's level of ability to work.

Financing entrepreneurship

By promoting opportunities for self-employment, entrepreneurship, the development of co-operatives and starting one's own business, the PES supports self-employment by setting up a job. However, it no longer reimburses the cost of obtaining a business license. It is not known how many people who experience disability have benefited from these measures since data are not reported for this characteristic.

Municipalities also run business development promotion programmes (linked to the local SMEs support funds), which provide various business/entrepreneurship support instruments. However, only a few municipalities give clearly declared priority for those who experience disability when offering support such as start-up grants, marketing measures, etc.

Entrepreneurship culture and social capital

A number of non-governmental organisations represent the interests of people with disabilities and support labour market participation.⁴⁷ However, the focus of these organisations is largely on employment and workplace adaptation issues. The issue of disabled entrepreneurship is addressed only occasionally. This also reflects the prevailing view about limited opportunities for a disabled person to gain a foothold in the labour market, let alone start and maintain his own business in the face of competition and other challenges.

Enterprise Lithuania together with partners (British Council Lithuania, NGO Avily, *Tulbos Konsultacijos*, Nordic Council of Ministers' Office in Lithuania, Lithuanian Social Business Association, *Pirmas Blynas*) organise the Annual Social Business Forum to promote dialogue and to invite social businesses, social innovators, policy makers, academics and related institutions to review the social business environment in Lithuania and assess further growth opportunities. The 2020 Forum showcased international practices and tools.

Regulatory measures

The **Law No IX-1007 on Personal Income Tax** provides for tax relief for those who experience disability. They are subject to a higher amount of non-taxable income, which also applies to self-employment (the specific amount of which is calculated depending on the defined level of working capacity, on established level of disability and on the determined special needs for persons of retirement age).

People who experience disability who have become self-employed do not lose the right to the financial assistance measures applicable to them to meet the special needs of persons with disabilities and to ensure the guarantees of material status, which are provided for in the **Law No I-2044 on Social Integration of Disabled People**.

However, people working **under a business license** are not covered by sickness insurance and therefore are not entitled to the paid Medical leave. Persons performed under independent individual activity certificate have compulsorily to pay social and medical insurance contributions for pensions, maternity, and health insurance. Therefore, they are entitled to the relevant benefits provided (e.g. old-age pension, sickness, maternity, paternity, childcare benefits). The amount of sickness benefit is calculated on the basis of insured income from which social security contributions have been paid.

⁴⁷ Find the whole list here: <https://socmin.lrv.lt/lt/naudingos-nuorodos-1/nevyriausybinės-visualomeninės-organizacijos/zmoniu-su-negalia-organizacijos>

Recent policy developments

A significant legislative change was made in 2018 that concerns the application of the concept of “incapacity for work” and “partial capacity for work”. These concepts prevented many people with disabilities from finding employment, even part-time, and were universally recognised as discriminatory. Once the amendments have been adopted, the person's ability to work to be assessed as a percentage in the interval of five points and the division into separate groups has been abandoned. A person with the ability to work 0–55% will now be considered disabled. Accordingly, the assessment criteria and procedures were revised and benefits were adjusted and harmonised.

5 Policy recommendations

Inclusive entrepreneurship policies are receiving increasing attention. In the face of demographic challenges, some progress has been made in implementing an integrated approach to the development of the country's human resources and designing measures for individual target groups in order to exploit their potential. There are many activities, projects and initiatives to promote youth entrepreneurship and to a lesser extent, for the unemployed and people with disabilities. There is a room to increase the availability of entrepreneurship support for other target groups, notably women and older people. Moreover, support schemes are not integrated into a coherent system. Each institution has its own areas of responsibility, but there is no clear activities' mainstreaming mechanism. The integrated monitoring and *ex-post* evaluations are not fully exploited as evidence-based tools for inclusive entrepreneurship policy. To further advance policies and programmes in this area, the following recommendations are offered:

- 1) **Promote entrepreneurship to target groups in a more tailored and targeted way.** Policies to promote youth entrepreneurship continue to be a factor in encouraging self-employment and curbing emigration, ensuring the activity of this target group and opportunities for alternative activities. Renewing the promotion of women's entrepreneurship is associated with opportunities to reconcile work and family responsibilities more effectively. Entrepreneurship promotion measures for all target groups must be combined with social insurance and social support measures, ensuring the necessary motivation of participants in the field of self-employment in entrepreneurship.
- 2) **Introduce measures to promote entrepreneurship among older people** (e.g. training and tax incentives). The population is ageing faster than the population of almost all EU countries. These measures should be seen, on the one hand, as conditional for smooth implementation of pension reform without great fiscal shocks and, on the other hand, as a way for preservation and use of human capital, the soft exit from early work, and the improvement of quality of life and well-being. Entrepreneurship education of older people has to correlate with the lifelong learning agenda. To this end, the Lifelong Learning Development Action Plan 2017-20⁴⁸ should be supplemented with specially designed entrepreneurship measures. Assuming that pensioners already make a sufficient contribution to the solidarity-based state social insurance system and have paid taxes to the state budget throughout their working life, the application of tax benefits/exemptions to this target group should be considered.
- 3) **Build stronger co-ordination in the implementation of inclusive entrepreneurship policy,** given that different policy making institutions have different motives in the field. Entrepreneurship is generally seen as a way to stimulate and accelerate economic activity and competitiveness, while inclusion is seen as a tool to increase self-reliance and better integration of disadvantaged social groups. In order to balance these goals and to create strong preconditions for the successful and sustainable implementation of inclusive entrepreneurship measures, it is necessary to assign

⁴⁸ Approved by the MoSSL Order No V-536, 28 June 2017; <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/8e9c7f545d0511e7a53b83ca0142260e?jfwid=f4nne5tdt>

strategic institutional leadership to the center of government (CoG) and clearly define the roles and responsibilities of the participating institutions.

- 4) **Strengthen multiple and comprehensive the monitoring and evaluation of inclusive entrepreneurship policies and programmes.** Impact assessments are needed to weigh the financial costs of key inclusive entrepreneurship programmes against benefits. STRATA could be given a responsibility to conduct a permanent cross-cutting analysis of all aspects of inclusive entrepreneurship.

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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.